

**Suite 214 – 3540 West 41<sup>st</sup> Street  
Vancouver, British Columbia  
CANADA V6N 3E6  
Telephone: 604-803-4883**

---

**May 27, 2018**

## **Introduction**

This Management Discussion & Analysis (“MD&A”) for Prism Resources Inc. (the “Company” or “Prism” or “we” or “us”) for the three months ended March 31, 2018 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of May 27, 2018, and compares its financial results for the three months ended March 31, 2018 to the three months ended March 31, 2017. This MD&A provides a detailed analysis of the business of Prism and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 and the audited consolidated financial statements for the year ended December 31, 2017. The Company reports its financial position, results of operations and cash-flows in accordance with International Financial Reporting Standards. The Company is presently a “Venture Issuer” as defined in NI 51-102.

## **Caution Regarding Forward Looking Statements**

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company’s exploration programs;
- the Company’s estimates of the quality and quantity of the mineralization at its mineral properties;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of results therefrom;
- the Company’s future cash requirements;
- general business and economic conditions;
- the Company’s ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and

- the Company's expectation that it will be able to add additional mineral projects of merit to its assets.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration programs;
- conditions in the financial markets generally;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favourable terms;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the nature and location of the Company's mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs and the Company's ability to comply with such terms on a cost-effective basis;
- the ongoing relations of the Company with its regulators; and
- that the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties are reflective of the deposit as a whole.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global

securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

## **Current Business Activities**

---

### **General**

Prism Resources Inc. is a resource exploration company focused on Latin America. The Huampar Project (the "Project") is the Company's primary exploration project and is currently the main focus of exploration activities. .

Highlights of activities during the period and to the date of this MD&A include:

- On February 22, 2018, the Company entered into loan agreements (the "Loan Agreements") with certain shareholders, including certain directors of the Company. The loans granted pursuant to the Loan Agreements total \$100,000, with each of the Lenders loaning \$30,000 to the Company, with the exception of the CFO, who is loaning \$10,000 (the "Loans"). The Loans are secured against all or substantially all of the assets of the Company. Pursuant to the Loan Agreements, the Company intends to issue bonus shares of the Company to the Lenders (the "Bonus Shares"). Upon repayment of each loan, the corresponding Lender shall receive the Bonus Shares, calculated as the number of common shares in the capital of the Company equal to 20% of such Lender's Loan divided by the market price of such shares at the end of day on February 22, 2018. The Bonus Shares will thus have an aggregate value of \$20,000.

### **Huampar Project, Peru**

#### **General**

On June 13, 2016 (closed July 21, 2016), the Company entered into an assignment and assumption agreement (the "Agreement") with Trevali Mining Corporation ("Trevali"), Nueva Condor S.A. ("Nueva") and a private individual ("PI") whereby the Company replaced the contractual position of Trevali in the Share Purchase Agreement ("SPA") between Trevali, Nueva and PI dated January 3, 2012. Under the SPA, Trevali has the right to acquire from PI 53,137,866 shares of Nueva representing 100% of the capital stock of Nueva. The sole interest of the Company in purchasing the shares of Nueva is to acquire ownership of its mining rights in order to develop mining activities. Pursuant to the terms and conditions of the Agreement:

The Company:

- Is in the process of completing the share purchase agreement;
- Issued 5,750,000 of its common shares to Trevali on the closing date as consideration for the Nueva shares;
- Paid \$US 35,000 to Trevali as consideration for the additional mining properties; and
- Amended, with PI, certain sections of the SPA as described.

Pursuant to the terms and conditions of the amended SPA, the Company will:

- Pay to PI a Net Smelter Return Royalty ("NSR") equal to 3% of the actual spot market value of the mineral production obtained from the mining rights received. An estimate of the 3% NSR will be calculated by Nueva at the end of each calendar quarter and the actual NSR will be calculated at the end of each calendar year. The Company has the following successive options to acquire the NSR partially as follows – the first 1% for

\$US 1,500,000 (“Option 1”); and the second 1% for \$US 2,000,000 (“Option 2”). Options 1 and 2 are valid for six years from the date of the Agreement.

