# DISCOVERY-CORP ENTERPRISES INC.
## (an exploration stage company)

# Management's Discussion & Analysis

**For the year ended**
**July 31, 2016**

| | Stated in Canadian dollars | Management's Discussion & Analysis<br><br>For the year ended July 31, 2016 |
|---|---|---|

*The following discussion and analysis of the operations, results, and financial position of the Company for the fiscal year ended July 31, 2016 should be read in conjunction with the July 31, 2016 Audited Consolidated Financial Statements and the related Notes. The effective date of this report is September 30, 2016. All amounts are expressed in Canadian dollars unless otherwise noted.*

## *OVERVIEW*

Discovery-Corp Enterprises Inc. (the "Company") was incorporated under the laws of British Columbia on May 6, 1986 and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in the exploration for base and precious metals. The Company holds an undivided 50% interest in the mineral rights associated with Rock Creek Ranch located in Humboldt County, Nevada, USA. The Company's Galaxy property is located in the Kamloops Mining Division in southern British Columbia, Canada. The property is comprised of two Crown granted mineral claims and seven two-post legacy mineral claims that cover an area of approximately 90 hectares. The legacy claims are 100% owned by Discovery-Corp Enterprises Inc. The Company's shares trade on the TSX Venture Exchange under the trading symbol DCY.V.

## *FORWARD LOOKING STATEMENTS*

The Management Discussion and Analysis is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of July 31, 2016. Except for historical information or statements of fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward looking statements are based on the opinions, plans and estimates of management at the date the statements are made and are subject to a variety of risks, uncertainties and other factors that could cause the actual results to differ materially from those projected by such statements. The primary risk factors affecting the Company are discussed further under the heading "Risk Factors" below. The Company undertakes no obligation to update forwarding looking statements if circumstances or management's estimates, plans or opinions should change. The reader is cautioned not to place undue reliance on forwarding looking statements.

## *SELECTED ANNUAL INFORMATION*

The following are highlights of financial data on the Company for the most recently completed three financial years:

Expressed in Canadian $

| | July 31, 2016 | July 31, 2015 | July 31, 2014 |
|---|---|---|---|
| Loss before other items | (226,537) | (622,302) | (363,476) |
| Total comprehensive (loss) | (219,520) | (292,405) | (690,499) |
| (Loss) income per share | (0.004) | (0.006) | (0.014) |
| Total assets | 71,186 | 244,828 | 367,805 |
| Total liabilities | 59,242 | 13,364 | 22,881 |
| Working capital (deficiency) | (16,972) | 202,548 | 316,008 |

Stated in Canadian dollars

## OVERALL PERFORMANCE FOR THE YEAR ENDED JULY 31, 2016

Management will continue investigating new exploration opportunities identified as having favorable potential to enhance the Company's resource property interests. Discovery-Corp's 43-101 Technical Report on its Galaxy Project is available for viewing on SEDAR and the Company's website www.discovery-corp.com. The technical information was approved by Christopher Naas, P. Geo, a qualified person as defined by NI 43-101 and is not independent of Discovery-Corp.

## OPERATION RESULTS FOR THE 4th QUARTER ENDED JULY 31, 2016 COMPARED TO 4th QUARTER ENDED JULY 31, 2015

Comprehensive loss for the 4th Quarter ended July 31, 2016 was $47,680 a decreased loss of $10,435 when compared to the 4th Quarter of 2015 Comprehensive loss of $58,115.

The Loss Before Other Items for the 4th Quarter 2016 of $46,255 represents a decrease of $439,338 when compared to the 4th Quarter of 2015 Loss Before Other Items loss of $482,593.

The significant difference between the 4th Quarters is due to the significant change in fair value of marketable securities. On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company has received 280,449 ordinary shares of GRIT Shares at a deemed value of £1.00 per GRIT Share for a total value of £280,449 ($510,000). The fair value of the shares is based on the quoted market price on the London Stock Exchange. During the year ended July 31, 2016, the cumulative unrealized losses in the value of marketable securities were determined to be other-than-temporary. Therefore, the cumulative unrealized losses of $58,368 have been impaired through profit and loss. The total impairment since March 4, 2014 of $487,653, combined with the unrealized gain in 2016 of $6,764 leaves GRIT shares valued at $29,111.

