

# EQUITAS RESOURCES

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*The following discussion and analysis of the financial position and results of operations for EQUITAS RESOURCES CORP. (the “Company” or “EQT”) should be read in conjunction with the condensed interim consolidated financial statements for the **three months ended May 31, 2016**, and the audited financial statements for the **year ended February 29, 2016**, which are prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”). All dollar amounts are in Canadian dollars unless otherwise specified.*

The effective date of this report is July 28, 2016.

The Company is subject to the specific risks inherent in the mineral exploration business as well as general economic and business conditions. For more information on the Company, readers should review the Company's disclosure that is available on their website at [www.equitasresources.com](http://www.equitasresources.com) as well as at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

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The Company was incorporated under the *Company Act* (British Columbia) in 1994, and is a reporting issuer in British Columbia and Alberta. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol *EQT*, and classified as a junior natural resource company.

The Company's primary business is to identify, explore and develop opportunities in the resource sector through acquisition or joint venture. The Company owns interests in various properties Brazil, Labrador, British Columbia, and the Northwest Territories, as described below.

## **TRANSACTION WITH ALTA FLORESTA GOLD LTD.**

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On April 27, 2016, the Company finalized the acquisition of Alta Floresta Gold Ltd. (“AFG”), previously announced on January 13, 2016. The Company acquired all of the issued and outstanding securities of AFG. AFG is a private BC company, which owns 100% of Alta Floresta Gold Mineração Ltd. (“AFM”). AFM holds six gold properties, and four production licences, over 186,000 hectares of land in the Mato Grosso, and Para states of the Federative Republic of Brazil. Licence areas are highly prospective, with previous artisanal mining activity. AFM is focused on expanding the production activities and defining additional gold resources at its Cajueiro Project (the “Cajueiro Project”).

In connection with the transaction, Equitas issued 103,653,283 common shares to former shareholders of AFG, and 5,282,324 stock options to former optionholders of AFG, exercisable for a period of three years at a price of \$0.15 per share. All securities issued in connection with the transaction are subject to a four month hold period. from its security holders in exchange for that number of Equitas shares that is equal to 100% of the issued and outstanding Equitas shares at closing.

The immediate focus for the Company will be to increase current gold production at the Cajueiro Project and to identify additional resources in the known mineralized areas. Currently AFG is realizing small-scale sluice-box production from the mineralized alluvium and saprolite. As part of the expansion plan Equitas plans to acquire, and put into production, a gravity processing plant that is located near the Cajueiro Project.

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An exploration program is currently being planned with the intention to further define and expand the resources at the Cajueiro Project. It is expected that the program will consist of bulk sampling, trenching and diamond and rotary air blast (RAB) drilling.

## MINING PROPERTIES

### Properties in Brazil:

With the acquisition of AFG, the company acquired 100% interest in six gold properties comprising over 186,000 ha of licence area, and four production licenses, in the prolific Juruena Gold Belt of central Brazil. Focus in 2016 is to increase the saprolite resource base at the flagship Cajueiro project, and increase production (from current levels of up to 1kg/month Au) at Cajueiro with a gravity processing plant. A summary of these opportunities follows:

**Cajueiro (49,384.07 ha, Mato Grosso and Para States, Brazil):** The Cajueiro Project comprises a large land package located in the Alta Floresta - Juruena Gold Belt, a Proterozoic arc consisting of calc-alkaline granite-volcanic, and medium to high grade metamorphic crustal segments. Historic gold production in the belt is generally recognized to be in the range of 7-10 Moz, primarily from garimpeiro activity. At Cajueiro, microgranites and rhyolites host a set of Northeast (NE) and East-West (E-W) conjugate shears exhibiting late brittle deformation. These were the primary structural controllers of hydrothermal alteration and associated gold mineralizing processes.

Gold and pyrite in the bedrock sulphide domain is contained within hydrothermal alteration envelopes within and adjacent the structures. An alteration assemblage of sericite-epidote-chlorite-quartz readily distinguishes the prospective "green" rhyolite and microgranite from their unaltered reddish counterparts. Observations indicate the quartz veining and related gold-pyrite mineralization to be a late brittle event of the process.

Gold is also present in the saprolite overlying bedrock, in the oxidized equivalent of the sulphide alteration assemblage. Prospective saprolite hosts an assemblage of sericite-chlorite-silica, with disseminated limonite and "box-works" of limonite with rare occurrences of chalcopyrite. This package is clearly visible on surface in many locations throughout the property.

