

**INTERNATIONAL BETHLEHEM MINING CORP.**

**Management's Discussion and Analysis**

**For the year ended December 31, 2015**

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# **INTERNATIONAL BETHLEHEM MINING CORP.**

## **Management's Discussion and Analysis**

**December 31, 2015**

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### **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following is management's discussion and analysis ("MD&A"), prepared as of February 26, 2016. This MD&A should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2015 and the accompanying notes, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimated", "projects", "potential", "scheduled", "forecast", "budget", and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur and similar words. Such statements give the Company's current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website [www.bethlehemmining.com](http://www.bethlehemmining.com).

#### **Description of Business**

The Company is engaged in the exploration of mineral resource properties. Since incorporation on April 5, 1995, the Company has evaluated numerous properties of potential merit and has acquired several, by purchase agreement or by staking, for further evaluation and development. Costs directly related to the identification, exploration and development of mineral properties are capitalized and are either amortized over the life of the property's production or written off when the property is sold, abandoned or released. All of the Company's property interests are located in Canada.

The Company trades on the TSX Venture Exchange under the symbol IBC.

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**EXPLORATION AND EVALUATION ASSETS**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in various regions of Canada. Numerous aboriginal groups are claiming unextinguishable aboriginal title to the lands and resources in these regions, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Realization of assets**

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

**Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. To the best of its knowledge, the Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of the exploration and the development of a mineral property, the potential for production on the property may be diminished or negated.

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**Exploration Programs**

A summary of the Company's current exploration programs is set out below, however, for additional information and details regarding such matters, reference is made to the Company's news releases and related filings that can be viewed on www.sedar.com and the Company's website www.bethlehemmining.com.

The technical information regarding the Company's currently active projects referred to herein has been reviewed and approved by Gordon Gibson, P. Geo., who was acting as the Company's Qualified Person, in accordance with regulations under NI 43-101. With respect to the technical information disclosed prior to Gordon Gibson becoming the Company's Qualified Persons, such technical information was reviewed and approved by other Qualified Persons as noted under each project listed.

The Company's expenditures on mineral properties are as follows:

	Goldstream Property	LH and Willa Properties	Ground Hog Basin	Eva Kitto Property	Total
<b>Balance, December 31, 2013</b>	<b>\$ 12,964</b>	<b>\$ 37,526</b>	<b>\$ 54,404</b>	<b>\$ 263,938</b>	<b>\$ 368,832</b>
Expenditures for the year:					
Staking and lease costs	-	823	3,205	-	4,028
Geological and geophysical	-	-	700	-	700
Storage	-	332	-	-	332
Option proceeds	-	(40,000)	-	-	(40,000)
Excess option proceeds over expenditures	-	1,319	-	-	1,319
Net change for the year	-	(37,526)	3,905	-	(33,621)
<b>Balance, December 31, 2014</b>	<b>\$ 12,964</b>	<b>\$ -</b>	<b>\$ 58,309</b>	<b>\$ 263,938</b>	<b>\$ 335,211</b>
Expenditures for the year:					
Staking and lease costs	-	1,030	-	-	1,030
Option proceeds	-	(50,000)	-	-	(50,000)
Impairment of exploration and evaluation assets	-	-	-	(263,938)	(263,938)
Excess option proceeds over expenditures	-	48,970	-	-	48,970
<b>Balance, December 31, 2015</b>	<b>\$ 12,964</b>	<b>\$ -</b>	<b>\$ 58,309</b>	<b>\$ -</b>	<b>\$ 71,273</b>

**Goldstream Property**

The Goldstream Property is located in the Revelstoke Mining Division, British Columbia.

On November 16, 2010, the Company completed the sale of its subsidiary, Bethlehem Resources (1996) Corporation ("BRC"), including its Goldstream mill facility, tailings pond, and related mineral leases and claims, to Barkerville Gold Mines Ltd. ("Barkerville"). In connection with this transaction, some of the Goldstream Property claims were divested, while certain other claims were retained (see the "Ground Hog Basin Property" section herein).

The Company incurred exploration and acquisition costs as follows:

- for the year ended December 31, 2014 \$nil;
- for the year ended December 31, 2015 \$nil; and
- as at December 31, 2015, the Company capitalized a total of \$12,964 in exploration and acquisition costs.

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**LH and Willa Properties**

The Company acquired 19 crown-granted mineral claims near Silverton in the Slocan Mining Division, British Columbia (the "LH Property"). The vendors retained a 1% net smelter return ("NSR") royalty. Once royalties of \$350,000 have been paid, the NSR royalty will reduce to 0.5%. The Company had the option to purchase the entire NSR royalty at any time up until December 31, 2015 from the vendors for \$1,200,000. The Company also acquired 4 mineral claims near Silverton in the Slocan Mining Division, British Columbia (the "Willa Property"). The vendors retained a 1% net smelter return ("NSR") royalty. Once royalties of \$500,000 have been paid, the NSR royalty will reduce to 0.5%. The Company has the option to purchase the entire NSR royalty at any time up until July 15, 2015 from the vendors for \$3,000,000, which option was not exercised by the Company. The LH Property and the Willa Property are adjacent properties, and subsequent to the above acquisitions, the Company also staked an additional 3 mineral claims adjacent thereto.

The Company entered into an option agreement, dated September 6, 2012 (the "Option Agreement") with Magnum Goldcorp Inc., formerly Magnum Capital Corp. ("Magnum"), pursuant to which the Company granted Magnum an option to acquire a 51% interest in the Company's "LH" and "Willa" gold exploration properties (collectively, the "Property") near Silverton, British Columbia (the "Acquisition"). Magnum was a capital pool company (TSXV: MGI) and the Acquisition constituted its "Qualifying Transaction", as such term is defined in the policies of the TSX Venture Exchange (the "Exchange"), and accordingly, the Acquisition was subject to Magnum obtaining applicable regulatory and shareholder approvals. The Company agreed to grant Magnum an option to acquire a 51% interest in the Property, and in return, Magnum agreed to pay the Company \$100,000 (paid) following the date on which the Exchange accepted the Option Agreement, which occurred on November 12, 2013 (the "Effective Date"). Additionally, Magnum was required to incur expenditures on the Property totalling \$500,000 (\$250,000 by the first anniversary of the Effective Date (completed) and an additional \$250,000 by the second anniversary of the Effective Date (completed)). As well, Magnum was required to issue 3,000,000 shares to the Company (1,000,000 shares by the first anniversary of the Effective Date (received); an additional 1,000,000 shares by the second anniversary of the Effective Date (received); and an additional 1,000,000 shares upon the Property receiving a bankable feasibility report on or before 10 years after the Option has been earned in). As a condition to Magnum performing its obligations under the Option Agreement, the Company agreed to incur between \$100,000 to \$150,000 in exploration expenditures on the Property (completed).