## SUMMARY OF QUARTERLY RESULTS

| | 2016 | | | 2015 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|
| Quarter Ended | Jul. 31 Q4 (IFRS) | Apr. 30 Q3 (IFRS) | Jan. 31 Q2 (IFRS) | Oct. 31 Q1 (IFRS) | Jul. 31 Q4 (IFRS) | Apr. 30 Q3 (IFRS) | Jan. 31 Q2 (IFRS) | Oct. 31 Q1 (IFRS) |
| Income (Loss) Before Other Items | (46,255) | (42,593) | (58,400) | (79,289) | (482,593) | (45,473) | (46,279) | (47,957) |
| Net Income (Loss) | (46,249) | (42,568) | (58,289) | (79,178) | (482,508) | (45,393) | (46,059) | (47,686) |
| Comprehensive gain (loss) | (50,680) | (31,373) | (58,289) | (79,178) | (58,115) | (83,484) | (80,086) | (70,720) |
| Loss (Gain) Per Share | (0.001) | (0.001) | (0.001) | (0.001) | (0.001) | (0.002) | (0.002) | (0.001) |

## *RESULTS OF OPERATION FOR THE YEAR ENDED JULY 31, 2016*

*The review of results of should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the fiscal years ended July 31, 2016 and 2015.*

The comprehensive loss for the year ended July 31, 2016 was $219,520 or $(0.004) per share compared to a comprehensive loss of $292,405 for the year ended July 31, 2015 or $(0.006) per share. Interest income decreased from $656 in 2015 to $253 in 2016.

Administration expenses for the year ending July 31, 2016 were $167,938 compared to $184,968 in 2015. The administration expenses for the Company expressed in Canadian dollars are broken down as follows:

| | 2016 | 2015 |
|---|---|---|
| Consulting fees | $ 110,500 | $ 121,500 |
| Professional fees | 15,611 | 17,850 |
| Travel | 453 | 366 |
| Rent | 18,000 | 18,000 |
| Listing, filing and transfer agent fees | 16,599 | 19,386 |
| Office and miscellaneous | 4,416 | 4,470 |
| Shareholder and investor relations | 1,883 | 2,907 |
| Bank charges | 476 | 489 |
| | $ 167,938 | $ 184,968 |

The Company's successful cost savings reduced expenses from 2016 compared to 2015. Shareholder and investor relations decreased from $2,907 to $1,883. Professional fees were reduced from $17,850 to $15,611 in 2016. Consulting fees were reduced from $121,500 to $110,500 in 2016. There was no share-based expense in 2016.

## *RESOURCE PROPERTIES*

| | July 31, 2016 | July 31, 2015 |
|---|---|---|
| Galaxy Property, British Columbia, Canada | $ 20,916 | $ 20,916 |

### Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

### Rock Creek, Nevada, USA

The Company holds a 50% interest in the property. The Company has written off the property for accounting purposes, but retains its interest for viable projects in the future.

Stated in Canadian dollars

### *Exploration Expenditures*

The exploration expenses for the Company are broken down as follows:

| | 2016 | 2015 |
|---|---|---|
| Consulting, planning and mapping drill program | $ - | $ 9,740 |
| Modeling | - | 1,548 |
| First Nations accommodation fees and miscellaneous | 231 | 147 |
| Mineral exploration tax credit | - | (3,386) |
| | $ 231 | $ 8,049 |

To conserve cash the Company did not spend cash on exploration in Fiscal 2016. Given the amount of past work done all properties remain in good standing.

## *LIQUIDITY AND WORKING CAPITAL*

### *Cash flow*

Cash utilized in operations was $119,040 for the year ended July 31, 2016 compared to $197,221 for the year ended July 31, 2015. The most significant saving of cash was decreased mineral exploration, consulting and professional fees of $126,342 in 2016 compared to $147,399 in 2015.

There were no financing activities in the year ended July 31, 2016. On June 18, 2015 the Company closed a non-brokered private placement of 2,000,000 units at a price of $0.08 per unit for total gross proceeds of $160,000. Each unit consists of one common share and one common share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of $0.10 until June 16, 2017. All securities issued are subject to a hold period expiring on October 17, 2015. Total share issuance costs of $3,555 were incurred.

