

**DAJIN RESOURCES CORP.**  
**Management's Discussion & Analysis**  
**Six Months Ended May 31, 2016**

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This Management's Discussion and Analysis ("MD&A") of Dajin Resources Corp. (the "Company") is dated July 29, 2016. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements accompanying notes for the six months ended May 31, 2016 and the Audited Consolidated Financial Statements and accompanying notes for the fiscal year ended November 30, 2015.

**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** and on the OTC Pink Sheets in the United States under the symbol OTC:**DJIFF**.

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, United States and Argentina. 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.

**Resource Properties**

**Canada**

**Addie 1 Property**

The Addie 1 property is located on the north side of the west arm of Quesnel Lake in the British Columbia Cariboo Mining District. The Company owns a 100% interest in 29 mineral claims.

Thirteen of these claims are subject to a 2% net smelter returns ("NSR") royalty, of which 1% can be purchased by the Company for \$500,000.

During the year ended November 30, 2014, the Company wrote-down the resource property costs to its net realizable value of \$1. Any cost incurred relating to the exploration and evaluation assets fully impaired in 2014, have been expensed during the year ended November 30, 2015.

**Cowtrail Property**

The Company owns a 65% joint venture interest in the Cowtrail Mineral Property, consisting of 32 mineral claims located in the Cariboo Mining District of south central British Columbia. The Company is in the process of preparing the terms for a joint venture agreement with its co-venturer.

The Company also owns a 100% interest in additional 6 contiguous claims to own a total of 38 mineral claims applicable to this property.

During the year ended November 30, 2014, the Company wrote-down the resource property costs to its net realizable value of \$1. Any cost incurred relating to the exploration and evaluation assets fully impaired in 2014, have been expensed during the year ended November 30, 2015.

**Argentina**

**Argentina Concessions**

The Company holds a 100% interest in concessions or concession applications in Jujuy Province that were acquired in regions known to contain brines with potassium, lithium and boron values. These lands total 103,248 hectares (255,131 acres) located in the Salinas Grandes / Guayatayoc salt lakes basin.

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The Company's 100% interest in these concessions is held in an incorporated Argentina company, Dajin Resources S.A.

The Company's wholly owned subsidiary, Dajin Resources S.A. entered into an agreement with the Cooperativa de Trabajo Minero Producción de Boratos Jujeños Ltda. (The Mining Cooperative for the Production of Borates, Ltd.) in Jujuy Province, Argentina ("Cooperativa"). Cooperativa holds the mining rights to two properties in the south-east part of Salinas Grandes. This agreement requires a payment of \$US60,000 which gives the Company the exclusive right to explore the property during the term of three years. At the end of the three years, the Company has the right to Option the property for a thirty-year time period for a payment of \$US700,000. During production the Company will pay Cooperativa a 3% royalty.

The mining leases held by Cooperativa, "Navidad" and "San Jose", cover a total area of 4,400 hectares (10,873 acres). An initial payment of \$US20,000 has been made and Cooperativa now must obtain the exploration permits to receive a further payment of \$US40,000. These permits will be the first to be granted to the Company for exploration work in Salinas Grandes, a salar where the Company has 80,248 hectares (198,297 acres).

During the six months ended May 31, 2016 the company incurred \$57,759 of costs relating to maintaining the concessions in good standings and meetings with the regulatory authorities to establish a working relationship to advance the Company's projects.

The Company intends to continue to focus on the exploration and development of these concessions which are located in a region known to contain brines with lithium, potassium and boron values. Assay results announced by other companies actively exploring in the area have been very positive. The initial exploration program has not gone as fast as originally hoped for primarily due to delays related to obtaining exploration permits. Recent developments such as changes in government and support from local aboriginal communities in the area should assist the approval process. With the price of lithium continuing to rise and the demand for its use in hybrid cars, cell phones, laptops and batteries the directors believe this is a solid project to continue to pursue.

### **United States - Nevada**

#### **Teels Marsh Property**

The Company holds a 100% interest in 265 mineral claims covering approximately 2,138 hectares (5,282 acres) in the Teels Marsh basin of Mineral County, Nevada.

The Teels Marsh property is located approximately 50 miles northwest of the Rockwood's Mine in Clayton Valley, the only producing brine based lithium mine operation in North America. The claims are adjacent to patented claims where borax was harvested by a forerunner of 20 Mule Team Borax, a member of the Rio Tinto Group.

#### **Alkali Lake Property**

The Company holds a 100% interest in 191 placer claims covering an area of 1,558 hectares (3,850 acres) in the Alkali Lake basin of Esmeralda County, Nevada.

The Alkali Lake property is located approximately 12 km northeast of Rockwood's Clayton Valley lithium operation, the only producing brine based lithium mine in operation in North America. Like Clayton Valley, Alkali Lake is a classic, fault bounded closed basin.

