

## **CASSIUS VENTURES LTD.**

### **Management Discussion and Analysis For the Six Months Ended April 30, 2016**

The MD&A of Cassius Ventures Ltd. (the “Company”) has been prepared by management in respect of the three and six month periods ended April 30, 2016, and should be read in conjunction with the condensed interim consolidated financial statements as of April 30, 2016 and related notes thereto of the Company. The Company reports its financial statements in accordance with International Financial Reporting Standards (“IFRS”). All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is June 27, 2016.

#### **Description of Business**

The Company was incorporated on February 23, 2007 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act of British Columbia under the name “Cassius Ventures Ltd.”. The Company currently trades on the NEX Board of the TSX Venture exchange under the symbol “CZ.H”.

The Company was previously focused on mineral exploration of its two main project areas in Nicaragua: Nueva Segovia and León, held by Fortress de Nicaragua S.A. (“Fortress”), a private Nicaraguan company, which is the legal and beneficial owner of sixteen exploration concessions with a total area of approximately 137,000 hectares. In June 2013, the Company provided an application to the Nicaraguan Ministry of Mines (“MEM” or “Ministry”) to reduce its landholdings by 66,093 hectares. In April 2015, the Company completed the sale of Fortress to an arm’s length Nicaraguan party, as detailed below.

The Company continues its pursuit of a viable property of merit in conjunction with a financing to support the exploration or development of such a property.

#### **Update on Listing Status**

Given the Company has not maintained the requirements for a TSX Venture Exchange (“TSXV”) Tier 2 company, the Company’s listing was transferred to the NEX Board of the TSXV (the “NEX”) on November 26, 2015. The NEX trading platform is a separate board of the TSX-V. The Company’s existing share certificates will continue to represent the shares of the Company.

#### **Disposition of Fortress**

In February 2015, the Company executed a share sale agreement in respect of the sale of Fortress to an arms-length Nicaraguan party (the “Purchaser”) for a nominal amount of consideration. Under the terms of the share sale agreement, the Purchaser will assume all assets and liabilities of Fortress. The Company recorded an impairment charge to all capitalized costs in respect of the Nicaraguan gold properties borne by Fortress as at October 31, 2014.

On April 7, 2015, the company received shareholder approval of the sale of Fortress and on April 8, 2015, the Company received final regulatory approval, which completed the sale of Fortress. Upon closing the sale of Fortress, the Company wrote off all remaining assets and liabilities of Fortress, the majority of which comprised payables due to the Ministry, which the obligation now belongs to the Purchaser. As the majority of Fortress’ assets were written off during the year ended October 31, 2014, the Company recognized a gain on the sale of Fortress of \$1,506,445 during the year ended October 31, 2015.

The disposition of Fortress, and consequently the related payables associated with Fortress, vastly improved the working capital deficit balance and therefore, enabled management to carry on seeking a new property of merit, while incurring minimal costs to maintain operations.

Eddy Canova, P.Geo., OGQ(403), the Director of Exploration for the Company and a Qualified Person as defined by NI 43-101, has reviewed and is responsible for the technical information contained in the MD&A.

### **Liquidity & Capital Resources**

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has yet to generate any revenues from operations and as at April 30, 2016, had an accumulated deficit of \$6,397,647 and a working capital deficit of \$158,950.

The Company's working capital balance currently limits the Company's ability to fund significant capital expenditures and operations. These conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The continuation of the Company as a going concern is dependent on securing additional funding through equity or debt financing to (a) settle existing liabilities, (b) locate a property of merit to explore and develop and (c) support corporate overhead. Although management is of the opinion that sufficient working capital will be obtained to meet the Company's liabilities and commitments as they become due, either through the issuance of promissory notes or an equity financing, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company as market conditions have limited the availability of funds. In the event the Company is unable to arrange necessary financing, the Company may be forced to cease operations.

In the meantime, management have undertaken measures, beyond the sale of Fortress, to mitigate ongoing expenditures, including waiving compensation accrued to management over the last 26 months and reducing other overhead costs as required. Ongoing costs are currently expected to be funded through the issuance of either promissory notes or securities of the Company.

