CARMAX MINING

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**FOR THE YEAR ENDED OCTOBER 31, 2015**

*(Expressed in Canadian Dollars)*

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# 1. INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of Carmax Mining Corp. (referred to as "**Carmax**", "**Carmax Mining**" the "**Company**", "**us**" or "**our**") provides analysis of the Company's financial results for the year ended October 31, 2015. The following information should be read in conjunction with the accompanying audited annual financial statements for the year ended October 31, 2015, and the notes to those financial statements, prepared in accordance with IAS 34 under International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board. Please also refer to the tables starting on page 10 of this MD&A which compare certain financial results for the year ended October 31, 2015 and October 31, 2014. Financial information contained herein is expressed in Canadian dollars, unless stated otherwise. All information in this MD&A is current as of February 24, 2016 unless otherwise indicated. This MD&A is intended to supplement and complement Carmax's audited consolidated financial statements for the year ended October 31, 2015 and the notes thereto. Readers are cautioned that this MD&A contains "*forward-looking statements*" and that actual events may vary from management's expectations. Readers are encouraged to read the cautionary note contained herein regarding such forward-looking statements. This MD&A was reviewed, approved and authorized for issue by the Company's Audit Committee, on behalf of our Board of Directors, on February 24, 2016.

### Description of Business

Carmax Mining Corp. is a public company incorporated in British Columbia, under the "*Canadian Business Corporation Act*" and its common shares are listed on the TSX Venture Exchange (the "**TSX-V**"), trading under the symbol "CXM.V". The Company maintains its head office at #217-179 Davie Street, Vancouver, British Columbia, Canada, V6Z 2Y1.

The Company is in the exploration stage and its principal business activity is the exploration and development of a copper property in British Columbia. The Company is focused on exploring and developing its core Eaglehead project, in the Liard Mining Division in the Province of British Columbia, Canada.

On October 31, 2015 and February 24, 2016, the Company had (i) 71,742,526 and 101,742,526 common shares issued and outstanding; (ii) 44,226,528 common share purchase warrants to acquire common shares outstanding and (iii) 5,250,000 options to acquire common shares outstanding.

| Head Office | Share Information | Investor Information |
|---|---|---|
| 142-1146 Pacific Blvd.<br>Vancouver, BC V6Z 2X7<br>Canada<br>Tel: +1-604-620-7737 | Our common shares are listed for trading on the TSX-V under the symbol "CXM.V". | Financial reports, news releases and corporate information can be accessed on our website at www.carmaxmining.com<br>and on SEDAR at www.sedar.com |
| **Registered Office** | **Transfer Agent and Registrar** | **Contact Information** |
| 217-179 Davie Street<br>Vancouver, BC V6Z 2Y1<br>Canada<br>Tel: +1-604-669-3233 | Computershare Investor Services Inc.<br>3rd Floor, 510 Burrard Street<br>Vancouver, BC V6C 3B9<br>Tel: +1-604-661-9400 | Investors: Daniel Camaano<br>Media requests and queries:<br>Tel: +1-604-620-7737<br>dlcaamano@gmail.com |

As at the date of this MD&A, Carmax Mining's directors and officers are as follows:

| **Directors** | **Officers and Position** |
|---|---|
| Elmer Stewart (Chairman) | Jevin Werbes, President and Chief Executive Officer |
| Jevin Werbes | Braden Jensen, Chief Financial Officer |
| Jeff Poloni | Jeff Poloni, Vice President of Exploration |
| Chris Healey | Judy A. McCall, Corporate Secretary |
| Hrayr Agnerian | |
| J. Michael Smith | |

| **Audit Committee** | **Compensation Committee** |
|---|---|
| J. Michael Smith (Chairman) | Jeff Poloni |
| Elmer Stewart | J. Michael Smith |
| Chris Healey | Chris Healey |

### Qualified Person

Mr. Chris Healey, P.Geo., Director of the Company, is the qualified person as defined under NI 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") who has reviewed and approved all technical and scientific disclosure contained in this MD&A regarding the Company's mineral properties.

## 2. INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable and prepared in accordance with IFRS. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting using the framework established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission and has concluded that they were effective as at October 31, 2015. The Company's Board follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee meets with management and the Company's external auditor to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

During the year ended October 31, 2015, no significant changes have occurred that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial preparation and presentation.

## 3. DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is also responsible for the design and effectiveness of disclosure controls and procedures that are designed to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management, including the Chief Executive Officer and the Chief Financial Officer of the Company, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at October 31, 2015. There have been no changes in the Company's disclosure controls and procedures during the year ended October 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as at October 31, 2015.

## 4. FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this MD&A and the Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable laws.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral resource and mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. **Readers are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.**

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. The words "may", "will", "continue", "could", "should", "would", "suspect", "outlook", "believes", "plan", "anticipates", "estimate", "expects", "intends" and words and expressions of similar import are intended to identify forward-looking statements.

Forward-looking statements include, without limitation, information concerning possible or assumed future results of the Company's operations. These statements are not historical facts and only represent the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments and future opportunities. Although management considers those assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

By their very nature, forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, and readers are advised to consider such forward-looking statements in light of the risk factors set forth below and as further detailed in the "*Risks and Uncertainties*" section of this MD&A.