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The Company's interest in these mineral claims is held in an incorporated US company, Dajin Resources (US) Corp.

On December 28, 2015, the Company entered into an agreement with Southern Sun Minerals Inc. ("Southern Sun") a public company, whereby Southern Sun has the option to earn up to a 60% interest in the Alkali Lake basin of Esmeralda county, Nevada. Southern Sun is required to make the following:

- i) Cash payment of US\$28,000 (received) and issue 250,000 common shares (received) upon signing of the agreement;
- ii) Cash payment of US\$28,000 and incur US\$200,000 in exploration expenditures on or before December 28, 2016;
- iii) Cash payment of US\$28,000 and incur US\$250,000 in exploration expenditures on or before December 28, 2017; and
- iv) Incur US\$500,000 in exploration expenditures on or before December 28, 2018.

During the six months ended May 31, 2016, the Company incurred \$76,330 in staking and filing fees related to its acquisition of the these claims and \$246,210 in exploration costs related to these Nevada properties. In additions the Company and recovered \$61,367 as a result of the earn in agreement with Southern Sun Minerals Inc. as noted above.

**RESULTS OF OPERATIONS**

**Three months ended May 31, 2016**

For the three-month period ended May 31, 2016, the Company incurred a net loss of \$523,677 (2015: \$366,813) an increase of approximately \$156,000. The increase is mainly due to increases in consulting fees, marketing and share-based compensation. The Company fair valued the share purchase options granted and vested using the Black-Scholes valuation model and recorded a fair value of \$336,964 during this quarter. Share-based compensation is a non-cash expenditure. The Company's directors along with consultants are actively involved with attempting to move the Company's resource projects forward and raise equity financing.

The Company financed its operations through a private placement financing and the exercise of share purchase options and warrants.

**Six months ended May 31, 2016**

For the six-month period ended May 31, 2016, the Company incurred a net loss of \$586,880 (2015: \$663,485) an decrease of approximately \$76,000. The change is mainly due to a increases in marketing, share-based compensation and wages and benefits offset by increases in foreign exchange recovery and unrealized gain on marketable securities. The Company fair valued the share purchase options granted and vested using the Black-Scholes valuation model and recorded a fair value of \$348,850 during this period. Share-based compensation is a non-cash expenditure. The Company's directors along with consultants are actively involved with attempting to move the Company's resource projects forward and raise equity financing.

The Company financed its operations through a private placement financing and the exercise of share purchase options and warrants.

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**Summary of Quarterly Results**

**FOR THE THREE MONTHS ENDED**

	<b>May 31, 2016</b>	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (523,677)	\$ (63,203)	\$ (401,112)	\$ (287,160)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

**FOR THE THREE MONTHS ENDED**

	<b>May 31, 2015</b>	<b>February 28, 2015</b>	<b>November 30, 2014</b>	<b>August 31, 2014</b>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (366,813)	\$ (296,672)	\$ (3,876,846)	\$ (174,541)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.09)	\$ (0.00)

There can be material fluctuations in quarterly results. The loss for the quarters ended May 31, 2016, November 30, 2015, August 31, 2015, May 31, 2015 and February 28, 2015 includes a share-based compensation charge of \$336,964, \$61,590, \$95,179, \$173,248 and \$116,123 respectively due to the granting of share purchase options during these quarters. The large loss in the quarter ended November 30, 2014 was the result of a \$3,586,832 write-down of resource property costs.

**LIQUIDITY AND CAPITAL RESOURCES**

As of May 31, 2016, the Company had working capital of \$1,175,436 as compared to a working capital deficiency of \$112,047 at November 30, 2015.

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 six months ended May 31, 2016, the Company issued 9,964,000 common shares pursuant to the exercise of share purchase warrants at \$0.05 per share for proceeds of \$498,200.

During the six months ended May 31, 2016, the Company issued 1,770,000 common shares pursuant to the exercise of share purchase options at a price of \$0.05 per share for total proceeds of \$88,500.

During the six months ended May 31, 2016, the Company issued 50,000 common shares pursuant to the exercise of share purchase options at a price of \$0.06 per share for total proceeds of \$3,000.

During the six months ended May 31, 2016, the Company issued 250,000 common shares pursuant to the exercise of share purchase options at \$0.07 per share for proceeds of \$17,500.