- Issue common shares of the Company as follows - 2,000,000 common shares to PI (issued); 1,000,000 shares to PI provided he has complied with obligations specified in the SPA (issued); 200,000 common shares to another individual provided PI has complied with an obligation specified in the SPA (issued); and 100,000 shares to another individual provided he has complied with obligations specified in the SPA (issued).
- Pay cash to PI as follows - \$US 245,000 in 49 monthly instalments of \$US 5,000 (US 90,000 paid) from the date of TSXV approval; and 5% of the amount of credits listed in the SPA that are recognized by the bankruptcy authority in the Eventual Bankruptcy Procedure, as defined, once the relevant credits have been recognized.
- Pay Soles 30,000 to Servicios Knowhow y Gestiones S.A.C. en liquidacion (“SKG”) in exchange for the transfer of all credits that SKG might have against Nueva.
- From the second anniversary of the date of the Agreement, and provided that PI has complied with specified provisions of the SPA, pay to PI minimum annual compensation of \$US 100,000 as a forward payment for the NSR. This minimum amount is to be paid until the year following the date on which the Company starts production in the mining rights and the NSR begins to accrue. These forward payments will be offset against the NSR once it begins to accrue.

### ***Exploration***

Qualifying 43-101 resource evaluation of the Huampar deposit is ongoing. It will be finalized once the underground diamond drilling is completed. This preliminary exploration drilling phase will consist of approximately 5,500m

In January of 2017 Peruland of Peru, completed a drone imagery and topographical survey covering a total of 782 hectares over 3 areas within the property boundaries.

On March 21, 2017, the Company announced that it had initiated a strategic review of potential mine development scenarios with JDS Energy and Mining Inc. (“JDS”) at the Huampar project. JDS will examine historical data and Prism’s current plans for advanced exploration drilling and the potential early reactivation of mining. Upon the successful completion of the advanced exploration drilling phase and the establishment of a compliant mineral resource model, the Project would be advanced to the Preliminary Economic Assessment (“PEA”)/Prefeasibility Study (“PFS”) led by JDS. A weather monitoring station was acquired and installed at the Huampar site. The data is now continuously recorded.

In addition to the technical advancement of the Project, the Company continues to pursue community engagement initiatives with the community of Huanza. Recently, the Company had a series of meetings including walking the perimeter of the area the Company is looking to purchase or lease.

Since the termination of our transaction with AuRico on the sale of the NPI royalty at Detour Lakes exploration areas focused on the 58N Zone the Company has been deprived of cash. As a result no activity of a technical nature has been undertaken. Management have also been looking at other opportunities in Latin America. In the case of Huampar management have been in discussions with potential JV partners however discussions are ongoing.

### ***Net Profit Interest***

The Company has a 7.5% Net Profits Interest in certain mining claims in the Porcupine Mining District of Ontario, Canada.

On July 10, 2017, the Company announced that it had entered into a Royalty Purchase Agreement with AuRico for the sale by the company of the Royalty to AuRico. Following the announcement, the Company and AuRico received a written communication from Detour claiming the Royalty is invalid and unenforceable against Detour, notwithstanding Detour's long and consistent disclosure record to the contrary.

On July 21, 2017, the Company announced that the Royalty Purchase Agreement had been terminated, as a direct result of Detour's newly stated position repudiating any obligations under the Royalty. On August 1, 2017, the Company announced that it has filed a Notice of Civil Claim in the Supreme Court of British Columbia against Detour. In its claim the Company seeks general and special damages, costs and interest, as well as a declaratory judgment that its Royalty is a valid charge and enforceable as against Detour.

The first hearing was on April 20, 2018 with no conclusion on jurisdiction. The extension of that hearing is scheduled for July 4, 2018.

### ***Qualified Person***

Mr. Robert Baxter (FAusIMM), Prism's President & CEO and is a qualified person as defined by NI 43-101. He has supervised the preparation of the scientific and technical information that forms the basis for all public disclosures. Mr. Baxter is not independent of the Company as he is a Director and an officer of the Company.