On May 2, 2016 the Company announced that the updated NI 43-101 Technical Report on Resources for the Cajueiro project (Gustavson and Associates, March 24, 2016) had been filed with SEDAR and made available on the Company's website. The report documents Indicated and Inferred Resources in the sulphide domains totaling 417,600 ounces Au, and Inferred Resources in the oxide domains totalling 78,400 ounces Au.



# EQUITAS RESOURCES

Table 1-1 Mineral Resource Estimate (Fresh Rock - Sulfide Zone)

Crente							
Indicated				Inferred			
Cutoff	Tonnes	Au	Oz Au	Cutoff	Tonnes	Au	Oz Au
g/t	(000s)	g/t	(000s)	g/t	(000s)	g/t	(000s)
0.3	7,400	0.854	203.2	0.3	4,904	0.695	109.5
<b>0.25</b>	<b>8,636</b>	<b>0.771</b>	<b>214.1</b>	<b>0.25</b>	<b>5,826</b>	<b>0.628</b>	<b>117.7</b>
0.2	10,131	0.690	224.8	0.2	7,161	0.553	127.2
Baldo							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	1,108	0.872	31.1
				<b>0.25</b>	<b>1,319</b>	<b>0.777</b>	<b>33.0</b>
0.2	1,500	0.711	34.3				
Matrincha							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	1,410	0.867	39.3
				<b>0.25</b>	<b>1,596</b>	<b>0.797</b>	<b>40.9</b>
0.2	1,884	0.710	43.0				
Marines							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	686	0.500	11.0
				<b>0.25</b>	<b>785</b>	<b>0.472</b>	<b>11.9</b>
0.2	1,055	0.408	13.8				
Total							
Indicated				Inferred			
Cutoff	Tonnes	Au	Oz Au	Cutoff	Tonnes	Au	Oz Au
g/t	(000s)	g/t	(000s)	g/t	(000s)	g/t	(000s)
0.3	7,400	0.854	203.2	0.3	8,108	0.732	190.9
<b>0.25</b>	<b>8,636</b>	<b>0.771</b>	<b>214.1</b>	<b>0.25</b>	<b>9,526</b>	<b>0.664</b>	<b>203.5</b>
0.2	10,131	0.690	224.8	0.2	11,600	0.585	218.3

Effective date March 8, 2016



# EQUITAS RESOURCES

Table 1-2 Mineral Resource Estimate (Saprolite – Oxide Zone)

Crente							
Indicated				Inferred			
Cutoff	Tonnes	Au	Oz Au	Cutoff	Tonnes	Au	Oz Au
g/t	(000s)	g/t	(000s)	g/t	(000s)	g/t	(000s)
0.3				0.3	357	1.562	17.9
<b>0.25</b>				<b>0.25</b>	<b>381</b>	<b>1.482</b>	<b>18.2</b>
0.2				0.2	419	1.367	18.4
Baldo							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	309	3.029	30.1
				<b>0.25</b>	<b>309</b>	<b>3.029</b>	<b>30.1</b>
0.2	309	3.021	30.0				
Matrincha							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	155	2.726	13.6
				<b>0.25</b>	<b>155</b>	<b>2.717</b>	<b>13.5</b>
0.2	198	2.184	13.9				
Marines							
				Inferred			
				Cutoff	Tonnes	Au	Oz Au
				g/t	(000s)	g/t	(000s)
				0.3	481	1.046	16.2
				<b>0.25</b>	<b>529</b>	<b>0.977</b>	<b>16.6</b>
0.2	607	0.880	17.2				
Total							
Indicated				Inferred			
Cutoff	Tonnes	Au	Oz Au	Cutoff	Tonnes	Au	Oz Au
g/t	(000s)	g/t	(000s)	g/t	(000s)	g/t	(000s)
0.3				0.3	1,302	1.858	77.8
<b>0.25</b>				<b>0.25</b>	<b>1,374</b>	<b>1.775</b>	<b>78.4</b>
0.2				0.2	1,533	1.613	79.5

Effective date March 8, 2016

**NOTE** Numbers in the table may not precisely add up due to rounding errors

# EQUITAS RESOURCES

On May 9, 2016 the Company announced that an exploration program had commenced on the Baldo Target area at Cajueiro. The program, consisting of 1600m of HQ diamond drilling and 700m of trenching, was designed to explore for substantial new oxide resource along an 820m prospective structural corridor, where previous surface sampling had encountered impressive gold grades, including 5.77 g/t Au and 87.20 g/t Au achieved from two circa 1-tonne composite samples, taken from separate pits dug into the oxidized saprolite overlying the structure.

