

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the nine month period ended December 31, 2015**

This Management's Discussion and Analysis ("**MD&A**") reviews the activities of Galena International Resources Ltd. ("Galena", or the "Company") and compares the financial results for the three and nine months ended December 31, 2015 (the "**third quarter 2016**" and "**nine months fiscal 2016**", respectively) with the comparable period in fiscal 2015 (the "**third quarter 2015**" and "**nine months fiscal 2015**", respectively). This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements for the second quarter 2016 and the audited financial statements and accompanying notes for fiscal year ended March 31, 2015, copies of which are filed under the Company's profile on the SEDAR website, www.sedar.com.

Galena was incorporated under the *Business Corporations Act* (British Columbia) on April 5, 2007 and trades on the TSX Venture Exchange (the "**Exchange**") under the trading symbol "GTO". The Company's head office and principal address is 1410 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8. The Company's registered and records office is 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

The Company previously traded on the TSX Venture Exchange (the "**Exchange**") under the trading symbol "GTO". The Company received a notice from the Exchange that it had a Tier 2 Continued Listing Requirements Deficiency in relation to its assets and operations for a company classified as a Mining Issuer. The Exchange placed the Company on notice with a deadline of July 8, 2014, extended to July 28, 2014, by which the Company was required to provide a submission to the Exchange evidencing that it meets Tier 2 Continued Listing Requirements or the Company's listing would be transferred to NEX. The Company had not provided a submission by the deadline and therefore was transferred to NEX and now trades under the symbol GTO.H effective July 31, 2014.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee.

The information in this MD&A is provided as of the date of this MD&A, February 25, 2015 (the "**Report Date**").

### **OVERVIEW**

The Company is engaged in the acquisition of precious and base metal properties located in favorable jurisdictions. Currently, the Company does not hold any interests in properties. The Company previously held rights to one geothermal and two gold projects located in Portugal acquired by way of a business combination in 2010. Both projects were subsequently relinquished in 2011.

A number of investments in geological opportunities have been considered, but none of the properties evaluated appeared to have sufficient merit to warrant negotiating terms whereby the Company might earn an interest. The Company has expanded its search to include new business opportunities.

Galena's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to identify and acquire promising mineral properties and conduct future exploration work on them, to fund its corporate overhead and commitments and to discharge its liabilities as they come due. The Company has been incurring losses. While the Company's working capital is adequate to cover corporate overhead for the next several months, it lacks the funds needed to carry out meaningful exploration programs.

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#### **RESULTS OF OPERATIONS**

For the three months ended December 31, 2015, the Company incurred a loss and comprehensive loss in the amount of \$8,959 (2014 - \$6,193).

For the nine months ended December 31, 2015 the Company incurred a loss and comprehensive loss in the amount of \$17,812 (2014 - \$12,096).

The operating losses are a reflection of the Company's status as non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue for the foreseeable future.

#### **Summary of Quarterly Results**

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters.

<b>Year:</b> <b>Quarter Ended:</b>	<b>2015</b> <b>Dec 31</b>	<b>2015</b> <b>Sep 30</b>	<b>2015</b> <b>Jun 30</b>	<b>2015</b> <b>Mar 31</b>	<b>2014</b> <b>Dec 31</b>	<b>2014</b> <b>Sep 30</b>	<b>2014</b> <b>Jun 30</b>	<b>2014</b> <b>Mar 31</b>
Net sales or total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss):								
(i) in total (000s)	\$(9)	\$(4)	\$(5)	\$(9)	\$(6)	\$(2)	\$(4)	\$(17)
(ii) per share <sup>(1)</sup>	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

(1) Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

The Company's operations are not driven by seasonal trends, but rather by reaching project milestones such as completing various geological, technical, environmental and socio-economic objectives as well as closing the financings needed to fund the Company's activities.