### **Risk Factors**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's proposed business and the present stage of exploration of its resource properties, the following risk factors, among others, will apply:

***Additional Financing Requirements:*** The Company has generated funds through private placement financings, exercise of outstanding warrants and options. During the period ended March 31, 2018, no warrants or options were exercised. In addition, during the period ended March 31, 2018, the Company did not complete any financings.

***Insufficient Financial Resources:*** The Company does not have sufficient financial resources to fund its operating expenditures and future potential property acquisitions and therefore depend upon the Company's ability to obtain financing through private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. In particular, failure by the Company to raise the funding necessary to maintain operational requirements, exploration and development of its future projects or to fulfill its obligations under any applicable agreements could result in the Company losing, or being required to dispose of, its interests in the Huampar Project.

***Resource Exploration and Development is Generally a Speculative Business:*** Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental

protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

***Fluctuation of Prices:*** Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the product produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. Commodity prices have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved exploration and production methods. The supply of commodities is affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

***Global Financial Conditions:*** Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the continued volatility of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue to be volatile and unpredictable. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These disruptions in the current credit and financial markets have had, and could continue to have a material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

***Resource Industry is Intensely Competitive:*** The Company's business is the acquisition, exploration development of resource properties. The resource industry is intensely competitive and the Company will compete with other companies that have far greater resources.

***Permits and Licenses:*** The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and production operations at its projects. Delays or failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

***Government Regulation:*** Any exploration, development or production operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, resource taxes and labour standards. In addition, the profitability of any commodity is affected by the market for those commodities which is influenced by many factors including changing production costs, the supply and demand, and the rate of inflation, the inventory of commodity producing corporations, the political environment and changes in international investment patterns.

Worldwide securities markets, particularly those in the United States and Canada, have continued to experience a high level of price and volume volatility, and the market price of securities of many

companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities, only recently has slight recovery been observed. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

***Environmental Matters:*** Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any resource property is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

***Foreign Countries and Political Risk:*** The Huampar property is located in Peru, where mineral exploration and mining activities may be affected in varying degrees by political instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws, affecting the Company's business in that country. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business, or if significant enough, may make it impossible to continue to operate in that country. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

The Company currently has one property interest in Peru: Huampar project. The status of Peru as a developing country may make it more difficult to obtain any required exploration financing for projects. The effect of all of these factors cannot be accurately predicted. There is the risk of political violence and increased social tension in Peru as a result of the increased civil unrest, crime and labour unrest. Roadblocks by members of the local communities, unemployed people and unions can occur on most national and provincial routes without notice.

Any limitation on the transfer of cash or other assets between the parent corporation of such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

***Dependence Upon Others and Key Personnel:*** The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its resource properties; (ii) the ability to produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company

and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical personnel and consultants is particularly intense in the current marketplace.

***Currency Fluctuations:*** The Company presently maintains its accounts in Canadian dollars. Due to the nature of its operations in Peru, the Company also maintains accounts in U.S. dollars and Peruvian Nuevo soles. The Company's operations in Peru and its proposed exploration expenditures in such countries are denominated in either local currencies or U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of the Company's control and may materially affect the Company's financial position and results.

***Surface Rights and Access:*** Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable laws usually provide for rights of access to the surface for the purpose of carrying on exploration activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on exploration activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out exploration activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction

***Title:*** Although the Company has taken steps to verify the title to the resource properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to resource properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

***Acquisition of Mineral Claims under Agreements:*** The agreements pursuant to which the Company has the right to acquire or maintain interests in a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

***Exploration and Mining Risks:*** Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is

affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

**Regulatory Requirements:** As stated above, the activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

**Uncertainty of Resource Estimate/Reserves:** Unless otherwise indicated, mineralization figures presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at all of its properties, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralized material ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for zinc, silver, copper, iron or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or

financial condition. The Company has not established the presence of any proven or probable reserves at any of its mineral properties. There can be no assurance that subsequent testing or future studies will establish any proven or probable reserves at the Company's properties. The failure to establish proven or probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