These risk factors include, but are not limited to, fluctuation in metal prices which are affected by numerous factors such as global supply and demand, inflation or deflation, global political and economic conditions; the Company's need for access to additional capital to explore and develop its projects; the risks inherent in the exploration for and development of minerals including the risks of estimating the quantities and qualities of minerals, operating parameters and costs, receiving project permits and approvals, successful construction of mining and processing facilities, and uncertainty of ultimate profitability of mining operations; risks of litigation and other risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on any forward-looking statements in this MD&A to make decisions with respect to the Company, investors and others should carefully consider the risk factors set out in this MD&A and other uncertainties and potential events.

# 5. YEAR ENDED OCTOBER 31, 2015 HIGHLIGHTS AND SIGNIFICANT EVENTS

- On December 23, 2014, the Company issued 3,000,000 units at $0.05 each pursuant to a private placement for gross proceeds of $150,000. Each unit consists of one flow-through common share and one callable share purchase warrant. Each share purchase warrant is exercisable into one callable non-flow through-common share at $0.10 until December 23, 2016. Finders' fees of $12,000 were paid pursuant to this financing.

- Pursuant to the December 23, 2014 placement, on January 14, 2015, Copper Fox Metals Inc. ("**Copper Fox**") exercised its pre-emptive and non-dilution rights and the Company issued 2,180,450 units to Northern Fox Copper Inc. ("**Northern Fox**"), a wholly owned subsidiary of Copper Fox, at a price of $0.05 per unit for total aggregate proceeds of $109,023. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.10 until January 14, 2017.

- The Company incurred share issuance costs comprising legal fees and filing fees amounting to $24,073 in connection with the financings on December 23, 2014 and January 14, 2015.

- On April 29, 2015, J. Michael Smith was appointed to the Board of Directors of the Company.

- On May 1, 2015, the Company issued 11,000,000 units to Northern Fox, at a price of $0.05 per unit for total aggregate proceeds of $550,000 pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.075 until May 1, 2017. No finders' fees were paid pursuant to this financing. The Company incurred share issuance costs comprising of legal fees amounting to $10,483.

- On August 10, 2015, Matthew Wright resigned as Chief Financial Officer ("**CFO**"). Subsequently, Braden Jensen was appointed CFO on the same day.

***Subsequent to the period end:***

- The Company closed a non-brokered private placement, announced in the Company's December 21, 2015 news release (the "**Offering"**), raising gross proceeds of $1,500,000 in flow-through funds from the issuance of 30,000,000 flow-through shares at a price of $0.05 per share. The placement was made in its entirety to Northern Fox. At the closing of the Offering, Northern Fox's equity interest in Carmax increased to 65.4% of the outstanding shares, 68.2% on a fully diluted basis. The shares issued under the Offering are subject to a hold period expiring May 13, 2016.

# 6. PROPERTY SUMMARY

## Eaglehead Property

The Eaglehead copper-molybdenum-gold-silver property is located in northern British Columbia, approximately 40 kilometers east of Dease Lake.

In 2012, Roscoe Postle Associates Inc. (RPA) prepared a NI 43-101 Technical Report on the Eaglehead property which included a current Mineral Resources estimate on the East and Bornite zones of mineralization located within the property. The Technical Report prepared by B. Donough, P. Geo. And D. Rennie, P. Eng. as Qualified Persons was filed on SEDAR on June 29, 2012 (see news release dated July 4, 2012). The Inferred Mineral Resource estimate totals 102.5 million tonnes at an average grade of 0.29% Cu, 0.010% Mo, and 0.08 g/t Au. The resources were estimated at a cut-off grade of 0.16% copper equivalent ("CuEq") and contain approximately 662 million pounds copper, 22 million pounds molybdenum, and 265,000 ounces gold.

The 2014 Eaglehead exploration program consisted of re-logging of selected historical drill core from each of the previously located zones of mineralization, airborne and ground geophysical (Titan-24 DCIP) surveys, recovery of the historical drill core, collection and processing of samples for preliminary metallurgical test work, and a four-hole (2,229 m) diamond drilling program. The 2014 drill program tested the interpreted correlation between the chargeability results from the Titan 24 DCIP survey and copper mineralization, and north and south sides of the chargeability signature.

Weighted average grade for the mineralized intervals intersected by the 2014 diamond drilling program were reported in a news releases dated October 14. 2014 and November 18, 2014.

Compilation and interpretation of the 2014 work and historical data yields the following conclusions:

a) A 6,000 m long chargeability anomaly has been defined and is open to the northwest towards the West Zone and to the southeast toward the Far East zone. This anomaly averages 900 m wide and is open below a depth of 500 m,
b) The Far East zone is located approximately 3,000 m southeast from the end of the chargeability anomaly and exhibits a 1,000 m by 1,000 m copper and molybdenum in soil anomaly and contains numerous mineralized drill holes. The Far east zone is considered a prime exploration target, and the land located between the East zone and Far East zone is also considered a prime exploration target,
c) A positive correlation exists between the chargeability signature and copper mineralization,
d) Re-logging of selected diamond drill cores from the six mineralized zones previously outlined on the property suggests that the Eaglehead property hosts a 9,000 m long porphyry copper system,
e) Mineralized drill holes (120 historical and current) occur over 5,000 m of the 6,000 m long chargeability anomaly.

