GOLDEN HOPE
MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2018 and 2017

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of results of operations and financial condition of Golden Hope Mines Limited ("Golden Hope" or "the Company") describes the operating and financial results of the Company for the twelve-month periods ended December 31, 2018 and 2017. The MD&A supplements but does not form of the Financial Statements of the Company and should be read in conjunction with Golden Hope's Audited Financial Statements and related notes for the years ended December 31, 2018 and 2017.

Forward-Looking Statements

This MD&A contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet such expectations of management. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements should not be unduly relied upon. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

Date of MD&A

This MD&A was prepared using information that is current as at April 15, 2019, unless otherwise stated.

Company Overview

Golden Hope Mines Limited is focused on growing shareholder value through the acquisition, exploration, and development of potential gold and base metal projects with both underground and open-pit mining potential. Golden Hope's projects are located in the Bellechasse/Beauce Region of Southeastern Quebec, Canada. These projects include a number of geological targets hosted within distinct geological settings. These projects include the Company's flagship project, the Bellechasse-Timmins gold deposit. The Company intends to develop this project, located in an under-developed and under-explored region of one of the world's friendliest mining jurisdictions with excellent access and low cost infrastructure.

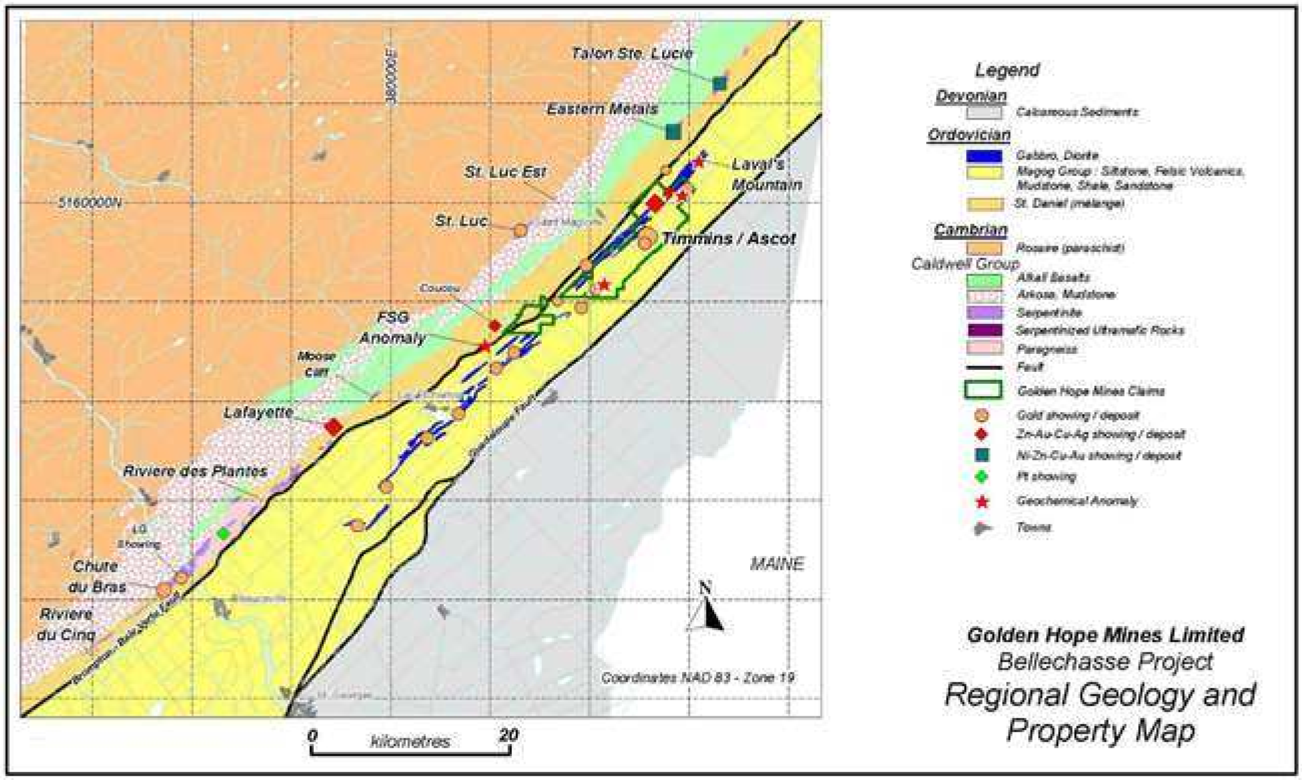
2018 Summary Highlights

Throughout 2018, Golden Hope Mines has reviewed, considered, and evaluated several new development opportunities for its Bellechasse-Timmins ("B-T") Gold Project as well as outside of its B-T project. Although many of the opportunities had much initial potential, management and the Board ultimately turned these down for a number of reasons including, technical, geographical, ownership structure and valuation. Management and the Board continue to actively pursue opportunities to build shareholder value and will continue to evaluate opportunities as they become available.

DISCUSSION OF OPERATIONS

Bellechasse property

The 100% owned Bellechasse property is located approximately 90 kilometres south east of Quebec City within the northern part of the Appalachian range of mountains. The property consists of approximately 137 claims totaling 4,989 hectares. The Quebec property covers an area of continental collision in which transform faulting is common. Locally, this collision terrain is part of the Appalachian Mountain fold belt. Widespread gold mineralization has historically been found between Bellechasse and west of the Chaudière River. Mineralization with potential economic interest is hosted in zones of fracturing and brecciation in the older intrusives or other pre-existing competent rocks in structural features related to regional trans-current/transform faults.



