

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

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 year ended March 31, 2016 (the "**fiscal year 2016**") with the comparable period in 2015 (the "**fiscal year 2015**"). This MD&A should be read in conjunction with the audited financial statements and accompanying notes for fiscal year 2016, 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. The Company's head office and principal address is 1020 - 625 Howe Street, Vancouver, British Columbia, Canada, V6C 1T2. 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 it 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, July 11, 2016 (the "**Report Date**").

### **OVERVIEW**

The Company is engaged in the acquisition of precious and base metal properties located in favorable jurisdictions. Subsequent to March 31, 2016, the Company announced the appointment of Mr. Mark N.J. Ashcroft, P. Eng. as President and Chief Executive Officer and a director. In conjunction with the appointment, the Company entered into an option agreement granting it the right to earn a 100% interest in the Lipton Property, located 16 kilometers south of the Detour Lake Mine. The Company continues its search for further exploration and development 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. Upon completion of the private placement announced in June 2016 to raise gross proceeds of up to \$650,000, the Company's working capital will be adequate to cover corporate overhead for the next several months, it lacks the funds needed to carry out meaningful exploration programs.

## GALENA INTERNATIONAL RESOURCES LTD.

### Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016

#### **RESULTS OF OPERATIONS**

For the fiscal year ended March 31, 2016, the Company incurred a loss and comprehensive loss in the amount of \$32,688 (2015 - \$21,363).

For the three months ended March 31, 2016 the Company incurred a loss and comprehensive loss in the amount of \$14,876 (2015 - \$9,267).

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>2016</b> <b>Mar 31</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>
Net sales or total revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss):								
(i) in total ('000s)	\$(15)	\$(9)	\$(4)	\$(5)	\$(9)	\$(6)	\$(2)	\$(4)
(ii) per share <sup>(1)</sup>	\$(0.00)	\$(0.00)	\$(0.00)	\$(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.

#### **Selected Annual Information**

<b>Year</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net sales or total revenue	\$Nil	\$Nil	\$Nil
Net income(loss):			
i. In total ('000's)	(\$33)	\$(21)	(\$89)
ii. Per Share <sup>(1)</sup>	\$(0.01)	\$(0.01)	\$(0.01)
Total Assets ('000's)	\$70	\$101	\$125

(1) Per share amounts are calculated using the weighted average number of shares outstanding. Fully diluted loss per share amounts have not been calculated, as they would be anti-dilutive.

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

#### **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.

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

The Company had \$60,297 in working capital at March 31, 2016 (2015 - \$92,985). The Company continues to enforce a conservative cost approach as it assesses new mineral property interests or business opportunities. In June 2016, the Company announced a non-brokered private placement to raise gross proceeds of up to \$650,000 (*Refer to disclosure of securities outstanding for further details on the private placement*)

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

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

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 year ended March 31, 2016, 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

## **RISK FACTORS**

As a company involved in the mineral resource exploration and development industry, Galena is exposed to a number of risks. In particular, Galena does not have a history of operations, is in the early stage of implementing its business plan and has generated no revenues other than interest revenues. As such, Galena is subject to many risks common to such enterprises, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Galena will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. Galena has no intention of paying dividends in the near future. The Company has limited financial resources and has no source of operating cash flow. There can be no assurance that Galena will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further development of any property.

### *Exploration Stage Operations*

Galena's operations are subject to all of the risks normally incident to the exploration for and the development and operation of mineral properties. The Company has implemented comprehensive safety and environmental measures designed to comply with government regulations and ensure safe, reliable and efficient operations in all phases of its operations. The Company maintains liability and property insurance, where reasonably available, in such amounts it considers prudent. Galena may become subject to liability for hazards against which it cannot insure or which it may elect not to insure against because of high premium costs or other reasons.

Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. Few properties that are explored are ultimately developed into producing mines.

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and to develop the mining and processing facilities and infrastructure at any site chosen for mining.