### **Promissory Notes**

As at April 30, 2016, the Company had outstanding promissory notes totaling \$81,000 (October 31, 2015 - \$57,000). The promissory notes bear interest at 7% per annum, and are unsecured and payable on demand.

Interest incurred on the promissory notes for the three and six month period ended April 30, 2016 was \$1,342 and \$2,404, respectively (2015 - \$742 and \$742, respectively).

### **Overall Performance**

The following discussion of the Company's financial performance is based on the unaudited condensed interim consolidated financial statements for three and six month periods ended April 30, 2016.

At April 30, 2016, the Company had total assets of \$565 (October 31, 2015 - \$1,765), comprising input tax credits receivable of \$498 (October 31, 2015 - \$29) and cash of \$67 (October 31, 2015 - \$869).

The increase in input tax credits is a result of input tax credits paid on expenditures incurred during the period. The decrease in cash represents the net operating cash outflow during the period of \$24,802, offset by a cash inflow of financing activities of \$24,000, in respect to the promissory notes issued to a former director of the Company in February and March 2016.

Shareholders' deficit comprises share capital of \$5,968,027 (October 31, 2015 - \$5,968,027), contributed surplus of \$270,670 (October 31, 2015 - \$269,534) and a deficit of \$6,397,647 (October 31, 2015 -

\$6,386,595). The decrease in shareholders' deficit of \$9,916 results from the net loss for the six month period ended April 30, 2016 of \$11,052, partially offset by an increase to contributed surplus for share based payments of \$1,136, representing the fair value recognized from the vesting of stock options to a director, officer and consultant of the Company during the period.

The Company has a working capital deficit of \$158,950 at April 30, 2016 compared to a working capital deficit of \$149,034 at October 31, 2015.

### Segmented Information

The Company operates in one business segment, being the acquisition, exploration and development of mineral properties. After the disposition of Fortress in April 2015, all of the Company's assets are located in Canada.

### **Results of Operations**

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for three and six month periods ended April 30, 2016 and 2015:

During the three month period ended April 30, 2016, the Company reported a net loss of \$6,213 (2015: net income of \$1,399,231). The net loss was mainly a result of \$2,017 incurred on transfer agent and regulatory filing fees (2015 - \$8,177), in addition to interest expense of \$1,342 incurred on the Company's outstanding promissory notes (2015 - \$740).

During the six month period ended April 30, 2016, the Company reported a net loss of \$11,052 (2015: net income of \$990,688). The net loss was mainly a result of \$5,143 incurred on transfer agent and regulatory filing fees (2015 - \$13,837), in addition to interest expense of \$2,404 incurred on the Company's outstanding promissory notes (2015 - \$740).

Since incorporation, the Company has no operating revenues as it is still in the acquisition and exploration stage.

### **Summary of Quarterly Results**

The following table sets forth selected unaudited quarterly financial information for the last eight completed quarters. The data in the table has been presented in conformity with IFRS and is presented in Canadian dollars:

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total Revenue (Note 1)	\$ -	\$ -	\$ -	\$ -
Net income (loss) for the period	\$ (6,213)	\$ (4,838)	\$ (15,591)	\$ (8,729)
Basic and diluted earnings (loss) per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Total Revenue (Note 1)	\$ -	\$ -	\$ -	\$ -
Net income (loss) for the period	\$1,399,231	\$(408,543)	\$(4,797,533)	\$16,388
Basic and diluted earnings (loss) per share	\$ 0.14	\$ (0.04)	\$ (0.78)	\$ 0.00

**Note 1** – As the Company has yet to secure a mineral related asset, the Company has no revenue to report during the financial reporting periods noted above.

In Q4 2014, the Company realized a significant net loss mainly due to the write-down charge of \$4,871,196 representing costs previously capitalized in respect of the Company's Nicaraguan Gold properties held under Fortress given the impending sale of Fortress as announced in February 2015. The net loss in Q1 2015 is reflective of the continued accrual of concession rents for concessions written off for accounting purposes but not yet sold, as well as foreign exchange losses based on translation of foreign denominated payables due to the Ministry. The net income of \$1,399,231 in Q2 2015 is primarily due to the gain on sale of Fortress in April 2015, as majority of balances written off from Fortress comprised payables owing to the MEM. The net loss in Q3, Q4 2015 and Q1, Q2 2016 is reflective of minimal overhead expenditures being incurred by the Company since the sale of Fortress, while continuing its search for a property of merit alongside a prospective financing.