The Bellechasse Belt currently includes three main areas of interest:

- Bellechasse-Timmins (incl.; T1, T2, 88, and Ascot/Road Zones)
- The Beland anomaly (approx. 6.2 kms southwest of Bellechasse-Timmins)
- Champagne Zone, a partially explored gold and base metal deposit

On June 18, 2012, the Company announced its inaugural NI 43-101 resource estimate. Since the publication of the full report in August of 2012, the Company has looked at a variety of options to take the project to the next stage of development. The current option being advanced for the development of Bellechasse-Timmins is the option agreement with HPQ Silicon Resources Inc. described above.

Bellechasse-Timmins Gold Deposit

The Bellechasse-Timmins gold zone is hosted by an early diorite intrusive emplaced in Lower Palaeozoic sediments of southeastern Quebec. Gold was first confirmed in the Bellechasse area in 1950, at which time the Ascot and Timmins 1 (T1) zones were discovered.

A third mineralized body was indicated by shallow diamond drilling in 1952 and referred to as the Timmins South Zone (now called Timmins 2 or T2). Due to thick overburden, trenching did not reach bedrock and the mineralized zone was not exposed. Little subsequent work was done until the current management and technical team began further exploration work in the fall of 2006.

The Champagne VMS

In the fall of 2011, the Company engaged Geotech Limited to conduct a VTEM of the Bellechasse Belt around the Champagne deposit. At the beginning of the 2012 exploration season, the Company drilled the historically known Champagne deposit by twinning some of the historical holes in order to confirm the resource. The results of the campaign published in April 2012 revealed that the mineralization is indeed present although the tonnage had not been confirmed. Additionally, some exploration holes were drilled in an attempt to locate another Champagne style mineralization on the “Champagne Horizon”. Although the signatures were strong in the areas where exploration holes were drilled, the results from these holes were not what management was expecting. The Company is actively considering ways to advance development of the Champagne deposit, including potentially through joint ventures.

Julian property

On July 2, 2015, the Company acquired from Michael Dehn (a director of the Company) and two prospectors a 100% right, title and interest in 16 claims (861 hectares) located in the Bellechasse/Beauce Region of southeastern Quebec. Under the Agreement, the Company paid $1,000 in cash and issued 500,000 of the Company's common shares (valued at $210,000 based on the price on September 17, 2015 when the shares were issued).

SUMMARY OF QUARTERLY AND YEAR TO DATE RESULTS

Summary of Annual Results

The following tables set out financial performance highlights for the past three fiscal years.