The data and the surveys completed on the Eaglehead project indicate that this project has the potential to be a very large, copper-gold-molybdenum-silver deposit. Additional geophysical surveys and diamond drilling is required to demonstrate the mineral potential of this property.

Results of the preliminary metallurgical test work were received in March 2015. Test material was selected from two HQ diamond drill holes completed in the summer of 2014 specifically for the collection of these samples. The holes were located over 1 km apart within the known boundaries of the Eaglehead mineralization. The preliminary test work was completed by SGS Mineral Services ("SGS").

In March 2015, results of the investigations into flotation testing of samples from the Eaglehead project were received. The preliminary test work was completed by SGS Mineral Services ("SGS"). Test material was selected from two HQ diameters, exploration diamond drill holes completed in 2014 in the East and Bornite zones. The holes were located over 1 km apart within the known boundaries of the Eaglehead mineralization.

## Preliminary Test Highlights

- Samples representing three copper grade classes (0.11%, 0.23% and 0.40%) and a master composite (0.26% copper) were subjected to characterization and open circuit flotation test work to determine potential metal recoveries: The metal content of the samples prepared for the test work is listed below:

| Sample ID | Copper (%) | Gold (g/t) | Molybdenum (%) | Silver (g/t) |
|---|---|---|---|---|
| Master Composite | 0.26 | 0.10 | 0.012 | 0.80 |
| Composite - 1 | 0.11 | 0.03 | <0.001 | 0.31 |
| Composite - 2 | 0.23 | 0.11 | 0.009 | 0.80 |
| Composite - 3 | 0.40 | 0.15 | 0.026 | 1.30 |

  Test work produced an initial rougher concentrate sample followed by a first, second and third cleaner concentrate samples.

- All copper is present as copper sulphides, primarily as chalcopyrite and bornite. In the master composite copper sulphide liberation averaged 78% and copper sulphide exposure averaged 91% with very little (<0.2%) pyrite in the composite samples,

- Rougher kinetic tests achieved copper recoveries of 92.3% to 97.6% in all tests, as shown in the following table:

| Flotation Testing | | |
|---|---|---|
| Sample ID | Rougher Concentrate | |
| | % Cu | % Cu recovery |
| Master Composite | 2.56 - 6.42 | 92.6 - 96.2 |
| Composite 1 | 1.88 - 2.78 | 89.8 - 94.1 |
| Composite 2 | 4.08 - 4.57 | 92.3 - 94.0 |
| Composite 3 | 7.72 - 8.47 | 95.5 - 97.6 |

- Copper recoveries in the third cleaner concentrate ranged from 77.1% to 92.7% with corresponding copper concentrate grades of between 21.1% and 37.9%,

| **Flotation testing** | | |
|---|---|---|
| **Sample ID** | **2nd Cleaner Concentrate** | |
| | **% Cu** | **% Cu recovery** |
| Master Composite | 24.5 - 33.1 | 82.8 - 89.0 |
| Composite 1 | 19.4 | 82.2 |
| Composite 2 | 34.4 | 84.0 |
| Composite 3 | 32.0 | 94.5 |

| **Flotation testing** | | |
|---|---|---|
| **Sample ID** | **3rd Cleaner Concentrate** | |
| | **% Cu** | **% Cu recovery** |
| Master Composite | 27.8 - 35.8 | 80.4 - 88.0 |
| Composite 1 | 21.1 | 77.1 |
| Composite 2 | 37.9 | 79.1 |
| Composite 3 | 33.9 | 92.7 |

- The potential metal content of the third cleaner concentrate are 11.8 g/t gold, 96 g/t silver and 0.816% molybdenum with low concentrations of arsenic, selenium, rhenium and tin,
- Other metal recoveries in the third cleaner concentrate ranged from 65-87% for gold, 71-80% for silver and 17-55% for molybdenum, and
- Tests to upgrade molybdenum recovery in a separate molybdenum cleaner circuit were not completed.

## 2015 Exploration Program

The 2015 exploration program consisted of relogging historical diamond drill core from the Pass zone. Two diamond drill holes were also completed in the Pass zone.

The primary objectives of the program were:

1. To integrate all available historical drill data into the project database using logging standards. This program was initiated in 2014 and continued in 2015; and

2. Two diamond drill holes (1,184.5 metres) were completed to test the chargeability signature outlined by the Quantec Titan-24 DCIP survey in the Pass zone.

For the current fiscal year ended October 31, 2015, the Company has incurred $797,544 in exploration expenses on the Eaglehead project.