### **Critical Accounting Policies**

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the audited annual financial statements for the year ended October 31, 2015.

### **Accounting Standards Issued but Not Yet Applied**

#### *IFRS 9 – Financial instruments*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 to all annual periods beginning on or after January 1, 2018. The Company has yet to commence assessing the impact of this new standard.

### **Off Balance Sheet Transactions**

There are currently no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company.

### **Subsequent Events**

Subsequent to period end, the Company issued a total of \$15,000 in promissory notes. The Promissory Notes are subject to the same terms and conditions as disclosed in the Promissory Notes discussion above.

### **Outstanding Share Data**

As at the date of this report, the Company has 10,217,248 common shares issued and outstanding.

As at the date of this report, there were 446,000 stock options outstanding.

### **Related Party Transactions**

#### a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer, and Chief Financial Officer. Compensation awarded to key management for the three and six month

periods ended April 30, 2016 comprised share based payments of \$528 and \$833, respectively (2015 - \$Nil) relating to the continued vesting of options granted to Chris Batalha, a director and the Chief Financial Officer of the Company, in May, 2015.

b) Payments for services by related parties

Up until December 31, 2014, the Company was charged shared lease and overhead, and service costs by Atlantic Gold Corporation ("Atlantic"), a Company with a director and officer in common being Chris Batalha, and a former director in common being Steven Dean. For three and six month periods ended April 30, 2016, the Company incurred \$nil (2015: \$1,528) in shared lease and overhead, and service costs. As at April 30, 2016 and October 31, 2015, the Company owed \$28,215 to Atlantic.

As at April 30, 2016 and October 31, 2015, the Company owed \$25,812 to Oceanic Iron Ore Corp., a company with a director and officer in common, being Chris Batalha, and a former director in common being Steven Dean.

As at April 30, 2016 and October 31, 2015, the Company owed \$5,746 to Chris Batalha, a director and Chief Financial Officer of the Company.

The amounts due to and from related parties other than those described in (c) below are non-interest bearing, unsecured and due on demand.

c) Promissory notes with related parties

In February 2015, the Company issued promissory notes totalling \$37,000, \$18,500 to John Thomas, a current director of the Company, and \$18,500 to a former director of the Company, being Steven Dean. In January 2016, the Company issued an additional \$12,000 of promissory notes to John Thomas. In February 2016 and March 2016, the Company issued an additional \$7,000 and \$5,000, respectively, to Sirocco Advisory Services Ltd., a Company controlled by Steven Dean, a former director of the Company. The promissory notes are unsecured, bear interest at 7% per annum and are payable on demand. Interest incurred on the promissory notes for the three and six month periods ended April 30, 2016 totalled \$997 and \$1,705, respectively (2015 - \$Nil).

## **Financial Instruments and Risks**

### Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, amounts due to related parties and promissory notes payable.

Cash is designated as held-for-trading and carried at fair value. Amounts receivables are designated as loans and receivables and are measured at amortized cost. Accounts payable, accrued liabilities, amounts due to related parties, and promissory notes are classified as other financial liabilities, which are measured at amortized cost.

### Fair Value Measurement

A three-level hierarchy exists for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or

- liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At April 30, 2016, cash was categorized as level 1. The fair values of other financial instruments, which include amounts receivable, deposits, accounts payable and accrued liabilities, amounts due to related parties and promissory notes, approximate their carrying values due to the relatively short-term maturity of these instruments.

### Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### *Credit Risk*

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and amounts receivable. The Company's cash is being held with large financial institutions. Amounts receivable are comprised of GST receivables from the Government of Canada. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets noted above.