	Year ended December 31, 2018	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Interest income	**$0**	**$0**	$0
Operating expenses	**$251,116**	**$478,698**	$794,316
Net loss and comprehensive loss	**($251,116)**	**($478,698)**	($794,316)
Loss per share	**($0,018)**	**($0.035)**	($0.08)
Cash used in operations	**($46,283)**	**($484,428)**	($518,054)
Cash, end of year	**$67,767**	**$110,470**	$566,536
Assets	**$142,178**	**$223,132**	$675,948
Dividends	**$0**	**$0**	$0

This selected annual information should be read in conjunction with the audited financial statements filed on www.sedar.com for the year ended December 31, 2018.

RESULTS OF OPERATIONS

Results of Operations for the year ended December 31, 2018

Golden Hope anticipates that, for the foreseeable future, results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The following discussion and analysis are based on Golden Hope' results of operations for the year ended December 31, 2018. The selected financial information data is derived from the Company's audited financial statements for the year indicated.

The Company recorded a net loss and comprehensive loss for the year ended December 31, 2018 of $251,116 compared to a net loss and comprehensive loss of $478,698 for the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

	December 31 2018		December 31 2017	
Revenues	$	-	$	-
Legal, financial and other corporate expenses	$	**159,432**	$	256,769
Shareholders' information	$	**29,064**	$	25,398
Travel	$	**3,738**	$	4,590
Share-based compensation	$	**7,435**	$	-
General administrative expenses	$	**36,780**	$	55,960
Management fees	$	**15,000**	$	125,000
Exploration and evaluation expenditures	$	**(1,952)**	$	9,281
Depreciation	$	**1,619**	$	1,700
Net loss and comprehensive loss	$	**(251,116)**	$	(478,698)
Cash	$	**67,767**	$	110,470

Legal, Financial and Other Corporate Expenses

Legal, Financial and Other Corporate expenses were $159,432 for the year ended December 31, 2018, compared to $256,769 for the year ended December 31, 2017. The decrease of $97,337 from the previous period was primarily due to a decrease in legal, professional and consultant fees.

Share-based compensation

Share-based compensation expenses relate to stock options granted. The calculation of this non-cash expense is based on the fair value of the stock options granted, amortized over the vesting period of the option using the graded vesting method. The Company uses the Black-Scholes model to calculate the compensation expense.

There was $7,435 share-based compensation for the year ended December 31, 2018. The expenses represent the issuance of 100,000 stock options to a member of the board of directors.

General administrative expenses

General administrative expenses were $36,780 for the year ended December 31, 3018 compared to $55,960 for the year ended December 31, 2017. The main change from the previous period was due to office rental and penalty interest expenses which decreased offset by claims renewal of the Company.

Management fees

Included in Management fees are fees accrued to the President, a Director and paid to a Former Vice-President Business Development of the Company. During the year ended December 31, 2018, the Company reversed $105,000, $45,000 of Management Fees that had been accrued during the year ended December 31, 2017 and $60,000 accrued during the year ended December 31, 2018.

Summary of Quarterly Results

Results of Operations for the three-month period ended December 31, 2018

The comments below provide an analysis of the operating results for the three-month period ended December 31, 2018. The selected financial information shown below is taken from the condensed unaudited interim consolidated financial statements for each of the three-month periods indicated.

The Company recorded a net gain and comprehensive gain for the three-month period ended December 31, 2018 of $42,741 compared to a net loss and comprehensive loss of $216,733 for the three-month period ended December 31, 2017.

FINANCIAL HIGHLIGHTS

	December 31 (3 months)	
	2018	**2017**
Revenues	$ -	$ -
Legal, financial and other corporate expenses	**14,556**	70,715
Shareholders' information	**4,574**	1,662
Travel	**40**	266
General administrative expenses	**12,620**	27,356
Management fees	**(75,000)**	30,000
Exploration and evaluation expenditures	**61**	9,281
Depreciation	**408**	467
	(42,741)	139,747
Deferred tax	-	76,986
Net loss (gain) and comprehensive loss (gain)	$ **(42,741)**	$ 216,733
Cash	$ **67,767**	$ 110,470

Legal, Financial and Other Corporate Expenses

Legal, Financial and Other Corporate expenses were $14,556 for the three-month period ended December 31, 2018, compared to $70,715 for the three-month period ended December 31, 2017. The decrease of $57,149 from the previous period was primarily due to a decrease in legal, professional and consultant fees.