## 7. SUMMARY OF QUARTERLY RESULTS

The quarterly results are as follows:

| | | 31-Oct-15<br>3 month ended | | 31-Jul-15<br>3 month ended | | 30-Apr-15<br>3 month ended | | 31-Jan-15<br>3 month ended |
|---|---|---|---|---|---|---|---|---|
| Loss before non-operating items and taxes | $ | (97,662) | $ | (94,806) | $ | (116,206) | $ | (112,533) |
| Loss before income taxes | | (95,496) | | (94,420) | | (115,903) | | (111,666) |
| Net Loss per common share, basic and diluted | | (0.00) | | (0.00) | | (0.00) | | (0.00) |
| Comprehensive loss | | (67,996) | | (94,420) | | (115,903) | | (111,666) |
| Net Comprehensive loss per common share, basic and diluted | | (0.00) | | (0.00) | | (0.00) | | (0.00) |

| | | 31-Oct-14<br>3 month ended | | 31-Jul-14<br>3 month ended | | 30-Apr-14<br>3 month ended | | 31-Jan-14<br>3 month ended |
|---|---|---|---|---|---|---|---|---|
| Loss before non-operating items and taxes | $ | (161,209) | $ | (326,624) | $ | (66,493) | $ | (60,276) |
| Loss before income taxes | | (160,051) | | (802,506) | | (61,269) | | (58,738) |
| Net Loss per common share, basic and diluted | | (0.00) | | (0.02) | | (0.00) | | (0.00) |
| Comprehensive loss | | (161,051) | | (804,506) | | (57,269) | | (59,738) |
| Net Comprehensive loss per common share, basic and diluted | | (0.00) | | (0.02) | | (0.00) | | (0.00) |

The Company's quarterly operating expenses remained relatively unchanged in Q4 2015 compared to Q3 2015. The decrease in the comprehensive loss between Q4 2015 and Q3 2015 is due to the deferred tax recovery of $30,000 that was booked at the October 31, 2015 year end.

## 8. DISCUSSION OF OPERATIONS

All of the information described below is accounted for in accordance with IFRS, as issued by IASB. The reader is encouraged to refer to Note 3 of the Company's audited annual financial statements for the year ended October 31, 2015 for Carmax Mining's summary of significant accounting policies.

### Three Months Ended October 31, 2015 Compared to Three Months Ended October 31, 2014

For the three months ended October 31, 2015, the Company recorded a comprehensive loss of $67,996 or $0.00 per share compared to a comprehensive loss of $161,051 or $0.00 per share in the comparable quarter of the prior period of the three months ended October 31, 2014. The overall decrease in net loss of $93,055 is due primarily to the deferred income tax recovery booked in the three months ended October 31, 2015 and the decrease in professional fees, shareholder communications and share-based expenses.

| | Three Months Ended October 31, 2015 | Three Months Ended October 31, 2014 | Discussion |
|---|---|---|---|
| **Accretion** | $141 | $141 | Accretion remained unchanged. |
| **Consulting** | $42,488 | $20,932 | Consulting increased by $21,556 due to increased work on the Eaglehead project and a reclassification of management fees to consulting fees. |
| **Director fees** | $10,500 | $Nil | The $10,500 increase in director fees is due to the fact that there were no director fees paid in the three months |

| | Three Months Ended October 31, 2015 | Three Months Ended October 31, 2014 | Discussion |
|---|---|---|---|
| | | | ended October 31, 2014. |
| **Insurance** | ($9,150) | $4,092 | Insurance expense decreased by $13,242 due to amortizing insurance costs over the year versus expensing the annual fees when paid. |
| **Management fees** | $Nil | $24,000 | The decrease of $24,000 in management fees is due to a reclassification of management fees to consulting fees in the current comparable period. |
| **Office** | ($5,485) | $2,620 | The decrease of $8,105 in office expenses compared to the prior comparable period is due to a reclassification of expenses in the current comparable period between office, travel and wages. |
| **Professional fees** | $15,000 | $32,913 | Professional fees decreased by $17,913 due to less private placements this period compared to the prior comparable period. |
| **Promotion and entertainment** | $7,627 | $1,446 | Promotion and entertainment increased by $6,181 due to increased investor relations client development. |
| **Rent** | $3,750 | $6,900 | The decrease of $3,150 in rent is due to moving to new offices, with a lower monthly rental rate, during the fiscal year ended October 31, 2015. |
| **Share-based payments** | $15,224 | $30,500 | The decrease of $15,276 in share-based payments compared to the previous comparable period is due to an increased number of options vesting in the prior comparable period. |
| **Shareholder communications** | $3,813 | $21,230 | The decrease of $17,417 in shareholder communications is due the Company not renewing its subscription with an investor relations and marketing firm in the current comparable period. |
| **Transfer agent and regulatory fees** | $4,063 | $5,210 | Transfer agent and regulatory fees remained relatively unchanged. |
| **Travel** | ($2,292) | $4,007 | The decrease in travel of $6,299 is due to a reclassification of expenses in the |

| | Three Months Ended October 31, 2015 | Three Months Ended October 31, 2014 | Discussion |
|---|---|---|---|
| | | | current comparable period between office, travel and wages. |
| **Wages** | $10,082 | $7,218 | The increase in travel of $2,864 is due to a reclassification of expenses in the current comparable period between office, travel and wages. |
| *Non-Operating Income (Expense)* | | | |
| **Interest income** | $2,165 | $1,158 | Interest income increased by $1,007 due the Company receiving BCMETC interest during the current comparable period. |
| **Deferred income tax recovery** | $30,000 | $Nil | The $30,000 increase in deferred income tax recovery is due to the fact that there was no deferred recovery tax provision for the three months ended October 31, 2014. |
| **Unrealized loss on available-for-sale investment** | ($2,500) | ($1,000) | The increase of $1,500 for unrealized loss on available-for-sale investment is due to the fair market value of the stock decreasing in the current comparable period. |