On May 26, 2016 the Company announced that trenching had commenced on May 11, 2016, drilling had commenced on May 20, 2016 and that all field operations were expected to be completed within one month's time.

On July 6, 2016 The Company announced the discovery of near-surface, high grade gold mineralization from trench sampling at the Baldo target. The expanded exploration program included 1585m of HQ diamond drilling (31 holes), and 1680 m of trenching (9 trenches). Major highlights included eight intersections of 1.16 g/t Au of greater, including two high grade intervals of 2m @ 24.26 g/t Au and 2m @ 18.86 g/t Au, and a broader separate near-surface interval of 12m @ 1.42 g/t Au. As of the press release date a large majority of diamond drill assays were pending. A composite sample was sent for bench-scale metallurgical testing including comminution, gravity separation and cyanide leach. The drilling program was expanded by an additional 500m to provide in-fill information around the recently discovered mineralization.

**Colider (8924.75 ha, Mato Grosso State, Brazil):** The Colider property represents potential for discovery of high-grade, shear zone controlled gold mineralization, suitable to support underground mining operations. To date exploration along a 5.5 km strike length of the target structure has identified four gold-in-soil anomaly areas, and thirteen diamond drill holes totaling 2700m targeting the bedrock have yielded promising results including 4.1 m @ 13.6 g/t Au, and 2m @ 9.6 g/t Au. Colider is considered the next priority for exploration and development after Cajueiro.

**Nova Canaa (11,901.26 ha, Mato Grosso State, Brazil):** Similar to Colider, mineralized veins in granitic rocks host Au with associated pyrite, chalcopyrite and galena. The property currently has three main target areas identified. Previous underground sampling has identified promising grades including 2m @ 92.19 g/t Au. 16 diamond drill holes totaling 2,256m were drilled in 2006/7 targeting the bedrock yielding high grade gold and silver results. Gold results included 2m at 7.2g/t Au, 2.9m at 14.2g/t Au, and 1.5m at 17.2g/t.

**Apiacas (97,429.5 ha, Mato Grosso State, Brazil):** Apiacas comprises package of properties covering seven main target areas. There has been no previous drilling. Wide-spaced trenching over prospective structures along a two km trend, adjacent historic garimpeiro workings, has achieved some promising results, including 9m @ 9.44 g/t Au, and 9m @ 4.5 g/t Au. The initial impression of the Company is that there is potential for discovery and delineation of significant open-pit resources at Apiacas.

**Rio do Pombo (7546.91 ha, Mato Grosso State, Brazil):** The target comprises a parallel vein swarm currently defined over a 650m width and 3 km long strike extension. Grab samples containing up to 66 g/t au have been collected from this mineralized system. A program of systematic exploration is required to assess potential and prioritise amongst the Company's other opportunities.

**Crepori (8322.89 ha, Para State, Brazil):** The property was host to small-scale mining along two gold bearing veins. There is no previous drilling. Historic production in the Creporizinho region between 1983 and 1990 has been estimated by others at 400 kg Au per month.

**Vila Rica (2586.79 ha, Mato Grosso State, Brazil):** This property is an early-stage exploration play approximately 600 km east of Cajueiro project, within a prospective area of the Juruena Gold Belt. The Company is including Vila Rica in a technical review of all holdings to determine a priority rating for further exploration.

#### **Properties in Canada:**

**Garland Property (23,386 ha, Labrador, Canada):** On July 10, 2014, the Company entered into an agreement with Zimtu Capital Corp. (a company with common directors and significant shareholdings), DG Resource Management Ltd., and Ridge Resources Ltd. (owned by a director of the Company), collectively the "Vendors", to acquire a 100% interest in the Garland Property, located in Labrador, Canada. The property encompasses 25,050 hectares and is less than 30 kilometres southeast of Vale's Voisey's Bay Nickel/Copper/Cobalt mine. A review of historical exploration work shows the Garland Property to be within an environment favorable for magmatic nickel-copper sulphide deposits; and which also possess features strikingly similar to those of the Voisey's Bay deposit(s).

In consideration, the Company is to issue 7,999,998 shares over a 36 month period (2,666,666 shares issued upon exchange approval with a fair value of \$93,333 at February 29, 2016 and 2,666,666 shares issued May 17, 2016 with a fair value of \$186,667); pay \$80,000 over a 1 year period (paid), and grant DG Resource Management a 2% Gross Overriding Royalty (GORR) in the Property. The transaction acceptance by the TSX-V on November 17, 2014.

