

Lovitt Resources Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year ending March 31, 2017

General

The following management discussion and analysis (“MD&A”) for Lovitt Resources Inc. (the “Company”) for the year ended March 31, 2017 should be read in conjunction with the Company’s audited annual financial statements as filed August 2, 2017 for the same year then ended and the notes contained therein. The preceding accounts were prepared using Canadian generally accepted accounting principles with data provided by management using appropriate controls and procedures. All figures are reported in US \$ unless otherwise indicated.

The Company has reported its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”).

All dollar figures presented are expressed in US dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with International Financial Reporting Standards (“IFRS”). Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

The above documents and additional information relating to the Company may be found at: <http://www.sedar.com> and <http://www.lovittresources.com>

Certain information included in this discussion may constitute forward-looking statements. Such statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied herein. Historical results, including trends which might appear, should not be taken as indicative of future results. The company must use historic data in planning exploration, and since the majority of this information predates NI 43-101 standards, such data cannot be relied upon to make investment decisions. Any reference to historic data of any kind implies non-compliance with National Instrument 43-101.

Disclosure, Control and Procedures

Management is responsible for the information disclosed in this document through the implementation of appropriate information systems, with procedures and controls designed to ensure that information used internally, and reported externally, is in all material respects complete and reliable. The CEO and CFO have certified in a public filing that the design and operation of such disclosures, controls, and procedures was effective for the four quarters ending March 31, 2017, and have declared that all material information relevant to this period is fairly presented and disclosed in this document.

Forward-Looking Information

This MD&A contains forward- looking statements and information relating to Lovitt Resources Inc. (the “Company”, or “LRC”) and its wholly owned subsidiary the Lovitt Mining Corporation, Inc. (“LMC”) based upon the beliefs of its management, with assumptions made by, and with information currently available to the Company. When used in this document, the words “anticipate”, “believe”, “expect”, and “estimate” and similar expressions, as they relate to the Company, LMC, or its management, are intended to identify forward-looking statements.

MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of working capital, and the estimated cost and availability of funding for the continued operations of the Company. Many factors could cause actual results to vary considerably from any future results expressed or implied by such forward-looking statements.

1.1 This report is dated August 2, 2017

1.2 Background and Overall Performance

LMC assets in Wenatchee, Washington State, consist of over 270 acres of real estate, mineral rights to over 670 acres, water rights, extensive gold and silver mine workings with engineered maps and drawings, co-op fruit processing patronage, and a Wenatchee Gold Belt database covering all activity and development over the past 60 years. Current access to the mine is thru a portal on the 1250 level, and the company sampling these workings with approximately seven miles of tunnels to evaluate areas that might support future mining operations. In September of 2008, LRC contracted with Watts, Griffis and McQuat, mine and geological consulting engineers out of Toronto, Canada to produce a NI 43-101 report and to make recommendations regarding future mineral exploration. This report was dated July 31, 2009 and is available at: <http://www.lovittresources.com>.

The Lovitt Gold Mine suspended operations in early 1967, due to an adverse economic climate of rising inflation and a fixed gold price of \$ 37.00 per oz. During the fifties and sixties, the mine was one of the top producing underground gold mines in the USA. The Wenatchee area is highly prospective for gold, as illustrated by the fact that the adjoining Cannon Mine was the 1st or 2nd largest underground gold mine in the USA during the late 1980's and early 1990's, when it produced 1.1 million ounces of gold. The Lovitt Mine produced over 410,000 ounces of gold and 626,000 ounces of silver between 1950 and 1967, with a small crew compared with that of the Cannon Mine.

A major asset of the company is the archives of LMC, which contain daily operational logs, engineering drawings, exploration and ore assay logs, and numerous reports commissioned over the production years. Even more significant is the wealth of information assembled by various companies in the 1970's, 80's and 90's like Cyprus Anvil, Newmont Mining Corporation, United Mining, Teck Corporation and Asamera Minerals (US) Inc. The Lovitt Gold Mine workings are a major asset, with seven miles of tunnels horizontally and scores of raises between the 850 and 1480 levels, on six major levels and four sub-levels. The current cost of duplicating these workings would be in the order of \$50 million today.