**No Assurance of Profitability:** The Company has no history of earnings and due to the nature of its business there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its resource properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercial deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

**Uninsured or Uninsurable Risks:** The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

## **SELECTED FINANCIAL INFORMATION**

---

### **SELECTED ANNUAL INFORMATION**

The Company's unaudited condensed interim consolidated financial statements for the first quarter ended March 31, 2018 and 2017 (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*". The following selected financial information for the years ended December 31, 2017 and December 31, 2016 is taken from the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "Financial Statements"). The information for the year ended December 31, 2015 is taken from the audited consolidated financial statements for the year ended December 31, 2016. This information should be read in conjunction with those statements. Selected annual financial information appears below.

	<b>Years Ended December 31</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Statement of Operations</b>			
Total revenues (interest)	\$ 4	\$ 1,413	\$ 4,313
Loss before other items	\$ (1,417,282)	\$ (1,031,732)	\$ (143,036)
Write-off of exploration and evaluation assets	\$ -	\$ (360,420)	\$ -
Cost recovery	\$ 80,000	\$ -	\$ -
Net loss for the year	\$ (1,356,704)	\$ (1,405,058)	\$ (138,723)
Weighted average common shares outstanding	51,023,612	34,749,479	23,025,593
Basic and diluted income (loss) per common share	\$ (0.03)	\$ (0.04)	\$ (0.01)
<b>Statement of Financial Position</b>			
Total assets	\$ 1,247,658	\$ 1,796,080	\$ 480,910
Working capital (deficit)	\$ (379,257)	\$ 637,277	\$ 201,759

Operating costs and expenses for the year ended December 31, 2017 were \$1,417,282 (2016 - \$1,031,732). The increase in 2017 expenses primarily resulted from an increase in exploration and evaluation expenditures in the amount of \$168,772 to \$605,715 (2016 - \$436,943), increase in consulting fees in the amount of \$298,429 to \$513,590 (2016 - \$215,161), increase in investor relations expenses in the amount of \$30,711 to \$43,858 (2016 - \$13,147), decrease in listing and filing fees of \$18,492 to \$15,269 (2016 - \$33,761), increase in office expenses in the amount of \$26,326 to \$33,590 (2016 - \$7,264), increase in professional fees in the amount \$51,357 to \$139,542 (2016 - \$88,185), and increase in travel expenses of \$11,193 to \$50,519 (2016 - \$39,326).

**QUARTERLY FINANCIAL INFORMATION**

	<b>Three Months Ended</b>			
	<b>March 31, 2018 (2018 Q1)</b>	<b>December 31, 2017 (2017 Q4)</b>	<b>September 30, 2017 (2017 Q3)</b>	<b>June 30, 2017 (2017 Q2)</b>
Total revenues (interest)	\$ -	\$ -	\$ -	\$ 4
Loss before other items	\$ (152,520)	\$ (49,419)	\$ (340,994)	\$ (685,301)
Write-off of exploration and evaluation assets	\$ -	\$ -	\$ -	\$ -
Cost recovery	\$ -	\$ -	\$ 80,000	\$ -
Net loss for the period	\$ (153,682)	\$ (46,742)	\$ (271,767)	\$ (693,385)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Total assets	\$ 1,288,939	\$ 1,247,658	\$ 1,335,286	\$ 1,426,569
Working capital (deficit)	\$ (451,711)	\$ (379,257)	\$ (118,422)	\$ 176,231

	<b>Three Months Ended</b>			
	<b>March 31, 2017 (2017 Q1)</b>	<b>December 31, 2016 (2016 Q4)</b>	<b>September 30, 2016 (2016 Q3)</b>	<b>June 30, 2016 (2016 Q2)</b>
Total revenues (interest)	\$ -	\$ 14	\$ -	\$ 992
Loss before other items	\$ (341,568)	\$ (346,928)	\$ (423,694)	\$ (232,574)
Write-off of exploration and evaluation assets	\$ -	\$ (360,420)	\$ -	\$ -
Net loss for the period	\$ (344,810)	\$ (719,975)	\$ (425,395)	\$ (231,583)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 1,464,890	\$ 1,796,080	\$ 2,478,952	\$ 396,462
Working capital (deficit)	\$ 284,486	\$ 637,277	\$ 1,028,053	\$ (176,350)

**Loss before other items and Net loss for the period**

The Company's net loss increased for the period 2018 Q1 compared to 2017 Q4 mainly due to a increase of \$201,875 for share-based payments reversed in Q4 2017 offset by a decrease of \$61,092 in the exploration and evaluation expenditures in 2018 Q1 due to less funding available, and a decrease of \$36,230 in professional fees in 2018 Q1 as a result of the civil claims filed against Detour.

