

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

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This Management's Discussion and Analysis ("MD&A") of Dajin Resources Corp. (the "Company") is dated May 1, 2017. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements accompanying notes for the three months ended February 28, 2017 and the Audited Consolidated Financial Statements and accompanying notes for the fiscal year ended November 30, 2016.

**CORPORATE OVERVIEW**

The Company was incorporated under the British Columbia Company Act on August 5, 1987 and is publicly traded on the TSX Venture Exchange under the symbol TSX-V:**DJI**, on the OTC Pink Sheets in the United States under the symbol OTC:**DJIFF** and in Germany under the symbol **C2U1**.

The Company, together with its subsidiaries, is engaged principally in the acquisition and exploration of mineral properties located in the Province of British Columbia, Canada and the United States. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

On October 25, 2016, the Company completed a share purchase agreement with Lithium S Holdings Corporation ("Lithium S"), a wholly-owned subsidiary of LSC Lithium Corporation ("LSC"), whereby Lithium S can earn a 51% interest in Dajin Resources S.A. by making a cash payment of \$1,000,000 and incurring a total of \$2,000,000 on work to be expended on concessions held by Dajin Resources S.A. by the earlier of; (a) the date of delivery of the funding completion certificate; (b) forty-eight months following the date of the agreement; or (c) twenty-four months after Dajin Resources S.A. has obtained all the necessary permits allowing access and development of onsite activities in order to start exploration work in one or more of the relevant mining rights which covers over 2,000 adjacent hectares.

If Lithium S fails to incur the expenditure requirement by the expiry date Lithium S shall have the option at any time and not later than the expiry date, to pay any shortfall in cash to the Company. If Lithium S fails to complete the full expenditure requirement by the expiry date, the capital stock of Dajin Resources S.A. will be adjusted in such a manner that for each funding shortfall of \$58,824, the Company is re-conveyed with and recovers 1% of the capital stock of Dajin Resources S.A. Lithium S was appointed Operator for the earn-in period.

Pursuant to the terms of the share purchase agreement, LSC issued 384,615 share purchase warrants to the Company, each exercisable for one common share of LSC at an exercise price of \$1.30, and expiring approximately 15 days prior to the completion of LSC's qualifying transaction. The Company ascribed no value to these warrants as the amount was indeterminable. On February 10, 2017 the Company exercised all 384,615 share purchase warrants at a cost of \$500,000.

As at February 28, 2017, Dajin Resources S.A. still holds a 100% interest in an excess of 93,000 hectares (230,000 acres) of exploration or exploitation concessions covering the Company's Salinas Grandes/Guayatayoc Lithium, Boron and Potassium projects.

**Resource Properties**

**Canada**

**Addie 1 Property**

During the year the Company allowed the remaining claims associated with this property to lapse when they became due. Prior resource property costs of \$1 were written-off.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

---

During the three months ended February 28, 2017, the Company received refunds of its reclamation bonds totaling \$15,000 relating to the Addie 1 and Addie 2 properties.

**Cowtrail Property**

The Company holds two mineral claims in the Cariboo Mining District of south central British Columbia.

**United States – Nevada Properties**

**Teels Marsh Project**

The Company holds a 100% interest in 403 placer claims covering approximately 3,202 hectares (7,914 acres) in the Teels Marsh basin of Mineral County, Nevada.

During the year the Company was granted water rights at the Teels Marsh project. The Company believes that the granting to the Company of water rights is an important element of Lithium brine exploration, extraction and processing. Low cost and time proven traditional extraction methods require concentration of brines by evaporation in surface ponds. New technologies are being developed that use less water and can potentially return processed water to the reservoir. However, the Company wishes to maintain maximum flexibility in the adoption of any future process technology for the extraction of Lithium from brine at Teels Marsh, hence the granting to the Company of water rights is an important step forward in the Company's exploration and development plans.