On September 6, 2016, subsequent to the Company's year end, the Company closed a non-brokered private placement of 9,000,000 units at a price of $0.03 per unit for total gross proceeds of $270,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of $0.05 until September 6, 2019. All securities issued are subject to a hold period expiring on January 7, 2017. Total share issuance costs of $3,281 were incurred.

At this time the Company has no operating revenues. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration.

### *Working Capital*

The Company has negative working capital of $16,972 at July 31, 2016. The working capital includes $10,720 of cash, $29,111 of marketable securities and $2,439 in receivables. By closing a $270,000 financing on September 6, 2016, the Company believes the working capital is sufficient to meet its on-going obligations and general operating expenses for the 2016 fiscal year.

## *CRITICAL ACCOUNTING ESTIMATES*

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

<u>Mining exploration tax credit</u>

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

## *CRITICAL ACCOUNTING JUDGEMENTS*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

<u>Exploration and evaluation assets</u>

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

## *CRITICAL ACCOUNTING JUDGEMENTS (continued)*

Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are other than temporarily impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows. Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Going concern

Management assesses the amount of cash on hand at each reporting date to determine whether the Company pursues any exploration programs or adjusts management salaries and other expenses in the following year. Management ensures that the Company has enough cash to cover the operating expenses. Based on the analysis, the Company will be going concern for the next 12 months.

## *Pending Accounting Pronouncements*

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on August 1, 2016 or later periods. The standards impacted that are applicable to the Company are as follows:

*Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11.
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to the Company's annual period beginning on August 1, 2016.

*Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)*

### *Pending Accounting Pronouncements (continued)*

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to the Company's annual period beginning on August 1, 2016.

*Equity Method in Separate Financial Statements (Amendments to IAS 27)*

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Applicable to the Company's annual period beginning on August 1, 2016.

*Disclosure Initiative* (Amendments to IAS 1)

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements.

Applicable to the Company's annual period beginning on August 1, 2016.

*Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Applicable to the Company's annual period beginning on August 1, 2017.

*Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Applicable to the Company's annual period beginning on August 1, 2017.

### *Pending Accounting Pronouncements (continued)*

*IFRS 9 Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning on August 1, 2018.

### *Pending Accounting Pronouncements (continued)*

IFRS 16 *Leases*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Applicable to the Company's annual period beginning on August 1, 2019.

## *OFF-BALANCE SHEET ARRANGEMENTS*

The Company has not entered into any off-balance sheet arrangements in the current year.

## *PROPOSED TRANSACTIONS*

The Company does not have any proposed transactions.

Discovery-Corp Enterprises | Stated in Canadian dollars | Management's Discussion & Analysis For the year ended July 31, 2016

## *FINANCIAL INSTRUMENTS*

The Company classifies its financial instruments as follows: marketable securities as AFS; reclamation bonds as held-to-maturity; and accounts payable and accrued liabilities, as other financial liabilities. With the exception of marketable securities, all financial instruments held by the Company are measured at amortized cost.

The carrying values of accounts payable and accrued liabilities approximate its fair value due to the short-term maturity of the financial instrument. Marketable securities are recorded at market value based on quoted market prices.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with major financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At July 31, 2016, the Company had cash of $10,720 (2015 - $129,760) available to apply against short-term business requirements and current liabilities of $59,242 (2015 - $13,364). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As of September 30, 2016 the Company had no accounts payable and all accounts receivable had been received.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk. The Company's sensitivity analysis suggests that a 70% change in market prices would change comprehensive loss by $20,377 (2015 - $49,570). The Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares; there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of GRIT Shares will be used by the company for working capital. The fair value of the shares is based on the quoted market price on the London Stock Exchange.

| GRIT Cost | Market Value Adjustment | Fair Value |
|---|---|---|
| $ 510,000 | $ (480,889) | $ 29,111 |

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2015.

## *RISK FACTORS*

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee, or assurance, that other factors will or will not adversely affect the Company.