Despite the reams of historical data assembled by senior companies exploring the Wenatchee Gold Belt, no one entity has been able to place this data in a cohesive database system to fully understand the deposition of gold in the area. In fact, post 1970, exploration companies mentioned above were mainly motivated to develop an open pit mining reserve, when in fact the Lovitt Mine was historically a high-grade vein stock gold mine with bonanza zones of gold and silver.

The company believes that shareholder value might be best enhanced by an outright sale or joint venture to develop the Lovitt Gold mine. The company has sold surplus land, buildings and equipment for working capital since 2012, with the benefit that substantial shareholder dilution was avoided. Once a project to mine and re-habilitate the mine has been accomplished, the remaining surface land tenure has substantial value as a resort destination property. As part of selling surplus assets, land was sold for more than \$30,000 per acre over the past several years with a 1950's cost base as low as \$50.00 per acre.

1.3 Selected Annual Information

	Year Ending*		
	31-Mar-17	31-Mar-16	31-Dec-14
Net Income (Loss)	115,342	(172,927)	(79,562)
Pre-tax Income Gain/(Loss)	115,342	(172,927)	(79,562)
Comprehensive Income/(Loss)	115,978	(184,373)	(79,562)
Earnings/(Loss) per share	0.01	(0.02)	(0.01)
Total Assets	794,462	755,242	855,872
Total Long-Term Debt	869,694	949,261	913,106
Current portion of long term debt	869,694	949,261	-
Cash dividend paid	nil	nil	nil

* Year-end changed from Dec 31st to March 31st in 2016

Sale of surplus equipment was the main source of revenue for the company. In the year ending 31-Mar-16. Revenue in the year ending 31-Dec-14 was elevated due to the sale of a cabin on 5 acres for \$150,000. Revenue was enhanced in the year ending 31-Mar-17 mainly due to the sale of a building on 5 acres and the occasional used equipment sale. Since 2012 surplus equipment sales, real estate sales, and loans from Directors were sufficient to fund the company without equity dilution.

1.4 Result of Operations

Corporate activity over the period centered upon 1) the sale of real estate and surplus equipment to generate revenue 2) developing an exploration plan to expand the gold and silver resource inside and around the Lovitt Gold Mine in Wenatchee, WA, and 3) Investigating potential mining and exploration opportunities in British Columbia.

The company continues to offer surplus equipment for sale. Equipment sales surplus to the needs of the company generated gross equipment sales of \$7,400 and the sale of a building generated gross proceeds of \$442,000 during the year ended March 31, 2017

-----Balance of page left blank-----

	YEAR ENDING	
	31-Mar-17	31-Mar-16
Accounting and audit	22,480	22,486
Legal fees	6,157	13,619
Filing fees and regulatory	8,994	10,525
General office and supplies	4,112	691
Office rent, storage and utilities	11,110	5,593
Telephone, Communications & Promotions	6,160	19,016
Travel, meetings, lodging	21,009	15,312
Bank fees	993	2,776
Real estate tax and insurance	12,294	4,800
Postage and Courier	348	997
Miscellaneous	6,295	11,304
Recovered bad debt		(48,722)
Foreign exchange loss		(18,890)
Total	99,952	39,507

The period ending 31-Mar-16 generally has expenses of greater amount than the period ending 31-Mar-17 since the former period was a transition period and covered five quarters from 31-Dec-15 to 31-Mar-16 instead of four. Rent was higher in the recent year because, with the sale of its building in WA State, it was necessary to rent office and storage space in the area. Travel was higher to accommodate the major logistical effort to move. Real estate taxes were paid for the full year in accordance with County rules on sale of real estate.