### Year Ended October 31, 2015 Compared to Year Ended October 31, 2014

For the year ended October 31, 2015, the Company recorded a comprehensive loss of $389,985 or $0.01 per share compared to a net and comprehensive loss of $1,082,564 or $0.00 per share in the comparable quarter of the prior period year ended October 31, 2014. The overall decrease in net loss of $695,079 is due primarily to the decrease in share-based expenses and the impairment of the Whiskey Jack property.

| | Year Ended October 31, 2015 | Year Ended October 31, 2014 | Discussion |
|---|---|---|---|
| **Accretion** | $564 | $563 | Accretion remained unchanged. |
| **Consulting** | $167,738 | $57,880 | Consulting increased by $109,858 due to increased work on the Eaglehead project and a reclassification of management fees to consulting fees. |
| **Director fees** | $10,500 | $Nil | The $10,500 increase in director fees is due to the fact that there were no director fees paid in the year months ended October 31, 2014. |
| **Insurance** | $19,958 | $7,842 | Insurance expense increased by $12,116 is due amortizing insurance costs over the year versus expensing the annual |

| | Year Ended October 31, 2015 | Year Ended October 31, 2014 | Discussion |
|---|---|---|---|
| | | | fees when paid. |
| **Management fees** | $Nil | $69,000 | The decrease of $69,000 in management fees is due to a reclassification of management fees to consulting fees. |
| **Office** | $21,676 | $37,727 | Office decreased by $16,051 due to furniture equipment being purchased and expensed in the prior comparable period. |
| **Professional fees** | $40,231 | $64,611 | Professional fees decreased by $24,380 due to a decreased in legal fees as a result of less private placements this period compared to the prior comparable period. |
| **Promotion and entertainment** | $23,123 | $12,874 | Promotion and entertainment increased by $10,249 due to increased investor relations client development. |
| **Rent** | $11,900 | $27,600 | The decrease of $15,700 in rent is a result of a rent incentive as a result of the Company moving offices in February 2015 and an overall decrease in the monthly rent expense. |
| **Share-based payments** | $53,006 | $270,400 | The decrease of $217,394 in share-based payments compared to the previous comparable period is due to an increased number of options vesting in the prior comparable period. |
| **Shareholder communications** | $31,276 | $32,418 | Shareholder communications remained relatively unchanged. |
| **Transfer agent and regulatory fees** | $20,649 | $26,294 | The decrease in transfer agent and regulatory fees of $5,645 is due to less private placements this period compared to the prior comparable period. |
| **Travel** | $10,504 | $7,393 | The increase in travel of $3,111 is due to management and directors having increased visits to the Eaglehead property in the current period. |
| **Wages** | $10,082 | $Nil | Wages were recorded in office in the prior comparable period. They have since been re-classified in the current |

| | Year Ended October 31, 2015 | Year Ended October 31, 2014 | Discussion |
|---|---|---|---|
| | | | period to the proper expense category. |
| *Non-Operating Income (Expense)* | | | |
| **Interest income** | $3,722 | $10,429 | Interest income decreased by $6,707 due the Company having greater value GIC in the prior comparable period. |
| **Deferred income tax recovery** | $30,000 | $Nil | The $30,000 increase in deferred income tax recovery is due to the fact that there was no deferred recovery tax provision for the ended October 31, 2014. |
| **Write-off of exploration and evaluation assets** | $Nil | ($478,391) | The decrease of $478,391 in exploration and evaluation write-off is due to there being no impairment in the current comparable period. |
| **Unrealized loss on available-for-sale investment** | ($2,500) | $Nil | The increase of $2,500 for unrealized loss on available-for-sale investment is due to the fair market value of the stock decreasing in the current comparable period. |

## 9. LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

As an exploration company, Carmax Mining Corp. has no regular cash in-flow from operations, and the level of operations is principally a function of availability of capital resources. To date, the principal source of funding has been equity financing.

As at October 31, 2015, the Company had $512,829 in cash (October 31, 2014 - $75,656). For the foreseeable future, as existing properties are explored and developed, the Company will continue to seek capital through the issuance of equity, strategic alliances or joint ventures, and debt, of which the Company currently has none.

Major expenditures are required to establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to exploration and development mineral properties are dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete exploration, development and future profitable production or proceeds from disposition of mineral assets.

Management reviews the carrying value of the Company's interest in each property and where necessary, exploration and evaluation mineral properties are written down to their estimated recoverable amount or written off.

Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of exploration properties and related assets.

Many factors influence the Company's ability to raise funds, and there is no assurance that the Company will be successful in obtaining adequate financing and at favorable terms for these or other purposes including general working capital purposes. Carmax Mining's unaudited interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values, as shown, and these financial statements do not give effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should Carmax be unable to continue as a going concern.