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On April 20, 2016, the Company completed a non-brokered private placement for a total of 10,555,000 units at a price of \$0.12 per unit for gross proceeds of \$1,266,600. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.17 per share on or before April 20, 2018. Finders' fees of 50,000 units and \$3,600 were paid in respect to this financing. The Finders' units have similar terms as the non-brokered private placement.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**RELATED PARTY TRANSACTIONS**

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

		Three months ended		Six months ended	
		May 31,		May 31,	
<u>Relationship</u>		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Wages and benefits	An officer of the Company	\$ 10,800	\$ 9,317	\$ 21,600	\$ 18,633
Share-based compensation	An officer of the Company	<u>9,498</u>	<u>118</u>	<u>9,581</u>	<u>302</u>
		<u>20,298</u>	<u>9,435</u>	<u>31,181</u>	<u>18,935</u>
Key management compensation					
Administration fees	A private company controlled by a director (Brian Findlay)	21,000	21,000	42,000	42,000
Consulting fees – resource property costs	A private company controlled by a director (Catherine Hickson)	25,000	-	35,000	-
Consulting fees – resource property costs	A director of the Company (Mark Coolbaugh)	8,848	-	8,848	-
Rent	A private company controlled by a director (Brian Findlay)	6,750	6,750	13,500	13,430
Share-based compensation	Directors of the Company	<u>195,260</u>	<u>3,051</u>	<u>199,454</u>	<u>71,431</u>
		<u>256,858</u>	<u>30,801</u>	<u>298,802</u>	<u>126,861</u>
		<u>\$ 277,156</u>	<u>\$ 40,236</u>	<u>\$ 329,983</u>	<u>\$ 145,796</u>

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

Included in May 31, 2016 prepaid expenses is an advance rent payment of \$2,250 (November 30, 2015: \$2,250) 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 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 may be based on assumptions about future events or circumstances. Estimates and assumptions made may 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 is classified as "held-for-trading". It is measured at fair value and changes in fair value are recognized in the statements of operations.
- Accounts receivables are classified as loans and receivables. Their fair value approximates their carrying value due to their short term nature.
- Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities and are measured at fair value at inception. Accounts payable and accrued liabilities and due to related parties' carrying amounts approximate their fair 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 May 31, 2016 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 May 31, 2016, the Company had cash of 1,324,331 (November 30, 2015 - \$300,850) and current liabilities of \$232,871 (November 30, 2015 - \$451,440). 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.

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(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 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 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.

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 May 31, 2016, 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, United States and Argentina. As at May 31, 2016, the Company had Canadian equivalent accounts payable of \$192,763 (November 30, 2015: \$78,870) denominated in US dollars and had cash of \$192,763 (November 30, 2015: \$54,145) and accounts payable of \$56,681 (November 30, 2015: \$101,587) denominated in Argentina pesos. 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.

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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.

**OUTSTANDING SHARE DATA**

As at July 29, 2016

Common Shares issued	131,436,731
Incentive stock options	13,773,000
Share purchase warrants	10,255,000

**SUBSEQUENT EVENTS**

Subsequent to May 31, 2016:

The Company granted 2,500,000 share purchase options to certain directors, officers, employees and consultants at a price of \$0.16 per share expiring on July 15, 2021. The granting is subject to shareholder and regulatory approval.

The Company issued 177,000 common shares pursuant to the exercise share purchase options for total gross proceeds of \$16,780.

The Company issued 300,000 common shares pursuant to the exercise share purchase warrants for total gross proceeds of \$51,000.

The Company staked an additional 26 placer claims at its Teels Marsh project in Mineral County, Nevada. This increases its land position from 265 to 294 placer claims and total acreage under control increased from 5,282 acres to 5,853 acres (2,138 hectares to 2,369 hectares).

The Company appointed Roberto Page to its Argentina subsidiary's Board of Directors. Roberto is a well-known Argentinian geologist with more than 40 years of experience with the Geological Survey of Argentina (Servicio Geológico Minero Argentino SEGMAR). Roberto has held several senior management positions including 22 years as head of the Institute of Geology and Mineral Resources and for a period of time held the position of President of SEGMAR. During his tenure with the government he was heavily involved in the marketing of mineral exploration and mining investment through the provision of geoscience information and working with various levels of government. He has also held the position of Secretary General of the

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Iberoamerican Geological and Mining Surveys Association as well as several other notable positions.

Roberto has long been a supporter of mineral exploration in Argentina and knows the complex relationship between the provinces and national government. Roberto retired in May from SEGEMAR.

The Company appointed Dr. Fernando Muñoz Carmona to its Technical Advisory Board and has been retained to assist the Company in moving its activities forward in Argentina with a focus on the Salinas Grandes salar.

Dr. Muñoz, Colombian by birth, studied geology and seismology in Colombia and the USA while working for the Colombian Ministry of Energy and Mines at the Colombian Geological Survey (INGEOMINAS) Colombia. In 1995 he attended Arizona State University in Tempe, Arizona, USA where he completed a PhD in Human Communications. This degree led him to shift his focus from technical aspects of geology to community engagement and the articulation of social, governmental and company aspirations in the field of resource development. Since completing his PhD he has worked in all the Andean countries helping communities, companies and governments understand resource development and natural hazard mitigation.

Fernando's dual training and experience in geosciences and human communication has shaped his understanding of the relationship between humans and their geological surroundings. This knowledge has assisted him when bringing together and implementing projects for effective Earth's resource management, risk reduction and positive social transformation.

**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).