MINCO BASE METALS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

This Management's Discussion and Analysis ("MD&A") of Minco Base Metals Corporation ("Minco Base Metals" or the "Company") has been prepared on the basis of available information up to January 26 2016, and should be read in conjunction with the accompanying audited consolidated financial statements and related notes prepared by management for the years ended September 30, 2015 and 2014. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Except as noted, all financial amounts are expressed in Canadian dollars. Refer to Note 3 of the September 30, 2015 audited consolidated financial statements for disclosure of the Company's significant accounting policies.

Additional information, including the above mentioned audited consolidated financial statements for the year ended September 30, 2015 and the MD&A for the same period, which contain disclosure of the history and properties of the Company, are available on SEDAR at www.sedar.com.

The Company's audit committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's board of directors.

Minco Base Metals, formerly 0791852 B.C. Ltd., was incorporated on May 22, 2007 under the Business Corporations Act (British Columbia) and changed its name to Minco Base Metals Corporation on October 22, 2007. Its principal business activity is the acquisition, exploration and development of base metals properties.

The Company had two wholly owned subsidiaries; Minco Mining & Metals Corporation ("MM&M") and Minco Mining & Metals Limited located in Hong Kong ("MM&M HK").

On May 13, 2013, the Company amalgamated with its subsidiary MM&M; as a result, the Company only has one wholly owned subsidiary MM&M HK.

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1. Company History

On June 6, 2007, Minco Gold Corporation ("Minco Gold") and the Company (a wholly owned subsidiary of Minco Gold at the time) entered into an Arrangement Agreement (the "Arrangement") to spin-off the White Silver Mountain project from Minco Gold to the Company. The Arrangement was approved by the shareholders of Minco Gold at a meeting of its shareholders held on July 16, 2007 and received final court approval on July 31, 2007. The Arrangement was completed with an effective date of November 15, 2007 (the "Effective Date").

The Company was dormant from the date of incorporation until when it acquired, from Minco Gold, all of the shares of "MM&M", a company incorporated under the laws of British Columbia. MM&M held an interest in Gansu Keyin Mining Co. Ltd. ("Keyin"), a Chinese registered entity. Keyin held a 100% interest in the White Silver Mountain project, located in Gansu, Peoples Republic of China ("China" or "PRC"). The transfer was affected by way of a plan of arrangement. As the transfer resulted in no substantive change in beneficial ownership, the transfer was accounted for at the carrying amount of the assets and liabilities in Minco Gold's accounts.

In September 2009, MM&M set up a wholly owned subsidiary in Hong Kong, MM&M HK, and transferred all of its interest in Keyin to MM&M HK.

The Company made the decision to sell its 61% interest in Keyin (which owned the White Silver Mountain Project) to its partner, Baiyin Non-ferrous Metals Group Co. Ltd. ("BNMC") due to certain unresolved commercial disagreements between the Company and BNMC. On December 23, 2009, after protracted negotiations, the Company and BNMC entered into the definitive agreement in respect of the sale of the shares in Keyin held by the Company (the "Sale Agreement") with a sale price of Chinese renminbi ("RMB") 155 million. This represented a gain of more than $23 million on the Company's original investment. The Sale Agreement was later amended by a supplemental agreement between the parties dated March 30, 2010 which provided, among other things, for the payment of the purchase price in three tranches. The sale closed in late June of 2010 after all of the conditions was satisfied, and RMB 155 million was received by the Company. The proceeds from the sale of Keyin are being held in China in trust for the Company.

On May 13, 2013, the Company amalgamated with its subsidiary MM&M and continued its operations under the name of Minco Base Metals Corporation.

2. Selected Annual Information

The following table summarizes selected financial information for the most recent three years ended September 30.