The Company's net loss decreased for the period Q4 2017 compared to Q3 2017 mainly due to a decrease of \$202,712 for share-based payments recorded in prior quarters, a decrease of \$38,815 in the exploration and evaluation expenditures due to less funding available, a decrease of \$14,495 in the professional fees as the Company filed civil claims against Detour in Q3 2017, and a decrease of \$23,260 in the investor relations expenses as the investor relations consultant resigned and the accrual for the investor relations expenses for July to September 2017 was reversed in Q4 2017. Other items decreased for the period Q4 2017 compared to Q3 2017 mainly due to the cost recovery of \$80,000 received in Q3 2017 for the Columbia property previously written-off during the year ended December 31, 2016.

The Company's net loss decreased for the period Q3 2017 compared to Q2 2017 due to a decrease of \$174,669 in the exploration and evaluation expenditures due to less funding available and offset by an increase of \$37,337 in the professional fees as the Company filed civil claims against Detour in Q3 2017. Loss before other items increased for the period Q3 2017 compared to Q2 2017 mainly due to the cost recovery of \$80,000 received in Q3 2017 for the Columbia property previously written-off during the year ended December 31, 2016.

The Company's net loss increased for the period Q2 2017 compared to Q1 2017 mainly due to an increase of \$169,088 in the exploration and evaluation expenditures, and an increase of \$10,093 in the professional fees offset by a decrease of \$28,678 in the travel expenses, loss before other items only increased slightly for the period Q2 2017 compared to Q1 2017.

The Company's net loss increased for the period Q1 2017 compared to Q4 2016 mainly due to the write-off of exploration and evaluation assets (The Company withdrew from the joint venture in the Cerro Oro gold-silver project in Columbia during Q4 2016), loss before other items only increased slightly for the period Q1 2017 compared to Q4 2016.

During the period Q4 2016, the Company's net loss increased compared to Q3 2016 due to the write-off of exploration and evaluation assets of \$360,420 in Q4 2016 offset by a decrease in loss before other items of \$74,766. Loss before other items decreased in Q4 2016 compared to Q3 2016 due to a decrease in share-based payments of \$181,430 offset by an increase in exploration and evaluation expenditures of

\$42,968 as the Company focuses its exploration efforts on the Huampar Project. Share-based payments increase in Q4 2016 compared to Q3 2016 due to 3,250,000 stock options granted in Q3 2016 compared to 250,000 stock options granted in Q4 2016.

There was an increase in net loss and loss before other items in Q3 2016 compared to Q2 2016 mainly due to share-based payments of \$189,180 being recorded in Q3 2016 as a result of the Company granting 3,250,000 stock options during the period.

During Q2 2016, the Company's net loss increased by \$203,478 and loss before other items increased by \$204,038 compared to Q1 2016 mainly due to increase in exploration and evaluation expenditures of \$196,581 as a result of the Company's efforts to fulfill the exploration work requirement per the Cerro Oro Project joint venture agreement.

### **Total assets**

Overall, total assets decreased quarter over quarter, with the exception of 2018 Q1 and 2016 Q3. The decrease in total assets in 2017 Q4 - \$87,628, 2017 Q3 - \$91,283, 2017 Q2 - \$38,321, and 2017 Q1 - \$331,190 were as a result of a decrease in cash due to an increase in operating costs. The decrease in 2016 Q4 was similar but total assets further decreased due to a decrease in exploration and evaluation assets as the Company withdrew from the Cerro Oro Project in 2016 Q4, therefore writing-off the project in 2016 Q4. For the period 2016 Q2, total assets decreased due to a decrease in cash offset by an increase in exploration and evaluation expenditures as the Company increased acquisition costs on the Cerro Oro Project per the joint venture agreement.