On March 5, 2015, Magnum announced that it has entered into a purchase agreement (the "Purchase Agreement") dated for reference February 24, 2015, with the Company and Cobra Venture Corporation ("Cobra"), pursuant to which Magnum has agreed to sell and Cobra has agreed to purchase one half (25.5%) of Magnum's 51% option interest in the Property. Pursuant to the terms of the Purchase Agreement, Cobra has purchased a 25.5% interest in the Property for \$300,000, and in connection therewith, Magnum was required to spend \$200,000 on exploration expenditures on the Property (completed). As of November 13, 2015, the Magnum provided the Company and Cobra with documentation confirming that Magnum had completed its exploration expenditure obligations. Accordingly, Cobra acquired a 25.5% interest in the Property and a joint venture has been formed with the following interest: the Company (51%); Magnum (25.5%); and Cobra (25.5%). The Company and Magnum have certain directors in common.

On December 21, 2015, the Company, Magnum Goldcorp Inc. ("Magnum") and Cobra Venture Corporation ("Cobra", and collectively, the "Parties") announced they have entered into a non-binding letter of intent (the "LOI") pursuant to which Magnum has indicated its intention to acquire (the "Proposed Acquisition") all of the interest of each of Cobra and the Company in the LH Property. Upon closing of the Proposed Acquisition, Magnum will own 100% of the LH Property. The LH Property is currently jointly owned by the Parties, with the Company owning 49% and Magnum and Cobra each owning 25.5%. Magnum operates the LH Property under the terms of a joint venture arrangement amongst the Parties. The Parties anticipate that the consolidation of interest in the LH Property by Magnum will enhance Magnum's ability to secure financing to further develop the LH Property, while allowing Cobra and the Company to focus on their other respective assets. The Parties intend to move expeditiously to enter into a definitive purchase and sale agreement for the Proposed Acquisition. It is expected that Magnum will issue the same number of shares as its outstanding share capital to Cobra and approximately double its outstanding share capital to the Company as consideration for their respective interests in the LH Property. Subject to review of certain tax related consideration, each of Cobra and the Company intend to distribute all, or a portion of, the shares of Magnum it receives to its shareholders by way of a return of capital. Upon completion of the return of capital, which is subject to shareholder approval, the shareholders of Cobra and the Company respectively will become shareholders of Magnum.

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*Exploration Program and Expenditures*

During the year ended December 31, 2009, the Company recorded an impairment charge of \$433,767 related to the LH Property due to inactivity. The Company believed that the LH Property at the time still had value, however, as at December 31, 2010, the written down value of \$1.

The Company incurred exploration and acquisition costs and recoveries as follows:

- for the year ended December 31, 2014 \$2,474 in costs and \$40,000 in recoveries;
- for the year ended December 31, 2015 \$1,030 in costs and \$50,000 in recoveries; and
- as at December 31, 2015, the Company capitalized a total of \$Nil in exploration and acquisition cost.

Current status:

By news release dated May 23, 2014, Magnum, as optionee and operator, announced its planned exploration program for the LH Property. In connection with its planned exploration program, Magnum retained Rick Walker, P.Geo. (Dynamic Exploration Ltd.) to act as its Qualified Person for the LH Property project. Magnum reported that Mr. Walker would be supervising its 2014 exploration program and in connection therewith would be filing for any required permits for the program. Magnum indicated that the first phase of the proposed exploration program would include compilation of data on, and immediately adjacent to, the LH Property. Data to be compiled includes geological mapping, surface and sub-surface geochemical analyses and a detailed review of the diamond drill hole results reported from previous programs. According to Magnum, the subsequent field program will be designed to evaluate significant results arising from interpretation of the compilation of the data, including the 2012 drill program completed the Company. Magnum's proposed field program may include geological mapping, ground geophysics (magnetic and induced polarization) and/or trenching and then followed by a diamond drill program.

By news release dated August 26, 2014, Magnum reported the initiation of the 2014 field program on its LH gold exploration property. In June, 2014, a survey grid comprising approximately 8.3 line km was prepared for a ground-based IP and Magnetometer survey. Coincident with preparation of the grid, a Self-Potential ("SP") survey was completed along the existing road network in the Fingland Creek drainage. The last exploration program completed within Fingland Creek was in 1988. As a result, there was some uncertainty with respect to the collar locations for previous drill holes. A GPS survey resulted in identification of many of the drill collars from previous programs, together with determination of their coordinates. In addition, the road network has been reasonably well located for the purposes of the 2014 program. SP survey measurements from a total of 282 stations, spaced approximately 15 metres apart, were acquired while making a GPS survey of the existing road and trail network on the LH Property. These data measurements were intended to identify anomalies, thereby ensuring that the prepared grid was well situated to ensure successful identification of IP and/or magnetic anomalies from the subsequent geophysical survey. Data from the SP survey identified two reasonably sized anomalies, both in terms of areal extent and amplitude of the response. The first anomaly is located on the Baseline immediately south of Line 8N (having minimum dimensions of 30 metres east-west by 50 metres north-south), while the second anomaly is located slightly west of the Baseline and north of Line 6N (approximately 70 metres east-west by 40 metres north-south). Both anomalies remain open and may, therefore, be larger. Initial modeling of the second anomaly suggests that the source lies at a depth of approximately 52 metres. The IP / Magnetometer survey was completed in late July, 2014. In addition, Magnum completed an initial water sampling program along Fingland Creek in advance of its proposed diamond drill program. The survey is intended to provide a baseline for water quality after the spring run-off, but prior to drilling. Samples have been collected and are currently being analyzed. Magnum submitted a permit application to the Ministry of Energy and Mines ("MEM") for a diamond drill program, which is expected to commence in September, 2014. The proposed drill program will consist of approximately 1,000 metres of drilling to make an initial test of anomalies identified from the ground geophysical survey.