	2015	2014	2013
	$	$	$
Total revenue	-	-	-
Net income (loss)	4,023,927	1,997,505	1,585,759
Earnings (loss) per share - basic	0.29	0.15	0.12
Earnings (loss) per share – diluted	0.29	0.15	0.11
Total assets	29,277,609	24,933,303	22,679,404
Total long-term financial liabilities	-	-	-
Cash dividends declared per share for each class of share	-	-	-

Net income for the year ended September 30, 2015 was $4,023,927 compared to net income of $1,997,505 for the comparative period of 2014. The significant increase in net income was primarily due to the appreciation of the RMB against the Canadian dollar during 2015. The funds received from the sale of Keyin have remained in RMB and are held in trust in Beijing, China. The foreign exchange gain for the year ended September 30, 2015 was $4,058,350 compared to the foreign exchange gain of $1,832,903 for the comparative period of 2014. Net income for the year ended September 30, 2013 was primarily driven by a foreign exchange gain of $1,650,781.

3. Results of Operations

3.1 New Project Search

The Company's growth strategy is to identify high quality mineral properties, both inside and outside China, and to utilize the financial resources of the Company to acquire, explore and develop mineral properties of merit.

Following the disposition of the Company's interest in Keyin and the White Silver Mountain property in 2010, the Company evaluated a number of properties in China, Australia, the United States, South America, Canada, and other countries.

Little Swift River Properties

On February 17, 2015, the Company entered into a property purchase agreement with Zenith Mineral Resources Ltd. ("Zenith"). Pursuant to which the Company agreed to acquire from Zenith 100% of certain mineral properties and related plant and equipment (the "Assets") for cash consideration of $3,820,000 (the "Purchase Price") subject to the results of a sampling program to verify the geological merits of the mineral properties.

The Company made an initial deposit of $382,000 to Zenith on February 17, 2015. The Company had the right to conduct a sampling program on the property before paying the Final Purchase Price Installment in the amount of $3,438,000.

On April 27, 2015, the Company advanced $75,000 to Zenith to be used as a deposit to the B.C. Ministry of Energy and Mines to allow Zenith to continue its work programs on the property.

On August 10, 2015, after the completion of the sampling program, the Company sent a notice to Zenith to advise that the Company did not wish to complete the payment for the final Purchase Price Installment as the sampling program did not meet the Company's expectations. The Company has spent about $67,000 with this property which is included in the Company property investigation expenditures.

On September 23, the Company received a refund in the total amount of $457,000 from Zenith per the property purchase agreement.

QR Placer Gold Project

Subsequent to the year ended September 30, 2015, the Company entered into a property purchase agreement with A. WOB Holding Ltd. ("WOB"), a private company incorporated in British Columbia on November 13, 2015. The Company agreed to acquire from WOB the 100% right, title and interest for the QR placer gold project (the "QR Project") located near Quesnel, British Columbia for cash consideration of $880,000 (paid on November 16, 2015). The Company also paid a finder's fee of $30,000 for the QR Project.

The QR Project is comprised of one placer lease and 15 placer claims covering a 5.16km area along the Quesnel river. During three months ended December 31, 2015, the Company conducted a detailed sampling program on the QR Project, including 20 bulk testing pits and 11 normal testing pits. The Company intends to begin placer gold production in spring 2016 and is in the process of applying for all required permitting and licenses for such operation and is in the process of building a budget for this operation.

3.2 Fourth Quarter

Net income for the three months ended September 30, 2015 was $835,063 (earning of $0.06 per share) compared to $1,119,362 (earning $0.08 per share) in the fourth quarter of 2014.

The fourth quarter's net income was primarily driven by a foreign exchange gain of $1,092,616 compared to $1,074,317 for the comparative period of 2014. The foreign exchange gain during the quarter was due to the Canadian dollar depreciating against the RMB.

3.3 Administrative Expenses

For the years ended September 30, 2015 and 2014

Administrative expenses include overhead associated with administering and financing the Company's search for new mineral properties and the maintenance of its status as a reporting issuer.

For the year ended September 30, 2015, the Company incurred a total of $501,117 of administrative expenses, before a foreign exchange gain of $4,058,350 (2014 - $499,340, before a foreign exchange gain of $1,832,903).

The foreign exchange gain was $4,058,350 for the year ended September 30, 2015 compared to $1,832,903 for the comparative period of 2014. The foreign exchange gain was mainly due to the RMB appreciating against the Canadian dollar during 2015 and 2014.