General administrative expenses

General administrative expenses were $12,620 for the three-month period ended December 31, 3018 compared to $27,356 for the three-month period ended December 31, 2017. The main change from the previous period was due to office rental and penalty interest expenses which decreased offset by claims renewal of the Company.

Management fees

Included in Management fees are fees accrued to the President, and a Director of the Company. The decrease of $105,000 is due to a reversal of $45,000 of Management Fees that had been accrued during the year ended December 31, 2017 and a reversal of $60,000 accrued during the year ended December 31, 2018.

The selected financial information below was taken from Golden Hope Mines' unaudited interim financial statements for each of the following quarters:

	Q4 December 31, 2018	Q3 September 30, 2018	Q2 June 30, 2018	Q1 March 31, 2018	Q4 December 31, 2017	Q3 September 30, 2017	Q2 June 30, 2017	Q1 March 31, 2017
Interest income	**$0**	$0	$0	$0	$0	$0	$0	$0
Operations expenses (gain)	**($42,741)**	$62,999	$127,051	$103,807	$132,239	$108,892	$143,317	$94,250
Net loss and comprehensive loss	**$42,741**	($62,999)	($127,051)	($103,807)	($132,239)	($108,892)	($143,317)	($94,250)
Loss per common share	**$0**	($0.01)	($0.009)	($0.007)	($0.01)	($0.01)	($0.01)	($0.007)
Cash used in operations	**($21,071)**	($7,852)	($12,369)	($4,991)	($129,579)	($79,066)	($132,714)	($143,069)
Cash, end of period	**$67,767**	$88,838	$96,690	$105,479	$110,470	$108,308	$285,082	$417,102
Assets	**$142,178**	$155,748	$181,881	$200,495	$223,132	$307,438	$396,728	$534,281
Dividends	**$0**	$0	$0	$0	$0	$0	$0	$0

LIQUIDITY AND CAPITAL RESOURCES

Financings

The Company will look to add to its treasury, whenever necessary, through additional financing efforts to continue working on its exploration program.

The Company defines capital as shareholders' equity. The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements.

The Company has no externally imposed restrictions on capital.

As at December 31, 2018 the Company's cash were $67,767. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. In order to continue its operations, the Company will have to find additional financing and despite the fact it has been successful in the past at raising funds, there can be no assurance the Company will be able to secure financing in the future or that these sources of funding will be available. There is a significant risk that the Company will be unable to secure further financing.

Cash Flow Information

CASH FLOW

	December 31	
	2018	**2017**
Operating activities	$ **(46,283)**	$ (484,428)
Investing activities	**3,580**	6,832
Financing activities	-	21,530
	$ **(42,703)**	$ (456,066)
Cash	$ **67,767**	$ 110,470

Operations Activities:

During the year ended December 31, 2018, funds used for operating activities were spent primarily on operations and promotion of the Company.

Investing Activities:

During the year ended December 31, 2018, investing activities consisted of the receipt of tax credits and credits on duties receivable.

Financing Activities:

Disclosure of Outstanding Share Capital as at December 31, 2018.

(a) Share Capital

	December 31, 2018		December 31, 2017	
	Number	**Amount $**	Number	Amount $
Balance, beginning of year	**13,644,338**	**28,193,334**	13,644,338	28,171,348
Broker warrants	**-**	**-**	-	456
Share issue costs	**-**	**-**	-	21,530
Balance, end of year	**13,644,338**	**28,193,334**	13,644,338	28,193,334

(b) Options

At December 31, 2018, the following exercisable stock options were outstanding:

Options	Exercisable	Price	Expiry
350,000	350,000	0.50	July 10, 2020
600,000	600,000	0.32	September 8, 2021
100,000	100,000	0.12	February 6, 2023
1,050,000	1,050,000		

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

The Company has no off-balance sheet arrangements.

Commitments

Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of approximately $9,252 and $17,300 maintain the claims on the properties in 2019 and 2020, respectively.