## Working Capital

As at October 31, 2015, Carmax had working capital of $229,006 (October 31, 2014 – $527,229). The working capital decreased from October 31, 2014 to October 31, 2015 due to the continued operating expenditures by the Company offset by the equity financing by Northern Fox Copper Inc. The Company has managed its working capital by controlling its spending on its properties and operations. Due to the on-going planned exploration advancement of our Eaglehead project over the near term, Carmax intends to continue to incur expenditures without revenues, and accumulate operating losses. Therefore, our continuance as a going concern is dependent upon our ability to obtain adequate financing to fund future exploration and development and the potential construction of a mine, in order to reach profitable levels of operation. It is not possible to predict whether future financing efforts will be successful or whether financing on favorable terms will be available.

Carmax has no long-term debt and no long-term liabilities, other than its decommissioning provision of $35,467 and a promissory note to Copper Fox for $100,000. The Company has no capital lease obligations, operating or any other long term obligations, other than office rent.

## Cash Flow Highlights

| | | **Year Ended October 31, 2015** | | Three Months Ended October 31, 2014 |
|---|---|---|---|---|
| Cash used in operating activities | **$** | **(333,509)** | $ | (109,895) |
| Cash used in investing activities | | **(61,783)** | | (331,733) |
| Cash provided by financing activities | | **832,465** | | 226,746 |
| Net increase in cash for the period | | **437,173** | | (214,882) |
| Cash balance, beginning of the period | | **75,656** | | 290,538 |
| **Cash balance, end of the period** | **$** | **512,829** | **$** | **75,656** |

## Cash Flows for the Year Ended October 31, 2015 and the Year Ended October 31, 2014

*Operating activities*

Cash used in operating activities was $333,509 in the current period compared to cash used in operating activities of $109,895 in the prior comparative period. The increase of $223,614 in cash used in operating activities was due to there being a short period (three months) in October 31, 2014, compared to a full fiscal year ended October 31, 2015.

*Investing activities*

Cash used in investing activities in the current period was $61,783, compared to $331,733 in the prior comparative period. The decrease of $269,950 in cash used in investing activities was due to a BC Mining Exploration Tax Credit received in the fiscal year ended October 31, 2015, which offset the exploration and evaluation expenditures.

*Financing activities*

Cash inflow from financing activities was $832,465 in the current period compared to $226,746 in the prior comparative period. The increase in cash from financing activities was due to the gross cash received from the May 1, 2015 equity private placement from Northern Fox Copper Inc. compared to smaller equity financings in the shorter prior comparative period.

*Capital Resources*

As of October 31, 2015, and as of the date of this MD&A, the Company had $512,829 and $1,598,031, respectively, in cash.

*Contractual Commitments - Flow-Through Share Agreements*

In connection with the issuance of common shares on a "flow-through" basis on December 23, 2014, the Company has a commitment to spend $150,000 by December 31, 2016, on qualifying flow-through expenditures on its Eaglehead property. As at October 31, 2015, the Company had spent the necessary amount due, thus eliminating its flow-through obligation.

Carmax Mining's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to continue to make in the future, filings and expenditures to comply with such laws and regulations.

## Capital Risk Management

Carmax Mining's capital structure consists of common shares, stock options and warrants. The Company manages its capital structure and makes adjustments to it, based on available funds, in order to support the acquisition and exploration of mineral properties. The Board does not establish quantitative returns on capital criteria for management.

The property in which Carmax currently has an interest in is in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out and pay for planned exploration and development along with operating administrative costs, the Company will fund such costs out of existing working capital and additional amounts raised.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended October 31, 2015. Carmax is subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities of six (6) months or less from the original date of acquisition, all held with major Canadian financial institutions.

# 10. TRANSACTIONS WITH RELATED PARTIES

On January 14, 2015, the Company issued 2,180,450 units to Northern Fox Copper Inc. a subsidiary of Copper Fox Metals Inc., at a price of $0.05 per unit for total aggregate proceeds of $109,023. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.10 until January 14, 2017.

On May 1, 2015, the Company issued 11,000,000 units to Northern Fox Copper Inc. at a price of $0.05 per unit for total aggregate proceeds of $550,000 pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.075 until May 1, 2017. No finders' fees were paid pursuant to this financing.

As a result of this issuance Copper Fox Metals Inc. as at October 31, 2015 has a controlling interest of the Company comprising 50.97% of the issued and outstanding common shares of the Company.

***Subsequent to the year end:***

The Company closed a non-brokered private placement, announced in the Company's December 21, 2015 news release (the "**Offering")**, raising gross proceeds of $1,500,000 in flow-through funds from the issuance of 30,000,000 flow-through shares at a price of $0.05 per share. The placement was made in its entirety to Northern Fox. At the closing of the Offering, Northern Fox's equity interest in Carmax increased to 65.4% of the outstanding shares, 68.2% on a fully diluted basis. The shares issued under the Offering are subject to a hold period expiring May 13, 2016.

Copper Fox, as the parent of the Company, consolidates 100% of the assets and a liability related to the Company and then includes a non-controlling interest portion of the assets and liabilities in their equity section.

