

## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

This Management's Discussion and Analysis ("**MD&A**") reviews the activities of Canterra Minerals Corporation ("**Canterra**", or the "**Company**") and compares the financial results for the for the three and nine month period ended September 30, 2016 ("**third quarter 2016**" and "**nine months fiscal 2016**", respectively) with the comparable period in 2015 ("**third quarter 2015**" and "**nine months fiscal 2015**", respectively). This MD&A should be read in conjunction with the interim condensed consolidated financial statements for the third quarter 2016 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, copies of which are filed under the Company's profile on the SEDAR website, [www.sedar.com](http://www.sedar.com).

The Company was incorporated as 580312 B.C. Ltd. in British Columbia on February 18, 1999 and adopted the name "Diamondex Resources Ltd." on March 23, 1999. The Company adopted its present name on December 9, 2009, in connection with the business combination of Diamondex and Triex Minerals Corporation ("Triex"). The Company's head office and principal address is Suite 1020 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. The Company's registered and records office is Suite 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5. The Company's functional currency is the Canadian dollar.

The information in this MD&A is provided as of the date of this MD&A, November 23, 2016 (the "**Report Date**").

#### **DESCRIPTION AND OVERVIEW OF BUSINESS**

The Company is a Canadian resource exploration company with a focus on diamond exploration primarily in the Northwest Territories.

The Company's current projects in the Northwest Territories include Gwen, Hilltop, King, Marlin, Prism and Rex Properties. The Company also holds a 33% interest in the Buffalo Hills Diamond Project in Northern Alberta and the right to acquire up to a 70% interest in the West Carswell property, located in the western Athabasca Basin, Saskatchewan.

As of September 30, 2016, the Company had working capital deficiency of approximately \$207,000. The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing, monetize its marketable securities holdings and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

#### **MINERAL PROJECTS**

The Company's core assets are the exploration rights to its mineral properties. These rights are held by means of claims located by staking and prospecting permits or leases issued by government departments for prospecting and exploration purposes. In several instances, the mineral rights may be held under Purchase Option Agreements. Such agreements typically require the Company to make cash payments and share issuances and to incur exploration expenditures on multi-year schedules, as set forth in each agreement.

#### **NORTHWEST TERRITORIES**

##### ***Gwen & CL-25 Property***

In fiscal year 2014, the Company acquired the Gwen Property by staking 10 mineral claims covering an area of approximately 10,450 ha. The property is located 30 kilometres ("**km**") east of the Snap Lake Diamond Mine owned and operated by De Beers Canada. Kimberlite indicator minerals on the property indicate the potential for the discovery of new kimberlites pipes on the Gwen Property.

## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

In June 2016, the Company signed an option agreement to acquire up to 70% interest in the CL-25 property consisting of one claim entirely surrounded by the Gwen Property. The CL-25 property contains two diamondiferous kimberlite pipes known as CL-25 and CL-174 discovered by Winspear Diamonds in 1994 and 1995, respectively. Historical data from assessment reports indicates that 212 diamonds (9 macros) were recovered from CL-25 and 340 diamonds (11 macros) were recovered from CL-174.

The Company can acquire a 60% interest in the CL 25 property by making a cash payment of \$35,000 (paid) and issuing 400,000 (200,000 issued) and incurring expenditures of \$1,000,000 over a three year time period. The Company has the right to acquire an additional 10% interest by making a cash payment of \$100,000, issuing 500,000 and incurring a further expenditures of \$1,000,000 prior to the fifth anniversary.

#### ***Hilltop Property***

The Company initially acquired the Hilltop Property in 1999.. The Company holds four mineral leases and maintains an additional six mineral claims, covering an area of approximately 8,975 ha. A previously identified 7 km long kimberlite indicator mineral train contains G10 garnets, chromites and ilmenites, as well as numerous kimberlite fragments. Evaluation of airborne geophysical data has identified 15 anomalies for future follow up. The Hilltop Property is strategically located approximately 45 km southwest of the Snap Lake Diamond Mine.

#### ***King Property***

The Company initially acquired the King Property in 2000 and continues to hold six mineral leases covering an area of approximately 6,200 ha.

#### ***Marlin Property***

In fiscal year 2014, the Company acquired the Marlin Property by staking 23 mineral claims covering an area of approximately 25,830 ha. The property is located approximately 20 km northwest of the Gahcho Kue Project, which is being advanced by De Beers Canada and Mountain Province Diamonds Inc. The Marlin Property was staked based on the presence of anomalous indicator minerals including G10 garnets and chromites which appear to have been sourced from within the acquired claim block, as well as seven geophysical anomalies identified from a previous airborne magnetic and electromagnetic survey.