In addition, the Company has the following royalty commitments resulting from past transactions:

* Net profit royalty of 5% on net profits greater than $250,000 for 4 claims acquired from La Société Minière Colmo.

* Net smelter royalty of 2% for 26 claims acquired from a prospector in 2010.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Company incurred management fees in the amount of $60,000 (2017 - $60,000), to 9132-8757 Quebec Inc., a company owned by the President of the Company. In relation with these transactions an amount of $91,980 was payable as at December 31, 2018 (2017 - $22,995).

During the year ended December 31, 2018, the Company reversed $105,000 of management fees that had been accrued for the years ended December 31, 2018 (amount of $60,000) and December 31, 2017(amount of $45,000), to Avanti Management & Consulting Limited, a company owned by a director of the Company. In relation with these transactions no amount was payable as at December 31, 2018 (2017 - $45,000) and $15,000 was paid in 2017.

During the year ended December 31, 2018, the Company incurred professional fees in the amount of $20,862 (2017 - $19,121), to the Chief Financial Officer of the Company. In relation with these transactions, $1,130 was payable as at December 31, 2018 (2017 – Nil).

There was $7,435 share-based compensation for the year ended December 31, 2018. The expenses represent the issuance of 100,000 stock options to a member of the board of directors.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing its financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. Information about critical judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Judgments

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's ability to continue as a going concern.

Mining properties

Even though the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Impairment of non-financial assets

The Company's evaluation of the recoverable amounts with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values.

The Company's estimates of recoverable amount are based on numerous assumptions. Those estimates may differ from actual values, and the differences may be significant and could have a material impact on the Company's financial position and results of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Identification of CGUs

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, shares infrastructures, and the way in which management monitors the Company's operations.

Valuation of tax credits and credits on duties

The Company is entitled to tax credits and credits on duties on qualified mining exploration expenses incurred in the province of Québec. Management's judgement is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates it has reasonable assurance that the tax credits will be realized.

Estimates

Estimate of the fair value of share options, warrants and the volatility of the shares

The fair value of each option and warrant granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the share options and warrants at the grant date is based on the legal life of the share options and warrants and the historical exercise pattern of option and warrant holders. Management also estimates the expected forfeitures in calculating the fair value of each option. The expected volatility used to calculate the grant date fair value estimated taking into account the historical volatility of the Company's share price over the expected term of the options granted. Historical volatility is revised whenever facts and circumstances indicate that the historical volatility is no longer appropriate. Such facts and circumstances include but are not limited to the Company entering a new phase of mining activity, the development of new technologies, changes to the financial position of the Company, and when the spread between market participants volatility data, derived from the calculation of the fair value of financial instruments and equity instruments issued by the Company, is significant. If management estimates that historical volatility requires an adjustment, the Company also takes into consideration the historical volatility of comparable companies at similar stages of development as the Company as well as the volatility estimates derived from the fair value calculation of financial instruments and equity instruments in periods when this information is available.

Useful lives of property

The Company estimates the useful life of property based on the period over which the assets are expected to be available for use. The estimated useful life of property is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property is based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property would increase the recorded expenses and decrease the non-current assets. Useful life, depreciation rates and residual values are reviewed at least annually as required by IFRS.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from an audit by taxation authorities, Where the financial outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in such determination is made.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and highly-liquid short-term investments initially maturing within three months of their acquisition date.

Property and Equipment

Property and equipment are accounted for at cost less any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Amortization of equipment is calculated using the declining method and at the following rates:

Equipment	40%
Building	4%

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses arising on the disposal of property and equipment is determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of loss and comprehensive loss.

Mining properties

Costs related to exploration and evaluation of mineral properties, option and lease payments and costs of acquiring mineral rights are recognized in profit or loss as incurred.

Any option payments or proceeds from the sale of royalty interests received by the Company are recorded as income in the period received.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the statements of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities:

a) are generally recognized for all taxable temporary differences; and
b) are recognized for taxable temporary differences arising on mining assets, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

a) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
b) are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based compensation

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options at the date of grant. For graded vested share options, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. The Company also provides for an estimate of the forfeiture rates in determining the total stock-based compensation expense.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of loss and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statements of loss and comprehensive loss is charged with the fair value of goods and services received.

Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus.

When the Company issues units under a private placement comprising common shares and warrants, it follows the fair value method of accounting for these warrants. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. Proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the existing shares and the amount the investor pays for the flow-through shares. A liability is recognized for this difference and is recorded as a flow-through share premium liability on the statement of financial position. The liability is reversed when the qualifying expenditure is incurred and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the flow-through share premium liability recognized on issuance.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

Tax credits and credits on duties receivable

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is for expenses incurred on mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation expenditures.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 28% and is recorded as a government grant against exploration and evaluation expenditures.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss.

Segment reporting

The Company presents and discloses segment information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a single operating segment being the acquisition, exploration and development of exploration properties.

Foreign currency translation

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the statements of financial position date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in comprehensive loss.

Impairment of non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statements of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss. An impairment loss recognized for goodwill is not reversed.

Reclamation Obligations

Estimated reclamation costs are based on legal, environmental and regulatory requirements. The costs of our active mining operations are accrued, on an undiscounted basis, as a production cost, on a unit-of-production method based on proven and probable reserves. We have made estimates of the final reclamation costs based on mine-closure plans approved by environmental agencies. We periodically review these estimates and update our reclamation cost estimates if assumptions change. Material assumptions that are made in deriving these estimates include variables such as mine life and inflation rates.

Financial instruments

Standards and amendments to existing standards effective January 1, 2018 adopted in the year

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments. The Company's financial assets classified at amortized cost continues to be classified at amortized cost and there was no material impact on adoption from the application of the new model. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2018 that have a material effect on the financial statements of the Company.

Financial assets and financial liabilities at amortized cost

Classification of assets

The Company classifies financial instruments in accordance with IFRS 9. The Company's cash, trade and other receivables and accounts payable and accrued liabilities are classified and measured at amortized cost.

Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The fair values of the Company's financial assets and liabilities classified in this category approximate their carrying amounts due to their short-term nature.

Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognized at cost on the trade date – the date on which the Company commits to purchase or sell the investment. Transaction costs are expensed as incurred in the statement of comprehensive income (loss). Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership. Subsequent to initial recognition, all financial assets and financial liabilities are measured at amortized cost.

Fair value

The Company estimates the fair value of financial assets classified at amortized cost based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and uses the following hierarchy in determining these estimates:

- Level 1 – Valuations based on quoted prices (unadjusted) are available in active markets for identical financial instruments as of the reporting date.

- Level 2 – Valuations based on inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

- Level 3 – Valuations based on inputs are generally less observable or unobservable and significant to the overall fair value measurement. The availability of valuation techniques and observable inputs can vary from financial instrument and are affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these financial instruments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instruments level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

IAS 7 Statement of Cash Flows

The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments were adopted on January 1, 2017 and had not resulted in any material changes in these financial statements or reported results.

IFRS 2 Share based payment

On September 20, 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions.

These amendments deal with variations in the final settlement arrangements including; (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity.

As of January 1, 2018, the Company has adopted IFRS 2 and has concluded that, based on its current operations, it had no impact on the Company's condensed financial statements.

RISKS AND UNCERTAINTIES

Nature of Mineral Exploration and Development Projects

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will continue to be successful. Success in establishing reserves is a result of several factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on several factors, including the particular attributes of the deposit such as the deposit's size; its proximity to existing infrastructure; financing costs and the prevailing prices for the applicable minerals. Development projects have no operating history upon which to base estimates of future cash operating costs.

Particularly for development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns could differ significantly from those estimated for a project before production. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur. The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, with or without the Share Consolidation, or that they can be secured on competitive terms.

Disclosure controls and procedures

Based on continual evaluations of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2018, the design and operation of these disclosure controls and procedures are effective at the reasonable assurance level to ensure that material information relating to the Company would be made known to them by others within the entity, particularly during the period in which the MD&A and the financial statements contained in this report were being prepared.

Internal controls over financial reporting

The Company's Chief Executive Officer and Chief Financial Officer have designed, or have caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Chief executive Officer and Chief Financial Officer concluded that there has been no change in the Company's internal control over financial reporting during the year ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.