Significant changes in administrative expenses are as follows:

Consulting fee

Consulting fees increased to $43,311 for the year ended September 30, 2015 from $37,501 for the comparative period of 2014. The increase was due to a new CFO hired in 2015.

Property investigation

Property investigation expenses increased to $157,397 for the year ended September 30, 2015 from $113,011 for the comparative period of 2014. During 2015, the Company hired more consultants to search for and evaluate new projects in north British Columbia. The consulting fees, traveling expenses, and other expenses related to the new projects search are recorded under property investigations.

Rent

Rent expense was $26,761 for the year ended September 30, 2015 compared to $33,600 for the comparative period of 2014. The decrease was due to a reduction of office space in 2015.

Share-based compensation

Share-based compensation was $Nil for the year ended September 30, 2015 compared to $53,622 for the comparative period of 2014. The decrease was due to no stock options being granted in 2015 and no vesting of previously granted options.

Travel

Travel expenses increased to $13,286 for the year ended September 30, 2015 from $4,540 for the comparative period of 2014. The increase was due to more traveling in connection with increased business activities.

For the years ended September 30, 2014 and 2013

For the year ended September 30, 2014, the Company incurred a total of $499,340 of administrative expenses, before a foreign exchange gain of $1,832,903 (2013 - $612,260, before a foreign exchange gain of $1,650,781).

The foreign exchange gain was $1,832,903 for the year ended September 30, 2014 compared to a foreign exchange gain of $1,650,781 for 2013. The foreign exchange gain was mainly due to the RMB appreciating against the Canadian dollar during 2014 and 2013.

Significant changes in administrative expenses are as follows:

Accounting and audit

Accounting and audit expenses decreased to $34,598 for the year ended September 30, 2014 from $55,839 for the comparative period in 2013. The decrease was due to reduced audit fees and tax fees in 2014.

Legal, regulatory, and filing

Legal, regulatory, and filing expenses decreased to $29,308 for the year ended September 30, 2014 from $39,513 for the comparative period of 2013. The decrease was due to the Company reducing its use of external legal counsel in 2014.

Property investigation

Property investigation expenses decreased to $113,011 for the year ended September 30, 2014 from $137,621 for the comparative period of 2013. The decrease was due to no consultants being engaged in 2014 to assist with project investigation.

Share-based compensation

Share-based compensation decreased to $53,622 for the year ended September 30, 2014 from $106,508 for the comparative period of 2013. The decrease was due to no stock option being granted in 2014.

3.4 Finance and Other Income

To date the Company has not earned revenue from operations other than interest income earned on cash and cash equivalents and short-term investments.

For the year ended September 30, 2015 and 2014

The interest income generated during the year of 2015 was $775,117 compared to $745,547 for the comparative period of 2014. The increase was due to the increased distribution of the Company`s investible funds into higher interest bearing short-term investments.

For the year ended September 30, 2014 and 2013

The interest income generated during the year of 2014 was $745,547 compared to $656,749 for the comparative period of 2013. The increase was mainly due to the same reason described above.

3.5 Provision for Income Tax

Interest income earned in China is subject to a 7% withholding tax. Total interest income earned in China for the year ended September 30, 2015 was $775,117 (2014 - $745,547).

For the year ended September 30, 2015 and 2014

For the year ended September 30, 2015, the Company incurred $308,423 (September 30, 2014 - $81,605) in income taxes and related interest expenses.

For the year ended September 30, 2014 and 2013

For the year ended September 30, 2014, the Company incurred $81,605 (September 30, 2013 - $109,511) in income taxes.