During the three months ended May 31, 2016, \$186,667 in acquisition costs (February 29, 2016 - \$58,580) were incurred and \$8,948 (February 29, 2016 - \$2,378,759) in exploration expenditures were spent on the Garland Property.

#### Exploration Update:

On February 3, 2015 the Company announced that it had commenced its nickel exploration program on the Garland Property in Labrador, Canada. The work encompassed a VTEM Plus airborne survey. On March 27, 2015 the Company completed the VTEM survey and final results were to be analyzed.

On April 16, 2015 Equitas provided an update on the VTEM analysis: it was being interpreted and refined by Geophysicist Alan King of Geoscience North. May 13, 2015 the Company announced the VTEM survey resulted in identifying nine Nickel/Copper sulphide targets at the Garland Property, and that the overall nature of the anomalies highlighted

the potential for discovery of buried Voisey's Bay analogues at the Garland Property and that the Company had begun preparing for a 2015 summer exploration program which would include mapping and prospecting, 30 line-km of large loop EM survey, and up to 4000m of diamond drilling.

On May 13, 2015 Equitas issued the final results from the VTEM Plus airborne survey at the Garland Property. The interpretation identified significant new areas of conductivity. A total of nine areas of conductivity prospective for nickel-copper sulphides were the result of the VTEM interpretation. The Company planned for the exploration on the target areas to commence by late June which would include mapping and prospecting, 30 line-km of large loop EM survey, and up to 4000m of diamond drilling.

On July 30, 2015 the Company announced it commenced mobilization of crew and equipment for the exploration and drill program at the Garland Property. The exploration program was to have been managed by Dahrouge Geological Consulting Ltd., a mineral exploration, consulting, and project management group based in Edmonton, Alberta.

On September 23, 2015 Equitas provided an update on its Garland exploration program. The Company acquired 3,311 hectares adjoining the south-western part of the Garland Property. The identified anomalies previously recorded increased to twelve but due to ongoing ground geophysics work the Company had stated that anomalies A and B were of no further interest. Springdale Forest Products commenced drilling starting at anomaly D.

On October 20, 2015 the Company provided an update on the exploration program at the Garland Property. A total of 1515m of diamond drilling was completed within four NQ diamond drill holes. These four holes have tested anomalies D, C, J and Q. A total of 173 samples have been sent to Activation Laboratories in Ancaster, ON for chemical analysis.

On December 16, 2015 the Company reported on the autumn geophysics and drilling program at the Garland property. Five diamond drill holes totaling 1678m were completed. A total of 281 core samples were submitted to Activation Laboratories. Crone PEM surveying was completed at nine of the thirteen target areas. Three focus areas for further evaluation were defined:

- Borehole GP15-005 at the Cominco Showing intersected disseminated pyrrhotite-chalcopyrite-pyrite over a 69m interval from surface. A Crone PEM survey is planned to detect massive sulphide bodies associated with this mineralization.
- Crone Pulse Electromagnetic (PEM) surveying of borehole GP15-004 has produced a complex anomalous response that may indicate a significant good quality conductor near the hole, in the modelled depth range for buried Voisey's Bay type deposits. A detailed down-hole Crone PEM survey to validate the response is planned ahead of drill testing.
- Regional and property scale data synthesis has interpreted the major E-W lineament in the northern portion of the property to represent the southern margin of the graben structure hosting the Voisey's Bay mine. Coincident VTEM anomalies will be covered with Crone PEM survey ahead of drill testing.

The field camp and drill rig have been stored onsite in anticipation of start-up of operations in late winter 2016 when safe lake ice conditions and extended daylight hours allow efficient operations.



## SUBSEQUENT EVENTS

- i. On June 7, 2016, the Company announced that it has entered into a binding term sheet with Cartesian Royalty Holdings Pte. Ltd., an affiliate of Cartesian Capital Group, consisting of a US\$5 million revolving gold prepayment loan facility and a US\$1 million equity private placement investment. These agreements are now in documentation. The equity is in the form of units priced at C\$0.07. Each unit provides one share and one warrant in Equitas Resources. The warrant exercise price is C\$0.117 and expires 2 years from granting date. The equity is locked up for a total of 18 months.
- ii. On July 22, 2016, the Company announced it has arranged a non-brokered private placement for up to 4,500,000 units ("Units") at a price of \$0.10 per Unit for gross proceeds of up to \$450,000. Concurrently, the Company will also offer 1,800,000 flow-through units ("FT Units") at a price of \$0.11 per FT Unit for gross proceeds of up to \$200,000. Each Unit will consist of one common share and one share purchase warrant (a "Warrant"). Each FT Unit will consist of one common share and one-half of a share purchase warrant. Each whole Warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.16 per share for a period of 24 months from closing. There will be no finder's fee payable. Proceeds of the private placement will be used for Canadian mineral exploration expenditures, and for general working capital.

## SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the last three fiscal years. For more detailed information, refer to the Company's audited financial statements.

	Years Ended		
	February 29, 2016	February 28, 2015	February 28, 2014
	\$	\$	\$
Total revenues	-	-	-
Loss for the year	(3,772,806)	(638,669)	(597,755)
Comprehensive Loss	(3,772,806)	(638,669)	(597,755)
Basic and diluted loss per share	(0.07)	(0.03)	(0.04)
Total assets	3,549,158	2,173,615	1,837,008
Long term debt	-	-	-
Dividends declared	N/A	N/A	N/A

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties, or otherwise disposed of at a profit. The significant increase in the net loss of the Company during the year ended February 29, 2016 was the impairment of exploration and evaluation assets.



## RESULTS OF OPERATIONS

During the three months ended May 31, 2016, the net loss was \$638,148, compared to a net loss of \$233,157 during the three months ended May 31, 2015, for a difference of \$404,991.

The significant differences are:

- increased advertising and promotion to \$93,444 (2015 - \$37,541), investor relations to \$30,000 (2015 - \$22,500), and travel expenses to \$18,579 (2015 - \$10,497) as the Company promoted its new properties in Brazil and made significant changes to its promotional strategies,
- increased consulting fees to \$340,157 (2015 - \$104,065) due to a change in management of the Company and increased business activities during the current period,
- increased exploration costs to \$4,497 (2015 - \$nil) for work on the Brazil properties,
- increased professional fees to \$93,175 (2015 - \$2,754) for additional legal, accounting and advisory services required due to the acquisition of AFG,
- decreased transfer agent and regulatory fees to \$6,734 (2015 - \$9,959),
- decreased share-based payments to \$nil (2015 - \$5,232) as the Company did not grant any options during the current period,
- increased interest income to \$3,179 (2015 - \$nil) for the Company's increased investments during the current period,
- Increased foreign exchange losses to \$10,961 (2015 - \$nil) for revaluation of the assets held in Brazil, and
- increased interest expense to \$1,050 (2015 - \$nil) for payments made for claim maintenance in Brazil.

## SUMMARY OF QUARTERLY RESULTS

	<b>May 31, 2016</b>	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>
Total revenues	\$ nil	\$ nil	\$ nil	\$ nil
Loss for the period	(638,148)	(2,165,346)	(970,393)	(403,910)
Basic and diluted loss per share	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.01)
	<b>May 31, 2015</b>	<b>February 28, 2015</b>	<b>November 30, 2014</b>	<b>August 31, 2014</b>
Total revenues	\$ nil	\$ nil	\$ nil	\$ nil
Loss for the period	(233,157)	(331,913)	(166,723)	(68,330)
Basic and diluted loss per share	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.00)

### **Trends over the last eight quarters:**

During the last six quarters, the Company's net loss has increased significantly as the Company acquired a new property and increased its expenses to promote the property in order to raise funds for exploration. During the quarter ended May 31, 2016, the Company acquired AFG, and incurred expenses in relation to the acquisition. During the quarter ended February 29, 2016, the Company impaired a number of properties which significantly increased the loss for the quarter. For the remaining quarters in 2016, the loss increased due to increased costs related to increased business activities due to increased financings and property exploration. Prior to the quarter ended November 30, 2014, the Company was less active and expenses were kept to a minimum to conserve funds.

### **CAPITAL RESOURCES AND LIQUIDITY**

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#### **Sources of funds**

During the three months ended May 31, 2016 and the year ended February 29, 2016, and up to the date of this report, the Company has raised gross proceeds of approximately \$5.9 million, as detailed below. The proceeds were all raised for advancing the Company's new gold properties in Brazil, the Garland Property, and for general working capital purposes.

On February 27, 2015, the Company issued 833,333 shares at a deemed price of \$0.06 to settle debt of \$100,000 with Ridge Resources Ltd. ("Ridge"), a company owned by a director of the Company. Ridge entered into an agreement with Zimtu Capital Corp., a related party to the Company, whereby Ridge would purchase \$100,000 of the Company's debt due to Zimtu for \$50,000.