### **Working capital (deficit)**

In general, over the past eight quarters, there was a decrease in working capital with the exception of 2016 Q3. The decrease in working capital is as a result of decrease in current assets such as cash and an increase in current liabilities such as accounts payable and accrued liabilities. As the Company continues its efforts of securing further financing, the current liabilities increases while current assets such as cash decreases.

There was an increase in working capital of \$1,204,403 when comparing 2016 Q3 to 2016 Q2. This was a result of an increase in cash as the Company closed a private placement on July 21, 2016.

## **RESULTS OF OPERATIONS**

### ***Three months ended March 31, 2018 Compared to Three months ended March 31, 2017***

For the three months ended March 31, 2018, the Company had a net loss of \$153,682 as compared to a net loss of \$344,810 in the comparative period of the prior year. The decrease in net loss of \$191,128 in the current period was due to the following factors discussed below.

Exploration and evaluation expenditures of \$16,163 incurred in the current period compared to \$121,651 in the comparative period of the prior year. Consulting fees of \$90,288 (2017 - \$128,451) decreased mainly due to a decrease in consulting fees of \$2,288 to the directors, and a decrease in consulting fees of \$17,875 in Peru office in the current period compared to the comparative period of the prior year. Investor relations expenses of \$180 (2017 - \$21,184) decreased mainly due to the investor relations consultant resigned in the third quarter of prior year. Travel expenses of \$nil (2017 - \$32,128) decreased. These items all decreased mainly due to the Company having less funding available therefore decreasing activities.

Professional fees of \$33,231 (2017 - \$12,271) increased mainly due to the civil claim filed against Detour.

Other expense category which reflected only moderate change period over period was depreciation of \$165 (2017 - \$368), listing and filing fees of \$6,629 (2017 - \$8,223), office expenses of \$5,864 (2017-\$8,642), and share-based payments of \$nil (2017 - \$8,650).

There was a decrease in foreign exchange loss to \$1,162 (2017 – \$3,242) which is the result of factors outside of the Company’s control.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company’s ongoing operations have been predominantly financed by the sale of its equity securities by way of private placements and the subsequent exercise of share purchase warrants issued in connection with such private placements as well as loans and convertible debentures. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company’s securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. When acquiring an interest in mineral properties through purchase or option the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash.

The Company expects that it will operate at a loss for the foreseeable future, and that it will require additional financing to fund the acquisition of future resource property and to continue its operations (including general and administrative expenses) beyond 2018. Additional financing will be required for the Company to maintain its existing level of operations and / or acquire, explore or develop any resource property.

As at March 31, 2018, the Company reported cash of \$25,035 compared to \$27,225 as at December 31, 2017. The Company had a working capital deficit of \$451,711 as at March 31, 2018 compared to working capital deficit of \$379,257 as at December 31, 2017. The decrease in working capital was mainly due to decrease in cash, increase in accounts payable and accrued liabilities, and increase in amount due to related parties. The Company has not entered into any long-term lease commitments nor is the Company subject to any mineral property commitments other than those outlined under note 9 in the Company’s unaudited condensed interim consolidated financial statements for the period ended March 31, 2018.

The Company currently has no further funding commitments or arrangements for additional financing at this time (other than the potential exercise of options and warrants) and there is no assurance that the Company will be able to obtain additional financing on acceptable terms, if at all. There is significant uncertainty that the Company will be able to secure any additional financing in the current equity markets - see “Risk Factors - Insufficient Financial Resources/Share Price Volatility”. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiary for their immediate operating needs in Peru, the majority of the Company’s cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions.

However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any significant off-balance sheet arrangements or commitments.