4. Summary of Quarterly Results

Period ended	Revenue	Net income (loss)	Earnings (loss) per share Basic	Diluted
		$	$	$
09-30-2015	-	835,063	0.06	0.06
06-30-2015	-	(500,087)	(0.04)	(0.04)
03-31-2015	-	2,544,397	0.18	0.18
12-31-2014	-	1,144,554	0.08	0.08
09-30-2014	-	1,119,362	0.08	0.08
06-30-2014	-	(823,258)	(0.06)	(0.06)
03-31-2014	-	663,333	0.05	0.05
12-31-2013	-	1,038,068	0.08	0.08

Variations in quarterly performance over the eight quarters are primarily attributed to changes in foreign exchange rates as the Company holds significant RMB funds. Appreciation or depreciation of the RMB relative to the Canadian dollar can result in significant foreign exchange gains and losses. Other contributing factors are changes in the allocation percentage for shared office and administrative expenses paid by Minco Gold on the Company’s behalf as well as changes in the amount of share-based compensation, property investigation, and legal, regulatory, and filing expenses recognized in each period.

5 Liquidity and Capital Resource

5.1 Cash flow

	Years ended September 30, 2015	2014
	$	$
Operating activities	419,422	226,804
Investing activities	(4,278,327)	50,687
Financing activities	-	88,800

Operating activities

For the year ended September 30, 2015, the Company generated $419,422 cash from operating activities compared to $266,804 for the comparative period of 2014. The change was primarily due to more favorable of changes in working capital, which includes changes in interest receivables of $134,615 in 2015 (2014: (105,084))

Investing activities

For the year ended September 30, 2015, the Company used $38,045 to purchase office furniture and used $4,240,282 to purchase of short-term investment to arrive at the amount of $4,278,327 cash used in investing activities, compared to cash generated of $50,687 for the year ended September 30, 2014.

Financing activities

For the year ended September 30, 2015, the Company received proceeds of $Nil from the exercise of stock options (2014 - $88,800).

5.2 Capital Resources

	Year- ended, September 30, 2015	2014
	$	$
Working capital	27,774,711	23,784,542
Cash and cash equivalents	1,600,506	4,816,517
Short-term investment	27,228,402	19,572,664

The Company's working capital has increased to $27,774,711 as at September 30, 2015 compared to $23,784,542 at the year end of 2014. The increase was mainly due to the RMB appreciating against the Canadian dollar during the 2015 fiscal year. Management believes the Company should have sufficient capital resources to fund its new property search and daily activities.

The Company made the decision to keep the funds received from the sale of Keyin inside China due to higher interest rates offered by the Chinese banks, and to provide funding for the conduct of its ongoing evaluation of potential new projects located in China. Cash and cash equivalents and short-term investments are being held in trust by Beijing Zhongjia Technology Development Co. Ltd. ("Zhongjia"), a Chinese registered entity controlled by a brother of the Chief Executive Officer of the Company. The decision to appoint a private Chinese company as trustee to hold the Company's Chinese funds was made upon the advice of the Company's in-house Chinese legal counsel. As the Company is a foreign entity in China, it is not allowed to open a bank account in China and it does not have a registered Chinese subsidiary in which to do so.

As at September 30, 2015, Zhongjia held approximately $28.46 million (RMB 134.82 million) in cash and cash equivalents and short term investments for the Company. The cash denominated in RMB is maintained in the PRC, where the remittance of funds to jurisdictions outside the PRC is subject to government rules and regulations on repatriation of funds. Such remittance requires approvals by the relevant government authorities, designated banks in the PRC or both entities. As a result, the Company intends to exchange funds from related parties in Canada and China in order to ensure the Company has adequate liquidity to maintain its Canadian operations.

The Company's short-term investments are comprised of term deposits of a 180-day term and a 360-day term with interest yield between 2.255% and 3.025%, and are not exposed to any significant liquidity risk.

5.3 Contractual Obligations

The Company`s contractual obligations are related to a cost sharing agreement between the Company, Minco Silver Corporation ("Minco Silver") and Minco Gold, related parties domiciled in Canada. The agreement outlines shared expenses incurred by the three companies including consulting and rental expenses.

The cost sharing agreement is renegotiated or amended by the parties annually.

The Company has no long-term debt.

The Company does not have other material contractual obligations as at September 30, 2015.

6. Off -Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

7. Transactions with Related Parties

Shared expenses

MBM, Minco Gold, and Minco Silver Corporation ("Minco Silver"), a company with which the Company's CEO has significant influence over, share offices and certain administrative expenses in Beijing and Vancouver.