1.4 Summary of Quarterly Results

	Mch'17	Dec'16	Sep'16	Jun'16	Mch'16	Dec'15	Sep'15	Jun'15
	\$	\$	\$	\$	\$	\$	\$	\$
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Net Income	297,298	-67,037	-57,826	-57,093	-50,508	-65,799	-64,623	-56,551
Earnings p/s	0.014	-0.007	-0.006	-0.006	-0.004	-0.007	-0.007	-0.006

Surplus sales were slow in 2016, but the substantial increase in net income in February of Q-1 2017 reflects sale of a building reported earlier. The annual loss per quarter up to this major real estate transaction was remarkably consistent reflecting the tight control of company expenses. As part of the closing in early February, the company not only incurred substantial cleaning expenses, but about thirty tons of scrap metal and equipment had to be moved to a company property about ¼ mile away after the sale closed. This move required renting heavy equipment like fork lifts, and telemeter equipment.

1.6 Liquidity

The company has four distinct asset areas from which to derive liquidity:

1. Real Estate sales
2. Surplus equipment held for sale
3. Revenue from potential mineral production, subject to permitting issues.
4. Borrow funds, or issue shares in a private placement or public offering.

The company has experienced a chronic working capital deficit for several years. The audited statement for the period ending March 31, 2017 indicates a working capital deficit of \$ 1,031,848 compared to a deficit of \$ 1,148,820 at the prior year-end. In both cases, the working capital deficit reflects the fact that previously long-term debt became due, whereas previously the due date had been moved forward. The company intends to remedy this situation by converting this debt owed to Directors into convertible bonds, preferred shares or an equity to debt conversion. During the same period accounts payable declined by \$19,247, from \$30,733 down to \$11,526. The company intends to raise capital when metals markets rebound and financial conditions improve, with the objective to initiate a major underground sampling program underground in the Lovitt Mine, followed by an above ground dd exploration program when permits are issued to define proven and probable gold reserves.

If real estate and equipment currently offered for sale is sold the company could raise in excess of \$ 500,000. Funds raised in excess of overhead will finance an exploration program that will be as robust as funds allow.

The company is investigating various financing avenues anticipating a robust exploration program inside the Lovitt Mine, and outside in a diamond drill program in early 2018. If sales of equipment and real estate do not cover the exploration budget, the company may raise funds in the public equity markets.

Management believes that long term debt is adequately covered by assets, since its substantial real estate portfolio is carried on the balance sheet at circa 1950 and 1960 prices. Debt is more attractive than equity when compared to the dilution involved in issuing shares at a distressed market valuation.

The company is totally dependent upon asset sales, borrowing, or financing in the venture capital markets to maintain liquidity.

1.7 Capital Resources

It should be noted that LMC, the wholly owned subsidiary of LRC owns about 250 acres of land on the city limits of Wenatchee, WA acquired in the 1950's and 60's. Current land valuations are substantially higher than the book value of these assets, even considering the 2007-2008 recessionary adjustment. This appreciation is not reflected in the balance sheet.

The company holds a substantial mineral interest in the area surrounding the Lovitt Mine, with the most important a 100% of the mineral interest in 200 acres including the patented claims of the Lovitt Mine. When the gold market improves, the company will research and consolidate a further interest in mineral rights to about 350 acres to the west of the Lovitt Mine. LMC was incorporated as a for profit gold mining company in Washington State in 1949, and before suspending operations in 1967, the company produced 410,480 ounces of gold and 625,850 ounces of silver. The company reactivated its interest in its mineral assets when gold hit all-time prices in excess of US \$ 1,900 per ounce in 2011. The company had written most of its mineral

asset off in 2003 in accordance with accounting convention since no expenditure had been made on the Lovitt mineral properties for several years. The write off was approximately \$ 2,000,000 and Directors of the Company believe that the current market value of the mineral interest is considerably in excess of \$ 543,440 stated the 2017 audited statement for the period ending March 31, 2016.