The operating results of junior exploration companies typically demonstrate wide variations from period to period. These variances arise from fluctuations in such costs as stock-based compensation, level of exploration activity and costs expensed or costs incurred to assess opportunities to acquire new mineral property interests.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company has no operations that generate cash flow. The Company's future financial success will depend on the discovery of one or more economic mineral deposits or business opportunity. This process can take many years, can consume significant resources and is largely based on factors that are beyond the control of the Company and its management.

To date, the Company has financed its activities by the issuance of equity securities. In order to continue funding its exploration activities and corporate costs, exploration companies are usually reliant on their ongoing ability to raise financing through the sale of equity. This is dependent on positive investor sentiment, which in turn is influenced by a positive climate for the commodities that are being explored for, a company's track record, and the experience and caliber of a company's management. There is no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities.

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#### **Cash and Financial Condition**

The Company had \$75,173 in working capital at December 31, 2015 (March 31, 2015 - \$92,985). The Company continues to enforce a conservative cost approach as it assesses new mineral property interests or business opportunities.

Additional funds, by way of equity financings, will be needed to finance any significant acquisition of a mineral property interest or business opportunity, subsequent expenditures and to provide working capital to cover administrative expenses.

The Company has no debt, does not have any unused lines of credit or other arrangements in place to borrow funds, and has no off-balance sheet arrangements. The Company has no current plans to use debt financing and does not use hedges or other financial derivatives.

The Company manages its liquidity risk (i.e., the risk that it will not be able to meet its obligations as they become due) by forecasting cash flows from operations together with its investing and financing activities. Expenditures are adjusted to ensure liabilities can be funded as they become due. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

#### **Financial Instruments**

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The fair value of cash is measured based on level 1 of the fair value hierarchy.

#### **TRANSACTIONS WITH RELATED PARTIES**

The financial statements include the financial statements of Galena International Resources Ltd. The Company has no subsidiaries.

##### *Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the period ended December 31, 2015, the Company entered into the following transactions with related parties:

Paid or accrued the following to Susan Neale, Chief Financial Officer of the Company:

	<b>2016</b>	<b>2015</b>
Management fees	\$ -	\$ 325

Included in accounts payable and accrued liabilities at December 31, 2015 is \$Nil (March 31, 2015 - \$Nil) due to companies controlled by officers and/or directors of the Company.

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Amounts due to the related parties are non-interest bearing and unsecured, with no specific terms of repayment.

#### **RISK FACTORS**

There has been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2015 annual MD&A filed on June 24, 2015.

#### **DISCLOSURE OF SECURITIES OUTSTANDING**

As at the Report Date, the Company had the following securities outstanding:

Common shares	22,822,884
Options	650,000
Fully diluted shares	<u>23,472,884</u>

#### **OUTLOOK**

To date, the Company has relied on its seed capital and the proceeds from its Initial Public Offering and related warrant exercises to fund its activities. In order to meet its administrative costs, the Company will spend its existing working capital and will seek to raise additional funds as needed.

The Company continues to assess opportunities to acquire a new business or mineral property interests. Acquisition of a new business or property of merit will likely mean Galena will have to complete a financing in order to execute a meaningful business plan.

#### **FORWARD-LOOKING STATEMENTS**

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act, the Alberta Securities Act and the Ontario Securities Act. This includes statements concerning the Company's plans to acquire new mineral property interests or business opportunities, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the ability of the Company to continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties or business opportunities; competition within the industry to acquire properties of merit or new business opportunities, and competition from other companies possessing greater technical and financial resources; difficulties in executing exploration programs on the Company's proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring of its properties, such as the availability of essential supplies and services; factors beyond the capacity of the Company to anticipate and control, such as the marketability of mineral products produced from the Company's properties, government regulations relating to health, safety and the environment, and the scale and scope of royalties and taxes on production; the availability of experienced contractors and professional staff to perform work in a competitive environment and the resulting adverse impact on costs and performance and other risks and uncertainties, including those described in each management's discussion and analysis of financial

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condition and results of operations. In addition, forward-looking information is based on various assumptions including, without limitation, assumptions associated with exploration results and costs and the availability of materials and skilled labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.