In August 2014, the Company entered into an option agreement with Margaret Lake Diamonds ("**MLD**") granting MLD the right to acquire up to a 49% interest in the Marlin Property. To acquire an initial 30% interest, MLD was required to make cash payments of \$80,000 (\$60,000 received), issue 300,000 common shares (300,000 received to date at a value of \$44,000) and incur \$1,000,000 (\$524,333 incurred to date) in exploration expenditures by September 15, 2016. As MLD was unable to fulfill the exploration expenditures threshold by September 15, 2016, the option agreement was terminated.

#### ***Prism Property***

In fiscal year 2014, the Company acquired the Prism Property by staking 11 mineral claims and additional 2 mineral claims in 2015 covering approximately 13,870 ha. The property is located approximately 25 km south of the Snap Lake Diamond Mine. The Prism Property hosts three or more kimberlite indicator mineral trains with favourable chemistry, indicating a high potential for diamondiferous kimberlites to exist at the head of the trains. Geophysical and geochemical work has identified three potential areas for kimberlite discovery, northern and central areas which are defined by a change in indicator mineral chemistry and a southern area defined by both geophysical anomalies and kimberlite indicator mineral chemistry. Both areas are located at heads of kimberlite indicator mineral trains and appear to be cutoff in the up-ice direction.

## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

#### ***Rex Property***

In January 2015, the Company acquired the Rex Property by staking 21 mineral claims covering an area of approximately 25,030 ha. The property is located approximately 35 km west of the Gahcho Kue diamond project, 45 km southeast of the Snap Lake Diamond Mine and contiguous to the Company's Marlin property to the east. The property encompasses several kimberlite indicator anomalies that contain G9 and G10 garnets, kimberlitic ilmenites and chromites. In addition, two kimberlite indicator mineral trains cross the property. Previous exploration focused on the kimberlite indicator mineral train that appears to be sourced from the MZ kimberlite dykes, 15 km to the east. This train may mask subtle kimberlite indicator mineral anomalies which previous exploration may have overlooked. These subtle anomalies may be sourced from as yet undiscovered kimberlite bodies within the Rex Property.

#### ***Exploration Activities***

During the second half of 2014, the Company collected 694 till samples from its total land holdings in the Southern Slave Region and conducted a heli-borne gradiometry geophysical survey over the northern portion of the Marlin Project. During the second half of 2015 the Company collected a further 204 till samples and visual picking results are pending on certain properties. In addition, ground work was completed at the Hilltop Property in preparation for a 60 line km OhmMapper survey completed in the first quarter of 2016. The survey completed in 2016 expanded upon the initial results obtained from the survey conducted earlier in 2015 which identified several targets for follow-up work.

The samples from the 2015 program will be incorporated into the Company's proprietary database which includes detailed datasets compiled over a fifteen year period and covers the NWT exclusively. The database now comprises results from 22,850 till samples, with 42,000 microprobe analyses and more than 71,500 line km of airborne and ground geophysics. Ongoing evaluation continues to advance the search for new diamond districts and kimberlite discoveries.

The Company's 2014 and 2015 exploration work meets the requirement to maintain the Company's priority land package for an additional year through assessment credits. The Company is reviewing the results from its 2015 field program and the OhmMapper survey to determine how best to continue to explore.

#### ***Buffalo Hills Property, Alberta***

The Buffalo Hills Property ("Buffalo Hills") is held by the Buffalo Hills Joint Venture ("BHJV"), which has three participants: EnCana Corporation (34%), Shore Gold (33%) and the Company (33%). The Company is the Operator of the BHJV. The Buffalo Hills is comprised of 22 mineral leases covering 5,104 hectares, located in north central Alberta centered approximately 120 km northeast of Peace River and 400 km northwest of Edmonton. To date, a total of 41 kimberlites have been discovered in the region, of which 28 are diamondiferous. Kimberlite bodies range in size from 1 – 47 ha. In addition, four metallic and industrial mineral permits were staked north and northwest of the main lease holdings in 2015. Buffalo Hills is currently on care and maintenance.

#### ***West Carswell Property, Saskatchewan***

In August 2016, the Company entered into property option and joint venture agreement with CanAlaska Uranium Ltd ("CanAlaska") to acquire up to a 70% interest in the West Carswell property. Pursuant to the agreement, the Company can acquire a 50% interest in the West Carswell property by making staged cash payments totaling \$100,000 (\$30,000 paid) and incurring \$1,000,000 in exploration expenditures by August 16, 2019. Upon completion of the 50% earn-in, the Company and CanAlaska will form a joint venture with each party maintaining a 50% interest. The Company will have the option to acquire an additional 20% ownership for further cash payments of \$100,000, the issuance of 1,000,000 shares and incurring a further \$4,000,000 in expenditures within the third anniversary of completion of the initial 50% earn-in.

## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

The West Carswell property comprises approximately 4,830 hectares within the west Athabasca Kimberlite trend and is located 20 km southwest of DeBeers'/CanAlaska's Athabasca Diamond Project. The property encompasses six discrete magnetic anomalies derived from a survey flown in 2011 for the Saskatchewan Geological Survey. These six targets exhibit discrete magnetic lows and are characteristic of magnetic features, thought to be kimberlite pipes, intruding into the thick Athabasca sandstone sequence.

#### ***Exploration Activities***

During the third quarter 2016, the Company completed a detailed 1,770 line km airborne magnetic survey over the West Carswell property. The airborne magnetic survey was conducted at 50 m line spacing and a height 20-30 m above the terrain. The magnetic survey data is being finalized and interpreted by geophysicists. The magnetic survey as flown over the six discrete anomalies derived from the 2011 survey.

#### **RESULTS OF OPERATIONS**

##### **For the three months ended September 30, 2016 and 2015**

The net loss for the three months ended September 30, 2016 was \$161,349 compared to \$222,003 for the prior year's comparative period.

Expenses for third quarter 2016 amounted to \$181,466 (2015 - \$226,468). Exploration expenditures were slightly lower at \$118,617 (2015 - \$127,933).

The unrealized gain on marketable securities amounted to \$45,200 (2015 – Loss \$8,656). During the three months ended September 30, 2016, the Company sold marketable securities resulting in a realized loss of \$25,108.

##### **For the nine months ended September 30, 2016 and 2015**

The net loss for the nine months ended September 30, 2016 was \$498,299 compared to \$695,719 for the prior year's comparative period.

Expenses for the nine months ended September 30, 2016 amounted to \$561,215 (2015 - \$740,973), with the largest item being \$265,247 (2015 - \$332,720) of exploration expenditures. In addition, during the second quarter of 2016 the Company granted stock option resulting in share based compensation expense of \$54,360 with no comparable amount in 2015.

The unrealized gain on marketable securities amounted to \$104,091 (2015 – Loss \$15,184), offset in part by a realized loss on securities sold in the amount of \$56,042 (2015 - \$Nil) during the nine months ended September 30, 2016.

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

## CANTERRA MINERALS CORPORATION

### MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F

For the nine months ended September 30, 2016

#### 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.

Year:	2016	2016	2016	2015	2015	2015	2015	2014
Quarter Ended:	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Net sales or total revenue:	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss):								
(i) in total (000s)	\$(161)	\$(165)	\$(172)	\$(259)	\$(222)	\$(224)	\$(249)	\$(379)
(ii) per share <sup>(1)</sup>	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

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

While the information set out in the foregoing table is mandated by *National Instrument 51-102*, it is management's view that the variations in financial results that occur from quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue.

Significant variances in the Company's reported loss from quarter to quarter most commonly arise from several factors that are difficult to anticipate in advance or to predict from past results. These factors include: (i) level of exploration and project evaluations expenses incurred, (ii) decisions to write off acquisition costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, and (iii) the vesting of incentive stock options, which results in the recording of amounts for share-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter.

#### Financing Activities

No financing activities for the nine months fiscal 2016 or 2015.

#### Investing Activities

During the nine months ended September 30, 2016, the Company sold marketable securities realizing proceeds of \$59,641. During the nine months fiscal 2016, the Company signed option agreements to acquire up to 70% interest in each of the CL-25 and West Carswell properties and made cash payments totaling \$65,000. Exploration expenditures incurred on the Company's mineral properties for current fiscal period 2016 were \$265,247 (2015 - \$332,720).

#### Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

## CANTERRA MINERALS CORPORATION

### MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F

For the nine months ended September 30, 2016

#### Transactions with Related Parties

The Company entered into the following transactions with related parties and key management personnel during fiscal year 2016:

Paid or accrued the following to to Rand Explorations Ltd. ("Rand") a company controlled by Randy Turner, the Chief Executive Officer of the Company:

	<b>2016</b>		<b>2015</b>
Management Fees	\$ 76,500	\$	76,500
Geological consulting fees	\$ 13,500	\$	13,500
Share based compensation*	\$ 7,467	\$	-

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

	<b>2016</b>		<b>2015</b>
Management fees	\$ 12,350	\$	22,100
Share based compensation*	\$ 4,480	\$	-

Paid or accrued the following to non-executive directors of the Company:

	<b>2016</b>		<b>2015</b>
Share based compensation*	\$ 35,095	\$	-

*\*Share-based compensation consists of the fair value of options that were granted to related parties during the period. The fair value has been calculated using the Black-Scholes Option Pricing Model as set out in the Consolidated Financial Statement for the period ended September 30, 2016 and does not represent actual amounts received by the related parties.*

Paid or accrued the following to Independence Gold Corp. a company with common directors and/or officers:

	<b>2016</b>		<b>2015</b>
Rent	\$ 31,500	\$	45,000
Wages, benefits and other	62,461		69,326

Included in receivables at September 30, 2016 is \$Nil (December 31, 2015 - \$2,225) due from companies with common directors and/or officers.

Included in accounts payable and accrued liabilities at September 30, 2016 is \$305,291 (December 31, 2015 - \$154,180) due to companies with common directors and/or officers.

#### **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. 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.

## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

To date, the Company has financed its activities by the private placement of equity securities, consisting of a combination of flow-through and non-flow-through securities, as well as option payments received on properties it has optioned to third parties. In order to continue funding their 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**

As of September 30, 2016, the Company had working capital deficiency of \$206,552 (December 31, 2015 - \$317,146). The Company continues to monitor its operating costs closely, to ensure that no non-essential expenditures are incurred.

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 classifies its financial assets into four categories: (i) fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, and (iv) available-for-sale. All financial assets other than those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and such event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company classifies its financial liabilities into one of two categories: (i) fair value through profit or loss, and (ii) other financial liabilities.

Further information regarding the Company's financial instruments is set forth in Note 3 and 13 to the consolidated audited financial statements for the year ended December 31, 2015.

## CANTERRA MINERALS CORPORATION

### MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F

For the nine months ended September 30, 2016

#### OUTSTANDING SECURITIES AT THE REPORT DATE

As of the report date, the Company has the following securities outstanding:

Security	Number	Exercise Price	Expiry Date
Common Shares	84,395,937		
Warrants	8,107,143	\$0.10	Jul 29,2017
	49,500	\$0.10	Oct 19, 2016
	1,369,048	\$0.10	Oct 19, 2017
	2,341,274	\$0.08	Oct 19, 2017
Options	1,855,000	\$0.10	Apr 24, 2018
	620,000	\$0.15	August 14,2019
	1,820,000	\$0.08	May 2, 2021

#### OUTLOOK

As part of the Company's return to diamond exploration, the Company increased its diamond land holdings by staking four new properties and expanding one existing property located in the southern portion of the Slave Province, Northwest Territories. The Slave Province, including the prolific Lac de Gras and South Slave areas, has a proven history of diamond discovery and development. Each of these properties host indicator mineral trains which are composed of numerous G10 garnets, chromites and ilmenites sourced from within the diamond stability field, and which are potentially associated with diamond bearing kimberlite sources. In addition, the Buffalo Hills project has been expanded with the addition of four Metallic and Industrial covering two separate areas of interest, first near the K91 kimberlite and the second near the K8 kimberlite in Alberta.

During the second half of 2015, the Company collected a further 204 till samples to identify and further define potential drill targets on its Northwest Territories properties. These samples will be added to the Company's proprietary database which comprises approximately 22,850 till samples, 42,000 microprobe analysis and 71,500 km of airborne and ground geophysics. In addition, ground work was completed at the Hilltop Property for the 60 line km OhmMapper survey completed in early 2016. The 2016 survey expanded upon the initial results obtained from the survey conducted in 2015 which identified several targets for follow-up work. The Company is reviewing the results from its 2015 field program and the OhmMapper surveys to determine how best to continue to explore.

#### RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2015 annual MD&A filed on April 26, 2016.



## **CANTERRA MINERALS CORPORATION**

### **MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F**

For the nine months ended September 30, 2016

#### **FORWARD LOOKING INFORMATION**

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 at its mineral properties, 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 and to carry out its desired exploration programs; inability to fund the Company's share of costs incurred under joint venture agreements or meet the earn-in requirements under purchase options agreements to which it is a party, and reduction or elimination of its interest in the underlying mineral property as a result; competition within the minerals industry to acquire properties of merit, 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 in the north, 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 diamonds, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production, and demands for "value added" processing of rough diamonds; unusually mild winter conditions affecting or delaying the opening of the winter roads and resulting difficulties in transporting materials needed to support various exploration projects and resulting increased costs of transport by air; 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.