By news release dated September 12, 2014, Magnum provided an update for the 2014 field program on its LH gold exploration. In connection with the Self-Potential ("SP") survey completed in June 2014, the survey identified two conductive anomalies of interest. The first anomaly is located on the Baseline immediately south of Line 8N, with the second anomaly located slightly west of the Baseline and north of Line 6N. Initial modelling of the second anomaly was interpreted to suggest the anomaly is located at a depth of approximately 52 metres below surface. A combined Induced Potential ("IP") / Magnetometer survey was completed in late July, 2014, comprising approximately 8.3 line km. Results from the magnetometer survey confirm the presence of the two anomalies described above, as being two components of a much larger anomaly. The main portion of this magnetic anomaly lies to the south of Line 6N and southwest of the existing road network. A review of previous results, particularly those from the 2012 drill program, are interpreted to suggest that

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moderately to strongly anomalous gold values are associated with intervals having strong pyrrhotite mineralization. Pyrrhotite is both magnetic and strongly conductive, therefore, a coincident SP (i.e. conductive) / magnetic anomaly may indicate the presence of elevated pyrrhotite content, potentially with elevated gold values. The magnetic anomaly (described above) is part of a trend of at least 5 similar anomalies, ranging from 35 m in diameter to an elongate anomaly 82 m wide by a minimum of 170 m length, extending approximately 600 m south-southwest x 85 m wide. The first SP anomaly (described above) represents the northernmost portion of this well developed, strongly magnetic string of anomalies. Therefore, the magnetic anomaly, with a coincident SP anomaly at the northernmost extent, represents a high priority drill target, particularly since a large portion of the anomaly identified has not been tested by any previous holes.

By news release dated October 9, 2014, Magnum announced that it has commenced its planned drill program on the LH gold exploration property. The current drill program will consist of approximately 800 meters of helicopter-supported drilling to make an initial test of anomalies identified from the recently completed ground geophysical survey.

By news release dated October 20, 2014, Magnum announced that it had completed its helicopter-supported drill program on the LH gold exploration property. As part of its 2014 exploration program, Magnum completed 4 drill holes at 2 setup locations for a total of 707 metres of BTW core. The program was initiated to make an initial test of anomalies identified from the recently completed ground geophysical survey (see Magnum's news releases of May 23, 2014, August 26, 2014 and September 12, 2014 for additional details and information regarding the current exploration program for the LH Property project). Core from drill hole LH-14-26 was split in its entirety, with sampling in the subsequent three holes limited to mineralized intervals having approximately 2% pyrrhotite over greater than 1 metre. Sampling of the remainder of the holes has been postponed to a later date. Drill core has been split at approximately 1 metre intervals.

By news release dated January 12, 2015, the Company announced that its LH Property optionee, Magnum Goldcorp Inc. ("Magnum" – TSX-V: MGI), had reported assay results from its 2014 helicopter-supported drill program completed on the LH Property. According to Magnum, the exploration drill program successfully tested magnetic anomalies identified from a ground geophysical survey completed in June/July 2014. Coincident Self-Potential ("SP") and Induced Potential ("IP") anomalies are associated with the magnetic trend. The objective of the drill program was to test for anomalous to elevated gold associated with the prominent magnetic trend, at locations associated with anomalous SP and IP responses. As reported by Magnum, the first pad, from which drill holes LH14-26 and 27 were drilled, was located at the southern end of a linear trend of magnetic anomalies, coincident with both SP and IP anomalies identified previously. The pad was located on the western margin of the magnetic trend, with the two holes drilled to the east-southeast and east, respectively. The second pad was located approximately 280 m southeast and 80 m higher than pad 1, on the southeast margin of the magnetic trend. Drill holes LH14-28 and 29 were drilled to the west and northwest, respectively. For analytical results on the 2014 drill holes and additional information and details regarding the 2014 exploration drill program, see the Company's and Magnum's news releases dated January 12, 2015.

By news release dated June 22, 2015, the Company announced that Magnum had provided an update and details of its 2015 drill program. On June 19, 2015, Magnum announced that it had received an approved Mines Act Permit for its proposed 2015 field program. Magnum has also indicated that for 2015, it has proposed a two phase drill program in the upper Fingland Creek basin. The Phase I drill program will target high grade gold mineralization previously identified in the LH underground workings. Phase II will undertake additional testing of high grade gold mineralization previously identified and associated with the underground workings of the LH Mine and/or along the Ridge Zone. Magnum has indicated that the current drill program will consist of approximately 800 metres of helicopter-supported diamond drilling to make an initial test of an interpreted steeply dipping mineralized zone. Oriented approximately east-west, the high grade, gold-bearing mineralized zone was interpreted based on work, including underground chip sampling and diamond drilling, completed in 1985 on behalf of Noranda Exploration Co. Ltd. According to Magnum, the first hole to be drilled will be an inclined hole drilled north from surface, from a pad located above and south of the LH workings. Additional holes are proposed from a second pad north of the underground workings, drilled to the south as either a vertical and/or horizontal fan to further develop and test the mineralized zone.

By news release dated July 7, 2015, the Company announced that Magnum had reported that it had completed Phase 1 of its helicopter-supported drill program on the LH Property. On July 6, 2015, Magnum announced that as part of its 2015 exploration program, it had completed 11 drill holes at one setup location for a total of approximately 675 metres of BTW core. According to Magnum, core from drill hole LH-15-30 was split in its entirety, with sampling in subsequent holes limited to mineralized intervals having approximately 2% pyrrhotite over greater than 1 metre. Magnum indicated that

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sampling of the remainder of the holes had been postponed to a later date. Drill core was split at approximately 1 metre intervals and samples were submitted to AGAT Laboratories in Burnaby, BC for analysis.

By news release dated August 18, 2015, the Company announced that Magnum had reported impressive analytical results from its very successful helicopter-supported drill program recently completed on the jointly owned gold exploration property (the LH Property). According to Magnum, as part of its 2015 exploration program, it initiated a helicopter-supported drill program to target high-grade gold mineralization previously identified in the LH underground workings. As reported by Magnum, a total of 11 drill holes were completed from a single pad for a total of 693 metres. As reported by Magnum, the objective of the Phase I program was to confirm high grade gold mineralization reported from both previous drilling and underground chip sampling by previous operators. Previous work was interpreted to suggest gold-bearing mineralized zones are associated with intervals having elevated sulphide content. Magnum has indicated that at least two mineralized intervals are interpreted to be present which are moderately north dipping. Several of the holes intersected the underground workings and were terminated at depths less than the target depth. Despite this fact, Magnum reported that all the holes (except LH15-33) intersected anomalous, high grade gold mineralization, with the holes intersecting underground workings documenting shortened mineralized intervals. Furthermore, Magnum indicated that with an interpreted moderate dip to the north, many of the holes were drilled at a shallow angle to the mineralized zone(s), resulting in thickened mineralized intervals (for example greater than the true width). The true widths of the mineralized zones are not known at this time, however, are interpreted to be approximately six to eight metres in thickness. Further work is proposed by Magnum to ascertain probable true width(s). See the Company's news release dated August 18, 2015 for additional information and details regarding the analytical results.