#### *Foreign Exchange Rate Risk*

Up until the sale of Fortress, the Company incurred exploration expenditures in US dollars and Nicaraguan Cordobas. The financial risk was the risk to the Company's operations that arose from fluctuations in foreign exchange rates and the degree of volatility of these rates. As the Company disposed of its foreign operations during the year, the Company is no longer exposed to foreign exchange rate risk.

#### *Interest Rate Risk*

As the Company's promissory notes bear a fixed interest rate, the Company is not significantly impacted by interest rate risk.

#### *Liquidity Risk*

The Company's cash are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and cash needs over the short term. As at April 30, 2016, the Company had total current assets of \$565 (2015: \$1,765). Contractual undiscounted cash flow requirements for financial liabilities as at April 30, 2016 and October 31, 2015 are presented below.

**April 30, 2016**

	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 13,588	\$ -	\$ -	\$ 13,588
Due to related parties	64,928	-	-	64,928
Promissory notes payable	\$ 81,000	-	-	\$ 81,000

**October 31, 2015**

	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 33,868	\$ -	\$ -	\$ 33,868
Due to related parties	59,931	-	-	59,931
Promissory notes payable	\$ 57,000	-	-	\$ 57,000

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing, all of which are uncertain. Further information relating to liquidity risk is disclosed in the section entitled "Liquidity and Capital Resources".

#### *Price Risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

#### **Legal Proceedings**

The Company is not involved in any legal proceedings.

#### **Risks and Uncertainties**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's proposed business, the following risk factors, among others, will apply

##### *Going Concern*

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has yet to generate any revenues from operations and as at April 30, 2016, had an accumulated deficit of \$6,397,647 and a working capital deficit of \$158,950, including \$81,000 owing through the issuance of promissory notes, which can be called on demand.

As discussed above, in April, 2015, the Company completed the sale of Fortress and no longer has a property of merit. Despite the fact that the completion of the sale of Fortress has eliminated a substantial amount of liabilities of the Company, the Company's working capital balance and asset profile currently limits the Company's ability to cover its current liabilities or fund future significant capital expenditures and operations. These conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Although management is of the opinion that sufficient working capital will be obtained to meet the Company's liabilities and commitments as they become due, either through the issuance of promissory notes or an equity financing, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company as market conditions have limited the availability of funds. In the event the Company is unable to arrange necessary financing, the Company may be forced to cease operations.

##### *Key Personnel*

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

##### *Share Price Volatility and Liquidity*

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for our shares will be subject to market trends generally, notwithstanding any potential success of us in creating sales and revenues. In addition, our shareholders may be unable to sell significant quantities of shares into the public trading markets without a significant reduction in the price of their shares, if at all.

## Forward-Looking Statements

This MD&A contains forward-looking information (within the meaning of Canadian securities laws) about the Company and its future plans. Forward-looking information reflects management's expectations or beliefs regarding future events rather than historical facts, and in this MD&A include, without limitation, statements regarding future plans and objectives of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "scheduled", "believes", or variations of such words and phrases or statements that certain actions, events or results "potentially", "may", "could", "would", "might" or "will" be taken, occur or be achieved. There can be no assurance that forward-looking statements will prove to be accurate, and actual results could differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) the Company's ability to discover minerals in commercially feasible quantities, (2) the Company's ability to raise the necessary financing for ongoing operations and to complete any acquisitions or pursue any planned exploration programs, (3) there being no significant disruptions affecting operations, whether due to labour/supply disruptions, damage to equipment or otherwise; (4) permitting, development, expansion and power supply proceeding on a basis consistent with the Company's current expectations; (5) certain price assumptions for gold; (6) prices for availability of natural gas, fuel oil, electricity, parts and equipment and other key supplies remaining consistent with current levels; (7) the accuracy of current mineral resource work and studies on the Company's property; and (8) labour and material costs increasing on a basis consistent with the Company's current expectations. Important factors that could cause actual results to differ materially from the Company's expectations include, among others, risks related to the ability of the Company to obtain necessary financing and adequate insurance; the economy generally; fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (e.g., diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; the possibility of cost overruns or unanticipated expenses; employee relations. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Reference to the section entitled "Risks and Uncertainties" immediately preceding this section.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).