### *Risks Inherent in the Exploration and Development Business*

Exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable. Availability of skilled people, equipment and infrastructure (including roads, posts, power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground controls problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. Insurance coverage against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

### *Environmental*

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

## *RISK FACTORS (continued)*

### *Title*

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

### *Realization*

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

### *Competition for Mining Properties*

The mining industry in which the Company is engaged is in general, highly competitive. Competitors include well-capitalized mining companies, independent mining companies and other companies having financial and other resources far greater than those of the Company. The Company competes with other mining companies in connection with the acquisition of mineral properties. In general, properties with a higher grade of recoverable mineral with economically viable deposits afford the owners a competitive advantage in that the cost of production of the final mineral product is lower. Thus, a degree of competition exists between those engaged in the mining industry to acquire the most valuable properties. As a result, the Company may eventually be unable to acquire attractive mining properties.

### *Seasonality*

Currently the Company's exploration has been focused on the Galaxy Property in British Columbia. The property lies within an area that is semi-arid, with hot summers, little rainfall and with temperatures typically exceeding 30º C during summer months. Winters are relatively mild with little snowfall and with average temperatures just below freezing. Short "cold-snaps" where temperatures drop to -20º C are common. Although winter may last from November to April, exploration is possible year-round. In the summer months access to the property may be limited if there are access restrictions imposed to monitor the risks of forest fires.

### *Financing and Market price*

Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.

Stated in Canadian dollars

## *RELATED PARTY TRANSACTIONS*

The consolidated financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

The remuneration of directors and other key management personnel was as follows:

| | 2016 | 2015 |
|---|---|---|
| Short-term employee benefits | $ 110,500 | $ 124,336 |

Included in administration fees are legal fees of $nil (2015 - $2,836) for legal services rendered by a corporation owned by the President and CEO of the Company. Key management personnel were not paid any post-employment benefits, termination benefits or other long-term benefits during the respective periods.

## *OUTSTANDING SHARE DATA*

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2016, the Company had 64,170,962 common shares issued and outstanding, and as at July 31, 2016, the Company had 55,170,962 shares issued and outstanding (2015 – 55,170,962).

The Company has the following stock options that are outstanding and exercisable at July 31, 2016:

| | | July 31, 2016 | | July 31, 2015 | |
|---|---|---|---|---|---|
| Expiry Dates | Exercise Price | Outstanding Number of Options | Exercisable Number of Options | Outstanding Number of Options | Exercisable Number of Options |
| February 2, 2017 | $ 0.10 | 2,975,000 | 2,975,000 | 2,975,000 | 2,975,000 |
| May 17, 2017 | $ 0.10 | 175,000 | 175,000 | 175,000 | 175,000 |
| August 25, 2017 | $ 0.12 | 500,000 | 500,000 | 500,000 | 500,000 |
| September 23, 2018 | $ 0.12 | 800,000 | 800,000 | 800,000 | 800,000 |
| January 17, 2019 | $ 0.12 | 150,000 | 150,000 | 150,000 | 150,000 |
| | | 4,600,000 | 4,600,000 | 4,600,000 | 4,600,000 |

The weighted average remaining contractual life of options outstanding at July 31, 2016 is 0.93 (2015 – 1.93) years. No options were granted subsequent to July 31, 2016.

Stated in Canadian dollars

### *OUTSTANDING SHARE DATA (continued)*

The Company has the following share purchase warrants that are outstanding and exercisable at July 31, 2016:

| | | July 31, 2016 | | July 31, 2015 | |
|---|---|---|---|---|---|
| Expiry Dates | Exercise Price | Outstanding Number of Warrants | Exercisable Number of Warrants | Outstanding Number of Warrants | Exercisable Number of Warrants |
| June 16, 2017 | $ 0.08 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

Subsequent to July 31, 2016, on September 6, 2016, the Company granted 9,000,000 warrants to purchase common shares of the Company at a price of $0.05 per share until September 6, 2019. Accordingly, as at September 30, 2016, 11,000,000 warrants were outstanding.

### *SEGMENT DISCLOSURE*

The Company operates in one business segment, the exploration of base and precious metals, and its consolidated assets are held in Canada.

### *OUTLOOK*

Operating expenses for fiscal year 2017 are expected to be funded by cash on hand and/or the issuance of shares including the exercise of warrants and options. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.

### *OTHER*

Additional information relating to the Company is available on SEDAR at www.sedar.com and at www.discovery-corp.com.