On July 15, 2015, the Company closed a non-brokered private placement of 6,134,918 units ("Units") at a price of \$0.085 per Unit for gross proceeds of \$521,468. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 24 months from closing. Finders fees of \$6,599 and 20,705 share purchase warrants exercisable for 2 years at \$0.15, were paid and issued respectively.

On September 14, 2015, the Company closed the first tranche of a private placement. The Company issued 7,356,600 flow-through units ("FT Units"), with each FT Unit consisting of one common share priced at \$0.10 and one half of one share purchase warrant, for gross proceeds of \$735,660. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$0.20, expiring 1 year after closing. The Company also issued 3,160,000 units ("Units"), priced at \$0.095 per Unit, for gross proceeds of \$300,200. Each Unit consists of one common share and one share purchase warrant, priced at \$0.20 and expiring 1 year after closing. Finders fees of \$34,961 and 350,848 share purchase warrants exercisable for 1 year at \$0.20, were paid and issued respectively. The share purchase warrants were valued at \$41,130 under the following assumptions and ranges: risk free interest rate – 0.47%; expected life – 1 year; expected volatility – 156%; expected dividend yield – 0%; and weighted average share price - \$0.12.

On September 18, 2015, the Company closed the second and final tranche of a private placement. The Company issued 9,676,600 flow-through units ("FT Units"), with each FT Unit consisting of one common share priced at \$0.10 and one half of one share purchase warrant, for gross proceeds of \$967,660. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$0.20, expiring 1 year after closing. Finders fees of \$80,613 and 806,128 share purchase warrants exercisable for 1 year at \$0.20, were paid and issued respectively. The share purchase warrants were valued at \$85,582 under the following assumptions and ranges: risk free interest rate – 0.47%; expected life – 1 year; expected volatility – 157%; expected dividend yield – 0%; and weighted average share price - \$0.11.

On October 5, 2015, the Company closed the first tranche of a private placement. The Company issued 8,411,393 units ("Units"), priced at \$0.125 per Unit, for gross proceeds of \$1,051,424. Each Unit consists of one common share and one share purchase warrant, priced at \$0.25 and expiring in 1 year. Finders fees of \$5,500 and 44,000 share purchase warrants exercisable for 1 year at \$0.25, were paid and issued respectively. The share purchase warrants were valued at \$4,055 under the following assumptions and ranges: risk free interest rate – 0.51%; expected life – 1 year; expected volatility – 150%; expected dividend yield – 0%; and weighted average share price - \$0.09.

On October 28, 2015, the Company closed the second and final tranche of a private placement. The Company issued 1,676,000 units ("Units"), priced at \$0.125 per Unit, for gross proceeds of \$209,500. Each Unit consists of one common share and one share purchase warrant, priced at \$0.25 and expiring in 1 year. The fair value of the shares at the date of issuance was \$0.10, therefore the fair value of the Warrant is deemed to be \$0.025 based on the residual method. As a result, the Company allocated \$41,900 to reserves from the issuance of Units. Finders fees of \$10,625 and 64,000 share purchase warrants exercisable for 1 year at \$0.25, were paid and issued respectively. The share purchase warrants were valued at \$2,233 under the following assumptions and ranges: risk free interest rate – 0.54%; expected life – 1 year; expected volatility – 152%; expected dividend yield – 0%; and weighted average share price - \$0.03.

On March 8, 2016, the Company closed the first tranche of a non-brokered private placement of 8,000,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$400,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per share for a period of 24 months from closing.

On April 6, 2016, the Company closed the second and final tranche of a non-brokered private placement of 22,000,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$1,100,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per share for a period of 24 months from closing. Finders fees of \$31,600 cash and 632,000 share purchase warrants priced at \$0.10 and exercisable for 24 months were paid and issued.

During the year ended February 29, 2016, 5,665,000 share purchase warrants priced at \$0.10 were exercised for gross proceeds of \$566,500, 324,998 stock options priced at \$0.10 were exercised for gross proceeds of \$32,500, and 64,000 agent's warrants were exercised for gross proceeds of \$6,400.

As of the date of this report, the Company's authorized share capital consisted of unlimited common shares without par value and the Company had 213,819,243 common shares issued and outstanding.