### **Ground Hog Basin Property**

The Company previously acquired certain mineral claims located in the Revelstoke Mining Division, British Columbia (referred to as the "Ground Hog Basin Property"). During the year ended December 31, 2009, the Ground Hog Basin property was considered to be part of the Goldstream Property. During the year ended December 31, 2010, the Company segregated mineral claims associated with the Ground Hog Basin Property from the Goldstream Property prior to the disposal of its subsidiary, BRC to Barkerville (see the "Goldstream Property" section herein). As at December 31, 2010, the value that has been assessed for the Ground Hog Basin property is the amount that was spent to date by the Company on the Ground Hog Basin Property.

The Company incurred exploration and acquisition costs as follows:

- for the year ended December 31, 2014 \$3,905;
- for the year ended December 31, 2015 \$nil; and
- as at December 31, 2015, the Company capitalized a total of \$58,309 in exploration and acquisition costs.

### **Eva Kitto Property**

The Company entered into an option agreement dated November 3, 2008, as amended ("Option Agreement") with Rainy Mountain Royalty Corp. ("Rainy Mountain") whereby the Company was granted an option to earn an initial 30% interest in the "Eva Kitto" Property, located in the Thunder Bay Mining Division of Ontario, by paying Rainy Mountain \$20,000 (paid) and spending an aggregate of \$500,000 in exploration expenditures (\$100,000 by December 31, 2008 (completed); \$90,000 by June 30, 2010 (completed); and \$310,000 by June 30, 2011 (not completed)). Under the Option Agreement, the Company could increase its interest in the property up to 51%, 60% and 75% by incurring exploration expenditures of an additional \$1,000,000 by November 3, 2011, \$1,000,000 by November 3, 2012, and by bringing the property into commercial production, respectively. The property is subject to an aggregate NSR royalty of 3.5%, of which 2% can be purchased at any time for \$2,000,000. By Amending Agreement, dated November 15, 2010, the Company and Rainy Mountain acknowledged and agreed that, as a result of exploration expenditures completed, the Company had earned a 15% interest in the Eva Kitto Property and that Rainy Mountain retained an 85% interest in the property. During the year ended December 31, 2015, the Company recorded an impairment charge of \$263,938 related to the Eva Kitto Property due to inactivity. Rainy Mountain and the Company have certain directors in common.

By Mining Option Agreement, dated December 17, 2010 (the "Agreement"), the Company and Rainy Mountain granted an option to Citation Resources Inc. ("Citation") entitling Citation to acquire a 60% interest in the Eva Kitto Property. Under the terms of the agreement, Citation was required to perform the following:

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- (i) pay \$30,000 to the Company and Rainy Mountain, which was allocated between the Company (as to 15%) and Rainy Mountain (as to 85%) based on their respective ownership interests in the property. Accordingly, the Company received \$4,500 on April 1, 2011.
- (ii) issue 200,000 post-consolidation shares of Citation to the Company and Rainy Mountain, which was allocated between the Company (as to 15%) and Rainy Mountain (as to 85%) based on their respective ownership interests in the property. Accordingly, the Company received 30,000 shares of Citation on April 1, 2011, which were valued at \$7,800.
- (iii) issue 200,000 post-consolidation shares of Citation to the Company and Rainy Mountain by March 31, 2013, which is to be allocated between the Company (as to 15%) and Rainy Mountain (as to 85%) based on their respective ownership interests in the property.
- (iv) issue 200,000 post-consolidation shares of Citation to the Company and Rainy Mountain by March 31, 2014, which is to be allocated between the Company (as to 15%) and Rainy Mountain (as to 85%) based on their respective ownership interests in the property.
- (v) Incur an aggregate of \$750,000 in exploration expenditures on the Eva Kitto Property (\$250,000 by March 31, 2012, 2013 and 2014).
- (vi) By agreements dated February 10, 2012, Citation Resources Inc. ("Citation") assigned its rights and obligations under the Eva Kitto property option agreement to Caymus Resources Inc. ("Caymus"), which proposed assignment (the "Assignment") and transaction was to constitute Caymus' "Qualifying Transaction" under the policies of the TSX Venture Exchange (the "Exchange") and subject to Exchange review and acceptance. As of March 29, 2012, Caymus advised the Company that the Exchange had not approved the Assignment and withdrew from the agreement.

By Amending Agreement dated April 2, 2012, the Company and Rainy Mountain further revised the Option Agreement to allow the Company to resume its earlier option and to increase its interest in the Eva Kitto property. As a result, the Company contributed the sum of \$75,000 towards the exploration program completed on the property by Rainy Mountain in 2012, and in so doing, the Company has earned a 50% interest in the property and a 50/50 joint venture has been formed between the parties.

The Company incurred exploration and acquisition costs as follows:

- for the year ended December 31, 2014 \$nil;
- for the year ended December 31, 2015 \$nil; and
- as at December 31, 2015, the Company wrote down \$263,938 in capitalized exploration and acquisition costs due to inactivity.

#### Current status:

On July 10, 2012, the Company announced that its joint venture partner, Rainy Mountain Royalty Corp. ("Rainy Mountain" – TSX-V: RMO) had reported the results from its recently completed exploration and core drilling program on the Eva Kitto Property. The Eva Kitto Property is a "PGE" (Platinum Group Elements) exploration project and is located near the town of Beardmore, Ontario and approximately 190 kilometres northeast of Thunder Bay, Ontario. The Property is jointly owned (50/50) by Rainy Mountain and the Company. As reported by Rainy Mountain, the recent exploration was a follow up core drill program based on the exploration and drilling previously completed on the Property by the Company in 2008 and 2010. Accordingly, Rainy Mountain's Drill Hole EK-12-01 was drilled to explore for the first time a negative magnetic anomaly for potential Ni-Cu-PGE (nickel, copper, platinum group elements) "Noril'sk-type" mineralization, as previously observed by the Company. As indicated by Rainy Mountain, this large negative magnetic anomaly lies at the centre of a northern inward dipping ring dike phase of the gabbroic-ultramafic layered "Kitto Intrusion". Rainy Mountain believes that the magnetic anomaly potentially represents Noril'sk-type basal massive mineralization, or possibly a feeder (bottom of the funnel) to the northern ring dike portion of the intrusion. Rainy Mountain has also indicated that Drill Hole EK-12-01 was the first drill hole to explore the northernmost (and thickest) portion of the intrusion. The hole was drilled to a depth of 405 metres (intersecting 377 metres of the Kitto Intrusion below 28 metres of

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cover rocks), and according to Rainy Mountain, did not reach the basement contact or basal target. As a result, the magnetic anomaly remains unexplained and Rainy Mountain believes that further exploration and drilling is merited. Typically, the Noril'sk-type genetic model requires a sulphur source and Rainy Mountain indicated in its news release that Drill Hole EK-12-01 was successful in intercepting veiny, serpentinized, magnetite and pyrrhotite ingestions possibly remobilized from an iron formation contaminant. Additionally, nearby (on surface) there is coincidental evidence of magnetite and pyrite suggestive of iron formation. As reported by Rainy Mountain, in view of the significant thickness of the intrusion encountered and the limited initial budget for the drilling program, Drill Hole EK-12-01 was discontinued at a depth of 405 metres. Rainy Mountain and the Company intend to follow up on further drilling to extend Drill Hole EK-12-01 to the basement in order to obtain a more complete understanding of the magnetic anomaly.