#### **RELATED PARTY TRANSACTIONS**

##### *Compensation of Key Management*

The related party transactions incurred during the period ended March 31, 2018 were in the normal course of operations. During the three months ended March 31, 2018, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

<b>Name</b>	<b>Relationship</b>	<b>Purpose of transaction</b>	<b>Amount</b>
Brian Kerzner	Director of the Company	Director's fees	\$ 6,000
Mark Cruise	Director of the Company	Director's fees	\$ -
Robert Parsons	Director of the Company	Director's fees	\$ 7,500
Timothy Moody	Director of the Company	Director's fees	\$ 6,000
Julian Bavin	Director of the Company	Director's fees	\$ 6,000
Robert Baxter	President, CEO and Director of the Company	Consulting fees for providing services as the President and CEO of the Company	\$ 60,000
Skibo Capital Corporation	Company controlled by the CFO and Corporate Secretary of the Company	Consulting fees for providing financial reporting services and Corporate Secretary services for the Company	\$ 10,500

During the three months ended March 31, 2018 and to the date of this MD&A, there were no stock options granted to insiders.

At March 31, 2018, included in due to related parties was \$323,287 (December 31, 2017 - \$234,899) in expenses owing to directors and companies with common directors. These amounts were unsecured and non-interest-bearing.

At March 31, 2018, included in loans payable was \$40,000 (December 31, 2017 - \$nil) owing to a director of the Company and CFO of the Company. The loans bear interest at an annual rate of 12% per annum due on or before August 21, 2019, and are secured against all or substantially all of the assets of the Company. Pursuant to the loan agreements, the Company intends to issue bonus shares of the Company to the lenders (the "Bonus Shares"). Upon repayment of each loan, the corresponding lender shall receive the Bonus Shares, calculated as the number of common shares in the capital of the Company equal to 20% of such lender's loan divided by the market price of such shares at the end of day on February 22, 2018. The Bonus Shares will thus have an aggregate value of \$20,000.

The Company has also entered into change of control agreements with officers of the Company. In the case of termination, the officers are entitled to an amount equal to a multiple (ranging from one times to two times) of the sum of the annual base fees then payable to the officer and the immediate vesting of all

granted and unvested stock options if the Company terminates the engagement within 12 months of a change of control without cause.

### **PROPOSED TRANSACTIONS**

As at the date of this MD&A there are no proposed transactions where the Board of Directors or senior management believes that confirmation of the decision by the Board is probable or with which the Board and senior management have decided to proceed.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting year. Areas requiring the use of estimates in the preparation of the Company's consolidated financial statements the carrying value and the recoverability of the exploration and evaluation assets included in the Consolidated Statement of Financial Position, the assumptions used to determine the fair value of share-based payments in the Consolidated Statement of Comprehensive Loss, and the estimated amounts of reclamation and environmental obligations. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Please refer to note 2 of the December 31, 2017 audited condensed interim consolidated financial statements for a comprehensive list of the accounting policies adopted and not yet adopted during the current period of the year.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The carrying values of cash, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The Company's cash at March 31, 2018 was \$25,035 of which \$8,631 was held in US dollars and 3,576 was held in Peruvian soles.

The Company's accounts receivable and payables at March 31, 2018 were normal course business items that are settled on a regular basis.

The Company's risk exposure on the Company's financial instruments is not significant.

### **MATERIAL PROCEEDINGS**

The Company is not a party to any material proceedings.

### **DISCLOSURE OF OUTSTANDING SHARE DATA**

#### **Authorized**

Unlimited number of voting common shares without par value.

**Issued:**

As at March 31, 2018 and May 27, 2018

<b>Issued Common Shares</b>	<b>Value</b>
51,745,393	\$ 16,443,801

**Incentive Stock Options Outstanding:**

As at March 31, 2018 and May 27, 2018

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,600,000	\$ 0.10	July 29, 2019

**Share Purchase Warrants Outstanding:**

As at March 31, 2018 and May 27, 2018

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
7,927,000	\$ 0.13	July 21, 2019
640,800*	\$ 0.13	July 21, 2019
2,395,000	\$ 0.35	April 21, 2020
154,000*	\$ 0.35	April 21, 2020
11,116,800		

\*Agent's warrants

**ADDITIONAL INFORMATION**

Additional information relating to our Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)