### **Use of funds**

During the three months ended May 31, 2016, cash flows were as follows:

- Cash outflows on Operating activities were \$457,945 (May 31, 2015 – \$125,175),
- Investing activities consisted of cash outflows on mineral property exploration costs of \$124,929 (May 31, 2015 - \$179,050), acquisition of property and equipment of \$3,025 (May 31, 2015 - \$nil), acquisition of exploration assets of \$416,511 (May 31, 2015 - \$nil), and cash inflows of \$296,913 (2015 - \$nil) from the acquisition of AFG, and
- Financing activities provided \$1,500,000 (May 31, 2015 - \$nil) in cash from the issuance of shares and used \$39,812 (May 31, 2015 - \$602) on share issuance costs and \$231,975 (May 31, 2015 - \$25,600 provided) for share subscriptions receivable.

Since inception, the Company has incurred cumulative losses of \$18,764,637 and had working capital at May 31, 2016 of \$717,380 (February 29, 2016 - \$643,363).

### **Capital Management**

The Company has financed its operations to date primarily through the issuance of common shares for private placements and on the exercise of stock options and warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to have profitable operations in the future.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete production if warranted, competition, and global market conditions. The Company's growing working capital needs may require it to obtain additional capital to operate its business.

The Company will depend partly on outside capital to complete the exploration and development of its resource properties. Such outside capital will include the sale of additional common shares and debt financing. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders. If the Company is unable to obtain

financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines the capital that it manages as share capital and cash. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have not been changed over the years presented, and are not subject to any externally imposed capital requirements.

## COMMITMENTS

On December 1, 2015, the Company renewed its management and administration agreement for a 12 month term, expiring November 30, 2016, with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu provides the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space for \$12,500 a month.

On February 3, 2016, the Company entered into an agreement with Transcend Capital Inc. ("Transcend"). Transcend will provide the Company with consulting and marketing services. The Company will pay a total of \$112,950 through May 31, 2017. The Company cancelled the agreement as of June 30, 2016.

## RELATED PARTY TRANSACTIONS

	<b>Three months ended May 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Key Management Compensation:</b>		
Consulting fees	\$ 155,500	\$ 22,500
Office administration and rent	37,500	37,500
Advertising and promotion	37,750	5,313
<b>Total</b>	<b>\$ 230,750</b>	<b>\$ 65,313</b>
	<b>May 31,</b>	<b>February 29,</b>
	<b>2016</b>	<b>2016</b>
<b>Related Party Balances:</b>		
Directors of the Company	\$ 64,021	\$ 74,939
Companies related by common directors	9,662	5,887
<b>Total</b>	<b>\$ 73,683</b>	<b>\$ 80,826</b>

Related party amounts are unsecured, non-interest bearing and due on demand. As at May 31, 2016, 2016, \$73,683 (2015 - \$80,826) is due to related parties of the Company. Additionally, the Company has advanced funds to a director of the Company for consulting fees for June and July 2016 of \$15,000 (2015 - \$37,500) and is holding a promissory note for payment for \$nil (2015 - \$50,000) which was included as a prepaid expense and used to satisfy amounts due to the director.

On April 27, 2016, the Company entered into an agreement with Chris Harris (“Mr. Harris”), whereby Mr. Harris was appointed president, CEO and director of the Company and agreed to provide management services for a term of twelve months for \$15,000 per month. Mr. Harris will take a cash payment of \$10,000 per month until the Company is cash positive, and accrue the rest, interest-free, which can be taken in cash or in shares.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## SEGMENTED DISCLOSURE

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	May 31, 2016	February 29, 2016
Non-current assets by geographic segment		
Canada	\$ 2,773,411	\$ 2,577,796
Brazil	8,167,496	-
	\$ 10,940,907	\$ 2,577,796

## OTHER MD&A REQUIREMENTS

**Additional Disclosure for Venture Issuers without Significant Revenue:** As the Company has not had significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	Year Ended February 29, 2016	Year Ended February 28, 2015
Capitalized or Expensed Exploration and Development Costs	\$2,379,091	\$14,491
General and Administration Expenses	\$2,207,562	\$638,669
Gain on sale of marketable securities	\$Nil	\$Nil

**Disclosure of Outstanding Share Capital:** The following is a breakdown of the share capital of the Company, on an annual basis, and the date of this report:

	<u>July 28, 2016</u>	<u>May 31, 2016</u>	<u>February 29, 2016</u>
Common shares	213,819,243	213,819,243	77,499,294
Stock Options	12,253,983	12,253,983	6,971,659
Warrants	65,652,925	65,652,925	35,020,925
Fully Diluted Shares	291,726,151	291,726,151	119,491,878

For additional details of outstanding share capital, refer to the condensed interim consolidated financial statements for the three months ended May 31, 2016.