Most of the land potentially for sale is carried at 1950's prices of less than 100.00 per acre and some of this land was sold in the past decade at \$20,000 to \$35,000 per acre to raise capital in recent years. The company also has surplus equipment sufficient to carry the basic overhead of the Company through 2017.

1.8 Off Balance Sheet Arrangements - None

1.9 Transactions with Related Parties

As at March 31, 2017, accounts payable includes \$ 660 (2016 - \$ 660) owed to a director and members of his immediate family and \$ 8,534 (2016 - \$ 8,751) owed to two corporations owned by a director.

As at March 31, 2017, accrued interest payable includes \$ 49,584 (2016 - \$ 29,756) due to a director and members of his immediate family and a corporation owned by the director. Accrued interest payable also includes \$ 161,123 (2016 - \$ 158,286) due to corporations controlled by directors.

As at March 31, 2017, long-term debt includes loans outstanding of \$ 500,314 (2016 - \$ 349,881) to a director and members of his immediate family member. Long term debt also includes loans outstanding of \$ 369,380 (2016 - \$ 599,380) to corporations controlled by directors. See also Note 6 for note payable to related party.

During the year ended March 31, 2017, the Company was charged \$ 150,887 (2016 - \$ 174,265) for accounting, consulting, salary and benefits, management services and casual labour provided by directors and members of their immediate families and by a corporation owned by a director of the Company.

During the year ended March 31, 2017, the Company paid \$ 6,858 (2016 - \$ 9,615) for office rent to a director. Also, during the year ended March 31, 2017, the Company was charged \$ 51,545 (2016 - \$ 58,844) for interest on the outstanding loans from a director of the Company (and members of his immediate family) and by corporations controlled by a management personnel and directors during the year ended March 31, 2017.

1.10 N/A

1.11 Proposed Transactions: None

1.12 Critical Accounting Estimates

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on

future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

- (i) Depreciation expense is allocated based on assumed useful life of property, plant, and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.
- (ii) The assessment of any impairment of mineral properties and property, plant, and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful life of assets.
- (iii) The cost estimates are updated periodically during the life of a mine to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations, and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at March 31st of 2017 and 2016, there were no decommissioning liabilities.
- (iv) The valuation of financial instruments which are classified as fair value through profit or loss – See Note 10 in the 2017 Annual Statements.

1.13 Changes in Accounting Policies - None

1.14 Financial Instruments and Risk Management

New standards and interpretations not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

IFRS 9 - Financial Instruments. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year

of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

IFRS 15 - Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts*, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts.

IFRS 16 - Leases. The standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

The fair value of financial instruments at March 31, 2016 and March 31, 2017 is summarized in Notes to the Audited Consolidated Financial Statement for the year ended March 31, 2017.

Financial risk management

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable and patronage dividends receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See Notes

Interest rate risk

Note payable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk

The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings

due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

1.15 Capital

The company had 9,324,951 shares outstanding at March 31, 2017, unchanged from the previous year. The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expressed as incurred. No financings were completed and no shares or warrants were issued in the year ending March 31, 2017.

1.16 Subsequent Events:

The company continues to focus upon the potential acquisition of mineral properties in Western Canada by staking, option, or outright purchase, and has already resumed underground exploration in the Lovitt Gold Mine. The company intends to file paperwork in application of a diamond drill permit to drill from the surface in an area where senior mining companies in the 1980's achieved impressive results.

Subsequent to March 31, 2017 the company continued to offer equipment and real estate for sale surplus to its needs, to generate working capital. If such equipment and real estate are sold, sufficient capital will be generated to carry the company through 2018 without external financing and resultant share dilution.

C. Lorne Brown, President
Lovitt Resources Inc.
August 2, 2017
Ph(509)668-8170 Fx(604)626-4748
eMail: lovittresources@gmail.com