During the three months ended February 28, 2017, the Company received the permit (Notice NVN-94695) from the Bureau of Land Management to proceed with drilling and civil works at the Teels Marsh property. During the application process, a number of ancillary permits were acquired by the Company in order to proceed with its exploration drilling plans. The Company has temporary permits to change the point of diversion for each of the proposed wells under their base Water Right Permit #85204. The Company has also received a Special Use Permit from Mineral County for use of heavy equipment on county roads. An agreement to obtain a local source of gravel from private land within the basin has also been completed.

**Alkali Lake Project**

The Company holds a 100% interest in 191 placer claims covering an area of 1,558 hectares (3,851 acres) in the Alkali Lake basin of Esmeralda County, Nevada.

The Alkali Lake project is located approximately 11 km northeast of Albemarle's Silver Peak Lithium operation in Clayton Valley, the only producing brine based Lithium mine in operation in North America. Like Clayton Valley, Alkali Lake is a classic, fault bounded closed basin.

During the three months ended February 28, 2017, the Company incurred \$32,686 in staking and filing fees related to its acquisition of these properties and \$223,702 in exploration costs related to these Nevada properties.

The Company's interest in these placer claims is held in a wholly-owned US subsidiary, Dajin Resources (US) Corp.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

---

**RESULTS OF OPERATIONS**

For the three-month period ended February 28, 2017, the Company incurred a net loss of \$228,514 (2016: \$62,203). Due to increased business activities expenditures in legal and professional fees, marketing and advertising were higher during the period. The Company's directors along with consultants are actively involved with attempting to move the Company's resource projects forward and raise equity financing.

**Summary of Quarterly Results**

**FOR THE THREE MONTHS ENDED**

	<b>February 28, 2017</b>	<b>November 30, 2016</b>	<b>August 31, 2016</b>	<b>May 31, 2016</b>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (228,514)	\$ (456,694)	\$ (392,012)	\$ (523,677)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

**FOR THE THREE MONTHS ENDED**

	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>	<b>May 31, 2015</b>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (63,203)	\$ (401,112)	\$ (287,160)	\$ (366,813)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

There can be material fluctuations in quarterly results. The loss for the quarters ended February 28, 2017, November 30, 2016, August 31, 2016, May 31, 2016, February 29, 2016, November 30, 2015, August 31, 2015, May 31, 2015 and February 28, 2015 includes a share-based compensation charge of \$nil, \$ 211,632, \$235,242, \$336,964, \$11,886, \$61,590, \$95,179, \$173,248 and \$116,123 respectively due to the granting of share purchase options during these quarters.

**LIQUIDITY AND CAPITAL RESOURCES**

As of February 28, 2017, the Company had working capital of \$815,231 as compared to working capital of \$1,241,058 at November 30, 2016.

To date, the Company has been able to fund operations and property exploration and evaluation primarily through equity financings and short term loans. The continued volatility in the financial equity markets may make it difficult to raise capital through the private placements of shares. The junior mining industry is considered speculative in nature which could make it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

During the three months ended February 28, 2017, the Company issued 315,000 common shares pursuant to the exercise of share purchase options at a prices ranging from \$0.10 - \$0.16 per share for total proceeds of \$41,500.

**OFF-BALANCE SHEET ARRANGEMENTS**

During the reporting period there were no off-balance sheet arrangements.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

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**RELATED PARTY TRANSACTIONS**

The Company incurred the following charges with directors and officers (Brian Findlay, Rachelle Findlay, Catherine Hickson and Mark Coolbaugh) of the Company and private companies controlled by the directors (Brian Findlay and Catherine Hickson):

	<u>Relationship</u>	<u>2017</u>	<u>2016</u>
Wages and benefits	An officer of the Company	\$ 15,610	\$ 10,800
Share-based compensation	An officer of the Company	<u>-</u>	<u>83</u>
		<u>15,610</u>	<u>10,883</u>
Key management compensation			
Administration fees	A private company controlled by a director (Brian Findlay)	21,000	21,000
Consulting fees – resource property costs	A private company controlled by a director (Catherine Hickson)	13,000	10,000
Consulting fees – resource property costs	A director of the Company (Mark Coolbaugh)	41,946	-
Marketing	A private company controlled by a director (Catherine Hickson)	30,120	-
Rent reimbursement	A private company controlled by a director (Brian Findlay)	13,237	6,750
Share-based compensation	Directors of the Company	<u>-</u>	<u>4,194</u>
		<u>119,303</u>	<u>41,944</u>
		<u>\$ 134,913</u>	<u>\$ 52,827</u>

These charges were measured by amounts agreed upon by the transacting parties.