(a) The Company paid Minco Gold $131,229 during the year (2014 - $161,761) representing shared office expenses and administrative expenses paid by Minco Gold on the Company's behalf. Amount due to Minco Gold as at September 30, 2015 of $18,444 (September 30, 2014 - $47,622

(b) The Company paid Minco Mining (China) Corporation ("Minco China"), a subsidiary of Minco Silver $19,417 (RMB 91,993) during the year (2014 - $310,052 RMB 1,710,000), representing miscellaneous expenses paid by Minco China on the Company's behalf. Amount due to Minco China as at September 30, 2015 was $33,363 (RMB 158,065) (September 30, 2014 - $198 (RMB 1,092))

(c) During the year ended September 30, 2015, the Company paid $20,235 (September 30, 2014 – $27,825) in respect of rent, and $149,673 (September 30, 2014 – $209,383) in respect of other shared office expenses and administrative expenses to Minco Gold.

The amounts due are unsecured, non-interest bearing and payable on demand.

Included in cash and cash equivalents and short-term investments are funds being held in trust by Zhongjia, a Chinese registered entity controlled by a brother of the Chief Executive Officer of the Company?

Exchange of funds with Minco Silver

As the majority of the Company's funds are held in China, and the remittance of these funds back to Canada require approval by the relevant government authorities or designated banks in China or both, the Company periodically borrows Canadian funds from Minco Silver in Canada, and repays the amounts in RMB to Minco Silver's subsidiaries in China. During the year ended September 30, 2015, the Company borrowed a total amount of $300,000 from Minco Silver in Canada. This borrowing was fully repaid in the amount of RMB 1,482,500 to one of Minco Silver's subsidiaries in China in the year...

Key management compensation

During the years ended September 30, 2015 and 2014, the following compensation was paid to key management. Key management includes the Company's directors and senior management. This compensation is included in administrative expenses.

	Three months ended September 30,		**Year ended September 30,**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Cash remuneration	26,167	47,100	160,326	228,785
Share-based compensation	-	5,241	-	53,621
Total	26,167	52,341	160,326	282,406

The Company has a consulting agreement with president and Chief Executive Officer of the Company for corporate administration and consulting services for $3,000 per month. The cost incurred relating to this consulting agreement is included in the table above.

The above transactions were conducted in the normal course of business.

8. Critical Accounting Estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual areas of estimate include assumptions used in income taxes. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the notes to the financial statements where applicable.

a) Critical judgments in applying accounting policies

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. The functional currency of the Company and its wholly owned subsidiary are assessed by management at each reporting period.

b) Key sources of estimation uncertainty

Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority

9. Adoption of new accounting standards and amendment

IFRIC 21 *Levies*

Effective October 1, 2014, the Company adopted a new accounting standard.

IFRIC 21, *Levies* was issued on May 20, 2013 and provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

9.1 Accounting Standards Issued but Not Yet Applied

IFRS 9 *Financial Instruments*

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities largely carry forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of this new standard will be periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not yet assessed the impact of this standard.

10. Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of operations or comprehensive loss. Those categories are: fair value through profit or loss; loans and receivables; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at September 30, 2015 and 2014.

	September 30, 2015	September 30, 2014
	$	$
Loans and receivables		
Cash and cash equivalents	1,600,506	4,816,517
Short-term investments	27,228,402	19,572,664
Other receivables	392,031	526,646
	29,220,939	24,915,827
Other financial liabilities		
Accounts payable and accrued liabilities	43,265	44,772
Due to related parties	51,807	47,820
	95,072	92,592

Fair value measurement

Financial assets and liabilities that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices), and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of the Company's cash and cash equivalents, short-term investments, other receivables, accounts payable and accrued liabilities and amounts due to related parties approximate their carrying value given their short duration.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks. The board provides written principles for overall risk management.