### **PERFORMANCE SUMMARY**

The following is a summary of the significant events and transactions that occurred during the year ended December 31, 2015 and for the subsequent period to the report date hereof:

- a) On December 21, 2015, the Company, Magnum Goldcorp Inc. ("Magnum") and Cobra Venture Corporation ("Cobra", and collectively, the "Parties") announced they have entered into a non-binding letter of intent (the "LOI") pursuant to which Magnum has indicated its intention to acquire (the "Proposed Acquisition") all of the interest of each of Cobra and the Company in the LH Property. Upon closing of the Proposed Acquisition, Magnum will own 100% of the LH Property. The LH Property is currently jointly owned by the Parties, with the Company owning 49% and Magnum and Cobra each owning 25.5%. Magnum operates the LH Property under the terms of a joint venture arrangement amongst the Parties. The Parties anticipate that the consolidation of interest in the LH Property by Magnum will enhance Magnum's ability to secure financing to further develop the LH Property, while allowing Cobra and the Company to focus on their other respective assets. The Parties intend to move expeditiously to enter into a definitive purchase and sale agreement for the Proposed Acquisition. It is expected that Magnum will issue the same number of shares as its outstanding share capital to Cobra and approximately double its outstanding share capital to the Company as consideration for their respective interests in the LH Property. Subject to review of certain tax related consideration, each of Cobra and the Company intend to distribute all, or a portion of, the shares of Magnum it receives to its shareholders by way of a return of capital. Upon completion of the return of capital, which is subject to shareholder approval, the shareholders of Cobra and the Company respectively will become shareholders of Magnum.
- b) On November 9, 2015, the Company announced that effective November 10, 2015, the Company consolidated its share capital on a 4 old common shares for 1 new common share basis (the "Consolidation"). Management believes that the Consolidation is in the best interest of the Company and will allow the Company greater possibilities with respect to needed future financing. The Consolidation was accepted by the TSX Venture Exchange (the "Exchange") by Bulletin dated November 9, 2015. Prior to the Consolidation, the Company had 45,403,790 common shares issued and outstanding and following the Consolidation, 11,350,947 common shares were issued and outstanding.
- c) By new release dated August 18, 2015, the Company announced that Magnum had reported impressive analytical results from its very successful helicopter-supported drill program recently completed on the jointly owned gold exploration property (the LH Property). According to Magnum, as part of its 2015 exploration program, it initiated a helicopter-supported drill program to target high-grade gold mineralization previously identified in the LH underground workings. As reported by Magnum, a total of 11 drill holes were completed from a single pad for a total of 693 metres. As reported by Magnum, the objective of the Phase I program was to confirm high grade gold mineralization reported from both previous drilling and underground chip sampling by previous operators. Previous work was interpreted to suggest gold-bearing mineralized zones are associated with intervals having elevated sulphide content. Magnum has indicated that at least two mineralized intervals are interpreted to be present which are moderately north dipping. Several of the holes intersected the underground workings and were terminated at depths less than the target depth. Despite this fact, Magnum reported that all the holes (except LH15-33) intersected anomalous, high grade gold mineralization, with the holes intersecting underground workings documenting shortened mineralized intervals. Furthermore, Magnum indicated that with an interpreted moderate dip to the north, many of the holes were drilled at a shallow angle to the mineralized zone(s), resulting

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in thickened mineralized intervals (for example greater than the true width). The true widths of the mineralized zones are not known at this time, however, are interpreted to be approximately six to eight metres in thickness. Further work is proposed by Magnum to ascertain probable true width(s). See the Company's news release dated August 18, 2015 for additional information and details regarding the analytical results.

- d) By news release dated July 7, 2015, the Company announced that Magnum had reported that it had completed Phase 1 of its helicopter-supported drill program on the LH Property. On July 6, 2015, Magnum announced that as part of its 2015 exploration program, it had completed 11 drill holes at one setup location for a total of approximately 675 metres of BTW core. According to Magnum, core from drill hole LH-15-30 was split in its entirety, with sampling in subsequent holes limited to mineralized intervals having approximately 2% pyrrhotite over greater than 1 metre. Magnum indicated that sampling of the remainder of the holes had been postponed to a later date. Drill core was split at approximately 1 metre intervals and samples were submitted to AGAT Laboratories in Burnaby, BC for analysis.
- e) By news release dated June 22, 2015, the Company announced that Magnum had provided an update and details of its 2015 drill program. On June 19, 2015, Magnum announced that it had received an approved Mines Act Permit for its proposed 2015 field program. Magnum has also indicated that for 2015, it has proposed a two phase drill program in the upper Fingland Creek basin. The Phase I drill program will target high grade gold mineralization previously identified in the LH underground workings. Phase II will undertake additional testing of high grade gold mineralization previously identified and associated with the underground workings of the LH Mine and/or along the Ridge Zone. Magnum has indicated that the current drill program will consist of approximately 800 metres of helicopter-supported diamond drilling to make an initial test of an interpreted steeply dipping mineralized zone. Oriented approximately east-west, the high grade, gold-bearing mineralized zone was interpreted based on work, including underground chip sampling and diamond drilling, completed in 1985 on behalf of Noranda Exploration Co. Ltd. According to Magnum, the first hole to be drilled will be an inclined hole drilled north from surface, from a pad located above and south of the LH workings. Additional holes are proposed from a second pad north of the underground workings, drilled to the south as either a vertical and/or horizontal fan to further develop and test the mineralized zone.
- f) On March 5, 2015, Magnum announced that it has entered into a purchase agreement (the "Purchase Agreement") dated for reference February 24, 2015, with the Company and Cobra Venture Corporation ("Cobra"), pursuant to which Magnum has agreed to sell and Cobra has agreed to purchase one half (25.5%) of Magnum's 51% option interest in the Property owned by International Bethlehem. Pursuant to the terms of the Purchase Agreement, Cobra has purchased a 25.5% interest in the Property for \$300,000, and in connection therewith, Magnum is required to spend \$200,000 on exploration expenditures on the Property.
- g) Effective January 26, 2015, the Company requested that, Smythe Ratcliffe LLP, Chartered Accountants, of 700 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8 (the "Former Auditor") resign as auditor of the Company and concurrently Davidson & Company LLP, Chartered Accountants, of 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6 (the "Successor Auditor") agreed to act as the Company's auditor. Disclosure of the change of auditor was filed on Sedar on January 30, 2015.
- h) By news release dated January 12, 2015, the Company's LH Property optionee, Magnum Goldcorp Inc. ("Magnum" – TSX-V: MGI), announced assay results from its 2014 helicopter-supported drill program completed on the LH Property. The exploration drill program successfully tested magnetic anomalies identified from a ground geophysical survey completed in June/July 2014. Coincident Self-Potential ("SP") and Induced Potential ("IP") anomalies are associated with the magnetic trend. The objective of the drill program was to test for anomalous to elevated gold associated with the prominent magnetic trend, at locations associated with anomalous SP and IP responses. The first pad, from which drill holes LH14-26 and 27 were drilled, is located at the southern end of a linear trend of magnetic anomalies, coincident with both SP and IP anomalies identified previously. The pad is located on the western margin of the magnetic trend, with the two holes drilled to the east-southeast and east, respectively. The second pad is located approximately 280 m southeast and 80 m higher than pad 1, on the southeast margin of the magnetic trend. Drill holes LH14-28 and 29 were drilled to the west and northwest, respectively. For analytical results on the 2014 drill holes and additional information and details regarding the 2014 exploration drill program, see Magnum's news release dated January 12, 2015.