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

There is no assurance that commercial quantities of resources will be discovered in the course of exploring a property. Even if commercial quantities are discovered, there is no assurance that the property will be brought into commercial production or that the funds required to exploit the resources delineated will be obtained on a timely basis or at all. The commercial viability of a resource once discovered is also dependent on a number of factors, some of which are attributes of the resource that are beyond the control of the Company.

There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

#### *Competition*

The exploration industry is intensely competitive in all of its phases, and the Company competes with other companies with greater technical and financing resources than itself with respect to acquiring properties of merit, the recruitment and retention of qualified employees and other persons to carry out its exploration activities. Competition in the industry could adversely affect the Company's prospects for exploration in the future.

#### *Financial Markets*

Galena is dependent on the equity markets as its principal source of operating working capital and the Company's ability to attract investment is largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects.

#### *Environmental and Government Regulation*

Mining and exploration activities are subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the Company endeavours to conduct its exploration activities in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

#### *Title to Properties*

While the Company does investigate the title to properties for which it may acquire concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot guarantee that title to such properties will not be challenged or impugned. The Company can never be certain that it will have valid title to its property rights. The Company does not carry title insurance on its properties. A successful claim that the Company does not have title to a property could cause the Company to lose its rights to that property, perhaps without compensation for its prior expenditures relating to the property.

#### *Government actions*

The Company's exploration activities require permits from various governmental agencies charged with administering laws and regulations governing exploration, labour standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters.

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislated changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

There is no assurance that the government of any jurisdiction in which the Company may acquire properties will not change environmental regulations or taxation policies in a manner that would adversely affect the economic viability of those properties.

#### *Fluctuating Prices*

Galena's revenues, if any, are expected to be in large part derived from the sale of products whose prices may fluctuate widely and can be affected by numerous factors beyond Galena's control including government policies and political events, expectations of inflation, currency exchange fluctuations, interest rates, and consumption patterns, which generally correlate with the level of economic activity within the country. The effect of these factors on price and therefore on the economic viability of any project cannot be accurately predicted.

#### *No History of Profits or Dividends*

Galena has a limited operating history and does not have a history of profits or of paying dividends. The Company does not anticipate being profitable or paying dividends in the near future.

#### *Share Price Volatility*

The price of the shares of junior resource companies in general tends to be volatile. Fluctuations in the prices for precious and base metals and many other economic factors that are beyond the Company's control could materially affect the Company's share price.

## **DISCLOSURE OF SECURITIES OUTSTANDING**

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

Common shares	22,822,884
Options	<u>2,262,800</u>
Fully diluted shares	<u>25,085,684</u>

In June 2016, the Company announced that it intends to complete a non-brokered private placement ("the Private Placement") of up to 13,000,000 units ("Units") of the Company at a price of C\$0.05 per Unit, for gross proceeds of up to C\$650,000. Each Unit will consist of one common share of the Company ("Common Share") and one-whole Common Share purchase warrant ("Warrant"). Each full Warrant will entitle the holder to acquire one Common Share at an exercise price of C\$0.10 for a period of 24 months from the closing date of the Private Placement.

On June 24, 2016, the Company granted 1,612,800 stock options with an exercise price of \$0.065 per share exercisable for a five year term from the date of issue.

## **GALENA INTERNATIONAL RESOURCES LTD.**

### **Management's Discussion & Analysis of Financial Condition and Results of Operations For the twelve month period ended March 31, 2016**

#### **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 June 2016, the Company entered into an option agreement pursuant to which the Company may earn a 100% in the Lipton Property by making aggregate cumulative cash payments of \$1 million to be paid over a 10-year period. An initial \$10,000 payment is due August 22, 2016 and thereafter until June 2020 the Company must make annual cash payments totaling \$90,000 and file a minimum of two years of assessment work, with the remaining \$900,000 in annual cash payments payable between June 2021 and June 2020. The Company does not consider this property material and will continue to assess opportunities to acquire a new business or mineral property interests. Acquisition of a new business or property of merit will 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 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.