Credit risk factors

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligation under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the financial statements. The Company considers the following financial assets to be exposed to credit risk:

(a) Cash and cash equivalents – to minimize the risk, cash has been deposited in a major financial institution in the PRC (not subject to deposit insurance) and one major bank in Canada (subject to deposit insurance up to $100,000 in general)

(b) Short-term investments – are term deposits and guaranteed investment certificates with maturities of greater than 90 days when acquired. At September 30, 2015, short-term investments totalled $27,228,402 (September 30, 2014 – 19,572,664) and were placed with one major PRC bank earning interest between 2.255% and 3.025% for 180-day and 360-day terms (September 30, 2014 - interest rate of 3.30%a 360-day term).

Cash and cash equivalents and short-term investments are being held in trust by Zhongjia, a Chinese registered entity, controlled by a brother of the Company's Chief Executive Officer.

The Company does not have any derivative financial instruments nor has it invested in asset backed paper instruments.

Foreign exchange risk

The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. Most of the foreign currency risk is related to the RMB held in trust by Zhongjia. The Company's net earnings are impacted by fluctuations in the valuation of the RMB in relation to the Canadian dollar.

The following exchange rates (obtained from the Bank of Canada website) are applied for the Company's financial statements as at September 30, 2015 and 2014 and average rate for the years ended September 30, 2015 and 2014.

	2015	**2014**
$1 to RMB		
Average rate	5.02220	5.68081
Closing rate	4.73770	5.51790

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net income of the Company, based on the Company's net monetary assets of approximately $28.8 million denominated in RMB at the year-end. This sensitivity analysis shows that a change of +/- 10% in RMB foreign exchange rate against the Canadian dollar would have a +/- $2.88 million impact on net income.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are the cash and cash equivalents and short-term investments owned by the Company.

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net income of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a +/- $285,000 impact on net income (before tax), assuming foreign exchange rate remains constant. This impact is primarily as a result of the Company holding short-term investments such as guaranteed investment certificates and as a result of the Company having cash invested in interest bearing accounts. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that noted above.

Liquidity risk

Liquidity risk includes the risk that the Company cannot meet its financial obligations as they fall due. As at September 30, 2015, the Company has positive working capital of approximately $27.8 million. However, due to government rules and regulations on remitting funds from PRC to Canada and minimum level of cash in Canada, the Company may face increased liquidity risk when expanding its operations outside of PRC.

11. Share Data

As at September 30, 2015, the Company had 13,992,257 common shares and nil stock options outstanding,

Subsequently, the Company granted 911,000 share purchase options to various employees and directors at an exercise price of $0.89/share.

As at the date of this report, the Company has a total of 14,903,257 fully diluted common shares outstanding.

12. Risks Factors and Uncertainties

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by investigating several mineral property targets in a number of favorable geologic and political environments.

Beyond exploration risk, management is faced with a number of other risk factors. The more significant ones include:

Political Risk: Currently, the Company keeps its RMB denominated cash in accounts with financial institutions located in the PRC. This exposes the Company to risks that may not otherwise be experienced if these accounts were maintained domestically. Political risks may include arbitrary changes in laws, regulations, policies, taxation, foreign exchange controls, and limitations on the repatriation of earnings. These risks may limit the Company's ability to access the funds held in the PRC for use therein or elsewhere in the world on a timely basis, or at all.

Directors and Officers: The directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

Market for Securities: There can be no assurance that an active and liquid market for the Company’s common shares will develop and an investor may find it difficult to resell the Company's common shares.

Foreign Exchange Risk: A significant portion of the Company’s assets are denominated in RMB and are subject to foreign exchange rate risk which may have a negative impact on the Company’s overall financial performance.

13. Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “target”, “plan”, “intends”, “continue”, “estimate”, “may”, “will”, and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, Chinese RMB and U.S. dollar, fluctuations in the prices of gold and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, or China or other countries in which the company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, quantities or grades of reserves, failure of plant, equipment or processes to operate as anticipated as well as any factors discussed in the section entitled “Risk and Uncertainties” in this MD&A. Many of these uncertainties and contingencies can affect the Company’s actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Forward-looking statements included or incorporated by reference in this MD&A are based on a number of assumptions including:

- The Company being able to successfully acquire suitable, high quality base metal mineral properties.
- The continued availability of equity and debt financing to fund exploration and development activities, as necessary.
- The ability of the Company to move cash back to Canada.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable securities laws.