## **RISKS AND UNCERTAINTIES**

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The Company, and the securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.

The Company has a very limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company has no intentions of paying any dividends in the future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and the costs of compliance with environmental legislation 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 mineral properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years as it is affected by numerous factors which are beyond the Company's control including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian Income Tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

## **CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on



management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The effect on the financial statements of such changes in estimates in future periods could be material.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- assessment as to whether any impairment exists in the valuation of its assets;
- foreign currency valuations;
- the useful life and recoverability of property and equipment;
- fair value of share-based payments; and
- deferred income tax asset valuation allowances.

Information about significant areas of critical accounting judgments considered by management in preparing the financial statements includes:

- Management's assessment of the Company's ability to continue as a going concern in relation to its ability to raise funds.

All of the Company's significant accounting policies and estimates are included in Notes 3 and 4 of its audited financial statements for the year ended February 29, 2016.

## **ACCOUNTING POLICIES ADOPTED**

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The Company has applied the following new and revised IFRS in the audited financial statements for the year ended February 29, 2016:

- IAS 32 – *Financial Instruments: Presentation*
- IAS 36 – *Impairment of Assets*
- IAS 39 – *Financial Instruments: Recognition and Measurement*

## **NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") but not yet effective as at December 31, 2015. The Company intends to adopt these standards and interpretations when they become effective. The Company does not

expect these standards to have an impact on its financial statements. Pronouncements that are not applicable to the Company have been excluded from those described below.

The following standards or amendments are effective for annual periods beginning on or after January 1, 2017:

- IFRS 9, *Financial Instruments*

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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### Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) 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); and Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at May 31, 2016, the Company's financial instruments are comprised of cash, due from related parties, reclamation bonds, and accounts payable and accrued liabilities. The carrying value of cash, due from related parties, reclamation deposits, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

### At May 31, 2016

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Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 920,469	\$ -	\$ -	\$ 920,469
Reclamation deposit	15,000	-	-	15,000
Total	\$ 935,469	\$ -	\$ -	\$ 935,469

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### At February 29, 2016

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Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 397,330	\$ -	\$ -	\$ 397,330
Reclamation deposit	15,000	-	-	15,000
Total	\$ 412,330	\$ -	\$ -	\$ 412,330

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## **Financial risk factors**

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote. The Company's receivables are GST receivable from the Canadian Government.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at May 31, 2016, the Company had a cash balance of \$920,469 to settle current liabilities of \$377,127. All of the Company's financial liabilities are subject to normal trade terms.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

#### (a) Interest rate risk

The Company has cash balances and minimal interest-bearing debt. The Company's current policy is to maintain cash in its banking institutions and does not believe interest rate risk to be significant.

#### (b) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings because of movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### (c) Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Foreign currency risk also arises from the fluctuation in currency exchange between the Canadian dollar and Brazil Reals ("BRL"). The Company does not have significant exposure to

currency risk with regards to its BRL denominated financial assets and financial liabilities.

## **DISCLOSURE CONTROLS AND PROCEDURES**

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Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at May 31, 2016, the CEO and the CFO have evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and have concluded that such disclosure controls and procedures are effective.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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The Chief Executive Officer, the Chief Financial Officer and an external director of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The Company has determined that the internal disclosure controls and procedures are effective and sufficient to execute its business plan.

## **FORWARD LOOKING STATEMENTS**

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Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. All such statements, other than statements of historical facts, that address estimated resource quantities, grades, locations, geometry and contained metals, possible future mining, exploration and development activities, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward- looking statements.

Readers are cautioned not to put undue reliance on forward looking statements.

## **DIRECTORS**

At the date of this report, the Company has the following directors and officers:

Chris Harris - President, Chief Executive Officer, and Director  
Kyler Hardy\* – Chairman, Director  
Alan Carter\* - Director  
David Hodge\* – Director  
Jody Bellefleur – Chief Financial Officer  
Frances Petryshen – Corporate Secretary

*\*Member of the Audit Committee*

**ADVISORY BOARD**

The Company has appointed the following professionals to the newly appointed Advisory Board:

Michael Bennett  
Jon Coates

**APPROVAL**

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The Board of Directors of Equitas Resources Corp. has approved the disclosure contained in this MD&A.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company's website at [www.equitasresources.com](http://www.equitasresources.com).