Included in February 28, 2017 prepaid expenses is an advance rent reimbursement of \$4,412 (November 30, 2016: \$4,412) to a company with a common director.

Due to related parties, representing amounts due to companies controlled by the directors and directors of the Company for unpaid consulting fees, administration fees, expense reimbursements and loan advances are non-interest bearing, unsecured and are due on demand.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is included in the following notes:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

---

payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which August be based on assumptions about future events or circumstances. Estimates and assumptions made August change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

Impairment

At each reporting period, assets, specifically exploration & evaluation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Going concern

The Company uses judgment in determining its ability to continue as a going concern in order to discharge its current liabilities via raising additional financing.

**CHANGES IN ACCOUNTING POLICIES**

The following new standard and interpretation is not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of this new standard; however, the Company does not expect it to have a significant effect on its financial statements.

- IFRS 9, *Financial Instruments* (effective annual year ends commencing on or after January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

**FINANCIAL AND OTHER INSTRUMENTS**

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company classifies and measures its financial instruments as follows:

- Cash, interest receivable, and reclamation bonds are classified as loans and receivables. The fair value of cash approximates its carrying value due to its short term nature.
- Marketable securities are classified as FVTPL.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

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- Accounts payable and accrued liabilities, due to related parties and loan payable are classified as other financial liabilities and are measured at fair value at inception. Their fair values approximate their carrying values due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at February 28, 2017 the Company is not exposed to any significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. At February 28, 2017, the Company had cash and marketable securities of \$1,091,238 (November 30, 2016 - \$1,438,147) and current liabilities of \$299,811 (November 30, 2016 - \$231,042). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of the banks with which they are held.

(d) Price risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the commodity prices of industrial minerals (Lithium, Boron and Potassium), and precious and base metals. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Sensitivity to price risk relative to earnings is remote since the Company has not established any reserves or production. The Company is also exposed to the risk of equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors commodity prices of industrial minerals, precious and base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken.

(e) Sensitivity Analysis

The Company has designated its cash as held-for-trading, and therefore it measures at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at their amortized costs.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

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Based on management's knowledge and experience of the financial markets, the Company believes the following is "reasonably possible" during the upcoming financial year:

(i) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. Precious metal prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of precious metals may be produced in the future, a profitable market will exist for them. As of February 28, 2017, the Company was not a precious metal producer. As a result, commodity price risk largely affects the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(f) 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. The Company's operations are carried out in the Canada and United States. As at February 28, 2017, the Company had accounts payable of \$131,686 (November 30, 2016: \$100,578) denominated in US dollars and had cash of \$nil (November 30, 2016: \$Nil). These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

## **RISKS AND UNCERTAINTIES**

The more significant risks and uncertainties not discussed elsewhere in this MD&A include:

### **Financing Risk**

The Company will need to continue raising funds to finance its operations and exploration activities. There is no certainty that the Company will be able to raise money on acceptable terms or at all.

### **Exploration Risk**

Exploration for mineral resources involves a high degree of risk. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. Few explored properties are ultimately developed into producing mines. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several different exploration prospects in a number of favorable geologic environments.

### **Environmental Risk**

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenditures.

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Three Months Ended February 28, 2017**

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**OUTSTANDING SHARE DATA**

As at May 1, 2017

Common Shares issued	137,308,508
Incentive stock options	13,379,000
Share purchase warrants	13,082,777

**SUBSEQUENT EVENTS**

Subsequent to February 28, 2017:

The Company issued 1,908,000 common shares pursuant to the exercise of share purchase options for total gross proceeds of \$111,120.

**OTHER**

Additional information and other publicly filed documents relating to the Company, including its press releases and quarterly and annual reports, are available on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com).