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include both executive and non-executive directors, as well as entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

At October 31, 2015, included in accounts payable and accrued liabilities is ($3,806) (October 31, 2014 - $102) owing to companies controlled by directors and $4,830 (October 31, 2014 - $7,468) owing to a companies controlled by officers for services rendered to the Company. In addition, for the year ended October 31, 2015 $11,900 (October 31, 2014 - $6,900) was paid in rent to companies controlled by either a director or an officer of Carmax and $73,403 (October 31, 2014 - $91,014) was paid and capitalized to Eaglehead for services rendered by a company controlled by a director. These amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

During the year ended October 31, 2015 and the three month period ended October 31, 2014, the Company also incurred the following expenses charged by key management personnel and companies directly controlled by key management personnel.

| | | **October 31, 2015** | | October 31, 2014 |
|---|---|---|---|---|
| *Balance Sheet Items:* | | | | |
| Exploration and evaluation assets | **$** | **188,942** | $ | 102,451 |
| **Total** | **$** | **188,942** | $ | 102,451 |

| | | **Year Ended October 31, 2015** | | Three Months Ended October 31, 2014 |
|---|---|---|---|---|
| *Statement of Operations Items:* | | | | |
| Consulting | **$** | **128,000** | $ | 432 |
| Director fees | | **10,500** | | - |
| Management fees | | **-** | | 24,000 |
| Office administration | | **9,000** | | 6,750 |
| Professional fees | | **18,010** | | 10,350 |
| Rent | | **11,900** | | 6,900 |
| Share–based payments | | **38,260** | | - |
| **Total** | **$** | **215,670** | $ | 48,432 |

**Promissory Note**

On October 28, 2015 Copper Fox entered into a promissory note loan (the **"Loan"**) with Carmax, whereas Copper Fox agreed to lend Carmax up to $400,000, in minimum increments of $50,000, for working capital purposes, as needed. Carmax shall pay interest on the principle, from the disbursement date to the due date, November 30, 2016, at a rate of 1%, compounded monthly.

At any time during the term of the Loan, Copper Fox, at its sole discretion, can convert a portion or all of the loan outstanding, including unpaid interest, into free trading shares of Carmax at a price equal to the greater of $0.05 or the 10-day average trading price, calculated over the period after notice is given, subject to the prior approval of the exchange.

As at October 31, 2015, Copper Fox had loaned Carmax $100,000.

## 11. KEY MANAGEMENT COMPENSATION

The key management of the Company comprises executives and non-executive directors and senior management. The remuneration of directors and other members of key management were as follows:

| | | **Year Ended October 31, 2015** | | **Three Month Ended October 31, 2014** |
|---|---|---|---|---|
| Remuneration and short-term benefits | $ | 164,010 | $ | 41,532 |
| Share-based payment compensation | | 38,260 | | - |
| | **$** | **202,270** | **$** | **41,532** |

## 12. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Board, through the Audit Committee, is responsible for identifying the principal risks facing the Company and ensuring that risk management systems are implemented. The Company manages its exposure to financial risks, including credit risk, liquidity risk, interest rate risk, foreign exchange rate risk and commodity price risk in accordance with its risk management framework. The Board reviews the Company's policies periodically.

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at October 31, 2015, those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

The Company's financial assets and financial liabilities are categorized as follows:

| | | **As At October 31, 2015** | | As At October 31, 2014 | |
|---|---|---|---|---|---|
| | **Input Level** | **Carrying Amount** | **Estimated Fair value** | Carrying Amount | Estimated Fair Value |
| *Financial Assets:* | | | | | |
| Cash | **1** | **$ 512,829** | **$ 512,829** | $ 75,656 | $ 75,656 |
| Short term investments | **1** | **$ -** | **$ -** | $ 251,115 | $ 251,115 |
| Investment | **1** | **$ 2,500** | **$ 2,500** | $ 5,000 | $ 5,000 |
| **Total** | | **$ 515,329** | **$ 515,329** | $ 331,771 | $ 331,771 |

| | | **As At October 31, 2015** | | As At October 31, 2014 | |
|---|---|---|---|---|---|
| | **Input Level** | **Carrying Amount** | **Estimated Fair value** | Carrying Amount | Estimated Fair Value |
| *Financial Liabilities:* | | | | | |
| A/P and Acc. Liabilities | **1** | **$ 312,796** | **$ 312,796** | $ 190,272 | $ 190,272 |
| **Total** | | **$ 312,796** | **$ 312,796** | $ 190,272 | $ 190,272 |

## Fair Value

The estimated fair values, established by IFRS 7, of cash, short term investments and accounts payable approximate their respective carrying values due to the immediate or short period to maturity. The available for sale investments are carried at fair values based on the published or electronic market price quotation.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used tomeasure fair value as follows:

- *Level 1* - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets;
- *Level 2* - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- *Level 3* - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

## Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

## a) Credit Risk

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and short term investments. To minimize the credit risk the Company places cash with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

## b) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash and cash equivalent balances and or through additional financings to ensure that there is sufficient capital in order to meet short term obligations. As at October 31, 2015, the Company has cash and short term investments aggregating $515,329 (October 31, 2014 - $331,771) and financial liabilities of $312,796 (October 31, 2014 - $190,272) which have contractual maturities of 30 days or less. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the consolidated statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

## c) Market Risk

### *i) Interest Rate Risk*

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short term investments.

### *ii) Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at October 31, 2015, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

### *iii) Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

# 13. RISKS AND UNCERTAINTIES

A discussion of the risks and uncertainties that Carmax faces can be found in the Company's audited annual financial statements for the year ended October 31, 2015 (available under Carmax Mining's SEDAR profile at www.sedar.com). Furthermore, additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations in the future.