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### **Results of Operations**

The following discussion addresses the operating results and financial condition of the Company for the three and twelve month period ended December 31, 2015 compared with the three and twelve month period ended December 31, 2014. The Management's Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2015.

#### **For the three month period ended December 31, 2015:**

##### *Net loss for the period*

The Company had a net loss for the three month period ended December 31, 2015 of \$312,238 (2014 - \$77,019). The increase of \$235,219 in the net loss for the three month period ended December 31, 2015 compared to the three month period ended December 31, 2014 was primarily due to a reduction in general and administrative expenses and a change in other items as detailed below.

##### *Other items*

During the three month period ended December 31, 2015, the Company reported a loss of \$234,113 compared to a gain of \$7,164 in the three month period ended December 31, 2014 from other sources of income and other expenses. Items that caused the \$241,277 net change in other items are noted in the following:

- Interest income of \$55 (2014 - \$120) decreased by \$65 due to the interest on the cash balance.
- Gain on sale of marketable securities of \$1,994 (2014 - \$nil) increased by \$1,994 due to the sale of marketable securities during the period.
- Change in fair value of marketable securities, a loss of \$21,194 (2014 - gain of \$5,725) changed by \$26,919 due to the market values of marketable securities held.
- Impairment of exploration and evaluation assets of \$263,938 (2014 - \$nil) increased by \$263,938 due to an impairment charge against the Eva Kitto property due to inactivity.
- Recovery of exploration and evaluation assets of \$48,970 (2014 - \$1,319) increased by \$47,651 mainly due to a recovery of option proceeds in excess of cost for the LH Property in the current period.

##### *Operating Expenses*

General and administrative expenses of \$78,125 (2014 - \$84,183) are primarily comprised of consulting, legal and audit, rent, transfer agent and regulatory fees, and general office expenses. The net decrease was \$6,058 compared to the three month period ended December 31, 2014. Items that caused the net decrease are noted in the following:

In comparison to the three month period ended December 31, 2014:

- Bank charges and interest of \$732 (2014 - \$402) remained fairly consistent when compared to the prior period.
- Consulting fees of \$17,500 (2014 - \$30,500) decreased by \$13,000 due to the reduced fees paid to consultants effective January 1, 2015. Consultant costs consist mainly of fees to consultants who are also directors.
- Insurance of \$2,040 (2014 - \$1,943) remained fairly consistent when compared to the prior period.
- Investor relation of \$nil (2014 - \$1,060) decreased by \$1,060 due to the timing of invoice received.
- Legal and audit of \$25,910 (2014 - \$23,758) remained fairly consistent when compared to the prior period.
- Office and miscellaneous of \$2,398 (2014 - \$2,870) remained fairly consistent when compared to the prior period.
- Rent of \$5,707 (2014 - \$8,583) decreased by \$2,876 due to the decreased monthly rent charges in the current period.
- Telephone and utilities of \$249 (2014 - \$1,151) decreased by \$902 due to the change of phone service plan during the current period, which resulted in lower telephone charges.
- Transfer agent and regulatory fees of \$15,853 (2014 - \$4,726) increased by \$11,127 mainly due to the timing of invoice received for transfer agent fees related to share consolidation and annual general meeting.
- Wages and benefits of \$7,736 (2014 - \$9,190) decreased by \$1,454 due to the reduction of administrative staff during the current period.

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**For the twelve month period ended December 31, 2015:**

*Net loss for the period*

The Company had a net loss for the twelve month period ended December 31, 2015 of \$466,601 (2014 - \$349,858). The net increase of \$116,743 in the net loss for the twelve month period ended December 31, 2015 compared to the twelve month period ended December 31, 2014 was primarily due to a reduction in general and administrative expenses offset by a change in other items as detailed below.

*Other items*

During the twelve month period ended December 31, 2015, the Company reported a loss of \$215,504 compared to a loss of \$5,262 in the twelve month period ended December 31, 2014 from other sources of income and other expenses. Items that caused the \$210,242 net change in other items are noted in the following:

- Interest income of \$321 (2014 - \$514) decreased by \$193 due to the interest on the cash balance.
- Other expense of \$nil (2014 - \$18,520) decreased by \$18,520 due to the reversal of uncollected sublet rent revenue recorded in 2013 as part of a debt settlement. No such transaction was incurred in the current year.
- Gain of forgiveness of accounts payable of \$nil (2014 - \$27,000) decreased by \$27,000 due to unpaid consulting fees forgiven under a settlement agreement in the prior year. No such transaction was incurred in the current year.
- Gain on sale of assets of \$nil (2014 - \$12,000) decreased by \$12,000 due to a sale of the Company's idle exploration equipment in the prior period and no such transaction incurred in the current year.
- Loss on sale of marketable securities of \$127,660 (2014 - \$nil) changed by \$127,660 due to the sale of marketable securities during the current year.
- Change in fair value of marketable securities, a gain of \$126,803 (2014 - loss of \$27,575) changed by \$154,378 due to the market values of marketable securities held.
- Impairment of exploration and evaluation assets of \$263,938 (2014 - \$nil) increased by \$263,938 due to an impairment charge against the Eva Kitto property due to inactivity.
- Recovery of exploration and evaluation assets of \$48,970 (2014 - \$1,319) increased by \$47,651 mainly due to a recovery of option proceeds in excess of cost for the LH Property in the current year.