# 14. PROPOSED TRANSACTIONS

We do not currently have any proposed transactions; however, the Company from time to time does review potential property acquisitions and divestitures, in addition to conducting further exploration work on its property. The Company releases appropriate public disclosure as it conducts exploration work on its existing property and if the Company makes an acquisition or divestiture.

# 15. DISCLOSURE OF OUTSTANDING SHARE DATA

**Common Shares**

**a) Authorized**

An unlimited number of common shares without par value.

**b) Issued and Outstanding**

During the year ended October 31, 2015, the Company incurred the following share issuances;

- On December 23, 2014, the Company issued 3,000,000 units at $0.05 each pursuant to a private placement for gross proceeds of $150,000. Each unit consists of one flow-through common share and one callable share purchase warrant. Each share purchase warrant is exercisable into one non-flow through-common share at $0.10 until December 23, 2016. Finders' fees of $12,000 were paid pursuant to this financing.

- On January 14, 2015, the Company issued 2,180,450 units to Northern Fox Copper Inc., a subsidiary of Copper Fox Metals Inc., at a price of $0.05 per unit for total aggregate proceeds of $109,023 pursuant to the pre-emptive and non-dilution rights included in the letter agreement between Copper Fox and the Company as detailed in Note 12. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at $0.10 until January 14, 2017. The Company also incurred other share issuance costs comprising legal fees and filing fees amounting to $24,073 in connection with the above two financings.

- On May 1, 2015, the Company issued 11,000,000 to Northern Fox Copper Inc. a subsidiary of Copper Fox Metals Inc., at a price of $0.05 per unit for total aggregate proceeds of $550,000 pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.075 until May 1,

2017. No finders' fees were paid pursuant to this financing. The Company incurred share issuance costs of legal fees amounting to $10,483.

- The Company closed a non-brokered private placement, announced in the Company's December 21, 2015 news release (the "**Offering")**, raising gross proceeds of $1,500,000 in flow-through funds from the issuance of 30,000,000 flow-through shares at a price of $0.05 per share. The placement was made in its entirety to Northern Fox. At the closing of the Offering, Northern Fox's equity interest in Carmax increased to 65.4% of the outstanding shares, 68.2% on a fully diluted basis. The shares issued under the Offering are subject to a hold period expiring May 13, 2016.

**c) Warrants**

As at the date of this MD&A, the outstanding share purchase warrants of the Company are as follows:

| Amount of Warrants | Price Per Warrant | Amount Exercisable | Expiry Date |
|---|---|---|---|
| 20,000,000 | $ 0.075 | 20,000,000 | May 28, 2016 |
| 4,660,000 | $ 0.075 | 4,660,000 | July 9, 2016 |
| 3,386,078 | $ 0.09 | 3,386,078 | September 25,2016 |
| 3,000,000 | $ 0.10 | 3,000,000 | December 23, 2016 |
| 2,180,450 | $ 0.10 | 2,180,450 | January 14, 2017 |
| 11,000,000 | $ 0.075 | 11,000,000 | May 1, 2017 |
| **44,226,528** | | **44,226,528** | |

**d) Stock Options**

As at the date of this MD&A, the outstanding share options of the Company are as follows:

| Amount of Shares | Price Per Share | Amount Exercisable | Expiry Date |
|---|---|---|---|
| 550,000 | $ 0.10 | 550,000 | September 12, 2016 |
| 3,450,000 | $ 0.07 | 3,550,000 | July 9, 2019 |
| 900,000 | $ 0.05 | 990,000 | April 29, 2020 |
| 350,000 | $ 0.05 | 350,000 | October 16, 2020 |
| **5,250,000** | | **5,250,000** | |

## 16. OFF-BALANCE SHEET ARRANGEMENTS

During the year ended October 31, 2015, the Company was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.

## 17. CHANGES IN ACCOUNTING STANDARDS

There were no changes in the Company's accounting policies during the year ended October 31, 2015. New and revised accounting standards and interpretations issued but not yet adopted are described in Note 2, "*Basis of Presentation*", of the audited financial statements for the year ended October 31, 2015.

# 18. CRITICAL ACCOUNTING ESTIMATES

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

### Exploration and Evaluation Expenditures

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 profit or loss in the period the new information becomes available.

### Depreciation

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

### Impairment

The carrying value of property and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the statement of operations and comprehensive loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("**CGUs**") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

### Site Closure and Decommissioning Provisions

The Company assesses its mineral property's decommissioning provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning obligation. The actual future expenditures may differ from the amounts currently provided.

### Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options and share purchase warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's financial statements.

### Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or un-asserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to disclose as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the Company's financial statements.

## 19. APPROVAL

The Audit Committee of Carmax Mining Corp. is delegated the authority by the Board to review, finalize and approve interim financial statements and the interim MD&A (but not annual-year end reporting), without further reference to, or further approval required by, the Board (pursuant to Section 5.5(3) of NI 51-102). The Audit Committee of Carmax Mining Corp. has reviewed and approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and it is also available under our SEDAR profile at www.sedar.com.