*Operating Expenses*

General and administrative expenses of \$251,097 (2014 - \$344,596) are primarily comprised of consulting, legal and audit, rent, transfer agent and regulatory fees, and general office expenses. The net decrease was \$93,499 compared to the twelve month period ended December 31, 2014. Items that caused the net decrease are noted in the following:

In comparison to the twelve month period ended December 31, 2014:

- Bank charges and interest of \$2,340 (2014 - \$2,189) remained fairly consistent when compared to the prior period.
- Consulting fees of \$66,250 (2014 - \$122,000) decreased by \$55,750 due to the reduced fees paid to consultants effective January 1, 2015. Consultant costs consist mainly of fees to consultants who are also directors.
- Insurance of \$12,413 (2014 - \$11,903) remained fairly consistent when compared to the prior period.
- Investor relation of \$1,087 (2014 - \$1,513) remained fairly consistent when compared to the prior period.
- Legal and audit of \$79,141 (2014 - \$114,777) decreased by \$35,636 due to the timing of fees invoiced for external auditing services and reduced fees paid to a consultant for legal services effective January 1, 2015. Consultant costs consist of fees to a consultant who is also a director.
- Office and miscellaneous of \$9,569 (2014 - \$13,426) decreased by \$3,857 due to a reduction of computer expenses, office supplies and printing expenses required in the current period.
- Rent of \$26,119 (2014 - \$34,309) decreased by \$8,190 due to the decreased monthly rent charges in the current period.
- Telephone and utilities of \$1,516 (2014 - \$3,967) decreased by \$2,451 due to the change of phone service plan during the current period, which resulted in lower telephone charges.
- Transfer agent and regulatory fees of \$24,874 (2014 - \$12,343) increased by \$12,532 mainly due to the timing of invoice received for transfer agent fees related to share consolidation and annual general meeting.
- Wages and benefits of \$27,788 (2014 - \$28,170) remained fairly consistent when compared to the prior period.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company's mineral exploration activities have been funded to date primarily through the issuance of common shares, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its mining operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future.

Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration programs on its properties, as well as its continued ability to raise capital.

The Company is currently reviewing its capital resource requirements for exploration as it will require funding for exploration in addition to covering its administrative expenses. The Company's overhead expenses which currently amount to approximately \$20,000 per month which includes; 1) consulting agreements totalling \$7,500 per month and 2) a lease of office space commitment with a basic monthly rent commitment of \$1,202 and shared operating costs of \$700.

The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's evaluation activities to date; the continued participation of the Company's investors in evaluation activities; and financial market conditions. The Company has marketable securities with a value of \$43,750, which it could convert to cash. The Company has sold some of its Barkerville shares in the prior year so that it could discharge its some of its liabilities with the balance of shares on hand to discharge additional liabilities as required. Further financing will required to cover the Company's future cash requirements. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future.

As at December 31, 2015, the Company had \$10,584 in cash and cash equivalents compared to \$8,154 as at December 31, 2014, with a December 31, 2015 working capital deficit of \$153,377 compared to a working capital of \$49,286 as at December 31, 2014. The Company has no off-balance sheet financing.

Net cash used in operating activities for the year ended December 31, 2015 was \$89,283 compared to \$20,249 during the same period in 2014.

Net cash provided by investing activities for the year ended December 31, 2015 was \$91,713 (2014 - \$6,940) consisting of proceeds on sale of assets of \$nil (2014 - \$12,000), proceeds on sale of marketable securities \$92,743 (2014 - \$nil) and investment in expenditures on exploration and evaluation assets \$1,030 (2014 - \$5,060).

Net cash used in financing activities for the year ended December 31, 2014 was \$nil (2014 - \$5,000) consisting of \$nil (2014 - \$15,000) in loan proceeds and \$nil (2014 - \$20,000) in loan repayments.

At present, the Company's operations generate little cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. The Company currently has a loan facility and marketable securities to meet its administrative overhead expenses for the next several months; however, the Company will require additional financial resources to undertake its planned exploration activities.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes that it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

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**SUMMARY OF QUARTERLY RESULTS**

	<b>December 31, 2015</b>	<b>September 30, 2015</b>	<b>June 30, 2015</b>	<b>March 31, 2015</b>
Total Assets	\$ 452,348	\$ 715,857	\$ 693,669	\$ 728,644
Exploration and evaluation assets	71,273	336,241	336,033	335,211
Working Capital (deficit)	(153,377)	(106,107)	(78,425)	(24,209)
Shareholders' Equity (Deficit)	(37,104)	275,134	302,608	356,002
Total Revenues	55	59	136	71
Operating expenses	78,125	60,443	49,283	63,246
Property Write-offs	(263,938)	-	-	-
Net Income (Loss)	(312,238)	(27,474)	(53,394)	(73,495)
Net Income (Loss) per share	(0.03)	(0.00)	(0.00)	(0.01)

	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>
Total Assets	\$ 761,042	\$ 755,859	\$ 831,892	\$ 957,764
Exploration and evaluation assets	335,211	373,892	373,192	368,999
Working Capital	49,286	87,624	196,846	286,716
Shareholders' Equity	429,497	506,516	615,038	700,715
Total Revenues	120	119	171	104
Operating expenses	84,183	88,266	76,753	95,394
Property Write-offs	-	-	-	-
Net Income (Loss)	(77,019)	(108,522)	(85,677)	(78,640)
Net Income (Loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

**SELECTED ANNUAL INFORMATION**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2013</b>
Revenues	\$ 321	\$ 514	\$ 19,221
Operating loss	251,097	344,596	571,698
Net loss	466,601	349,858	1,570,531
Write off of exploration and evaluation assets	-	-	660,655
Basic and diluted loss per share	(0.04)	(0.03)	(0.14)
Total assets	452,348	761,042	950,332

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**RELATED PARTY TRANSACTIONS**

(a) During the year ended December 31, 2015, the Company paid or accrued the following amounts to directors, companies and/or limited partnerships controlled by directors and/or companies with certain directors in common:

<b>Name of Company/Director</b>	<b>Director/Officer</b>	<b>2015</b>	<b>2014</b>
<b><u>Expenses:</u></b>			
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	\$ 26,119	\$ 36,371
Bruce E. Morley Law Corp. (legal services)	a company controlled by a director, namely, Bruce E. Morley	30,000	54,000
Criterion Capital Corporation (consulting fees) (interest)	a company controlled by a director, namely, Douglas L. Mason	30,000 600	54,000 761
Sead Hamzagic, Inc. (financial consulting fees)	a company controlled by a director, namely, Sead Hamzagic	30,000	54,000
Gorand Enterprises Inc. (director's fee)	a company controlled by a director, namely, Andrzej Kowalski	2,000	2,000
MP Business Development Inc. (director's fee)	a company controlled by a director, namely, Mehrun Payravi	500	-

(b) The Company reimbursed Waterfront Communications Inc. (a company with certain directors in common) on a cost basis, to cover shared administrative and geological payroll costs in the amount of \$27,789 (2014 - \$28,170) and shared expenses in the amount of \$12,088 (2014 - \$27,118).

(c) As at December 31, 2015, receivables includes \$Nil (2014 - \$2,165) owing from a company with certain former directors in common.

(d) Included in prepaid expenses at December 31, 2015 is \$12,300 (2014 - \$15,000) as a security deposit paid to Waterfront Communications Inc. (a company with certain directors in common), to cover shared payroll and expense recoveries.

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(e) As at December 31, 2015, accounts payable and accrued liabilities of \$429,246 (2014 - \$273,079) owing to directors/officers or companies controlled by certain directors and companies with certain directors in common (see following table):

<b>Name of Company</b>	<b>Directors/Officers</b>	<b>2015</b>	<b>2014</b>
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	\$ 34,877	\$ 7,452
Bruce E. Morley Law Corp. (legal services)	a company controlled by a director, namely, Bruce E. Morley	119,280	85,680
Criterion Capital Corporation (consulting fees) (interest)	a company controlled by a director, namely, Douglas L. Mason	111,825 674	80,399 -
Sead Hamzagic, Inc. (financial consulting fees)	a company controlled by a director, namely, Sead Hamzagic	111,825	80,325
Gorand Enterprises Inc. (director's fees)	a company controlled by a director, namely, Andrzej Kowalski	3,150	1,050
MP Business Development (director's fees)	a company controlled by a director, namely, Mehrun Payravi	525	-
Waterfront Communications Inc.	a company with certain directors in common, namely, Douglas L. Mason, Sead Hamzagic and Bruce E. Morley	47,090	18,173
		<u>\$ 429,246</u>	<u>\$ 273,079</u>

(f) The Company entered into a loan agreement, dated April 25, 2014, pursuant to which the lender agreed to loan the Company up to \$75,000 for working capital purposes (\$10,000 was advanced on December 12, 2013, \$10,000 on April 29, 2014 and \$5,000 on November 17, 2014). The loan was provided by a company, Criterion Capital Corporation, a company controlled by a director, namely Douglas L. Mason, and each loan advance is for a term of one year with interest at a rate of 1% per month (12% per annum). The loan will be secured by a general security agreement. No loan bonus shares were issued in connection with this loan. The Company repaid \$20,000 of the \$25,000 in loan advances on June 13, 2014. The due date on the remaining \$5,000 was extended to November 17, 2016.

**COMMITMENTS AND CONTINGENCIES**

The Company entered into three five-year term renewable agreements as amended, with companies controlled by three directors of the Company for the provision of consulting and/or legal services at a cost of \$2,500 per month under each of the three agreements with an aggregate cost of \$7,500 per month (\$90,000 per annum). If any of such agreements are terminated without cause or if there is a change in control of the Company, the Company was required to pay an amount equal to five times the annual fee payable under the agreements. Effective May 1, 2015, the compensation payable on termination was changed, and accordingly, if any of such agreements are terminated without cause, or if there is a change in control of the Company, the Company is required to pay \$150,000 to such contracted party so affected.

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The Company entered into three agreements with certain directors/officers for services rendered in such capacities. Effective May 1, 2015, the compensation payable on termination was reduced, and accordingly, if such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay \$50,000 (previously \$100,000) to such director/officer and allow any unvested stock options to vest.

The Company was reassessed for certain prior years' taxation filings (principally from 2003 and 2004) by the Canada Revenue Agency ("CRA") pertaining to the renunciation of its flow-through expenditures. Also, individual investors in certain flow-through shares may be impacted by the reassessments. The Company has been assessed taxes of \$339,195 and interest and penalties of approximately \$238,000 as of December 31, 2015, and CRA is currently withholding approximately \$269,000 (2014 - \$262,000) of the Company's GST and METC refunds (included in receivables) as an offset against the balance. On April 15, 2015, the Company received a Notice of Confirmation from CRA which indicated that CRA had disallowed the Notices of Objection previously filed by the Company. The Company does not believe that the issues raised by the Company in its Notices of Objection were properly addressed by CRA and the Company filed an Appeal to the Tax Court of Canada, consequently no accrual has been made.

### **CAPITAL MANAGEMENT**

The Company's shareholders' equity comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

To fund future operations and exploration activities the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

### **FINANCIAL INSTRUMENTS**

#### **Fair value**

The Company classifies its cash and cash equivalents and marketable securities as fair value through profit or loss; receivables, as loans and receivables; and accounts payable and accrued liabilities and loans payable, as other financial liabilities.

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

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The Company's measurement of fair value of financial instruments as at December 31, 2015 and 2014 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2015				
Cash and cash equivalents	\$ 10,584	\$ 10,584	\$ -	\$ -
Marketable securities	\$ 43,750	\$ 43,750	\$ -	\$ -
December 31, 2014				
Cash and cash equivalents	\$ 8,154	\$ 8,54	\$ -	\$ -
Marketable securities	\$ 87,350	\$ 87,350	\$ -	\$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and marketable securities is remote as it maintains accounts with highly-rated financial institutions. Accounts receivable are due primarily from CRA.

Credit risk with respect to accounts receivable has been assessed as low from management, as the Company believes that if successful in its appeal of the reassessments received from the CRA the amounts held by CRA will be refunded.

Included in cash equivalents at December 31, 2015 and 2014 are cashable guaranteed investment certificates earning interest at prime minus 1.95% to 2%. The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with a major financial institution with strong investment-grade ratings by a primary ratings agency.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2015	2014
Guaranteed investment certificates	\$ 5,750	\$ 5,750
Bank accounts	4,834	2,404
Marketable securities	43,750	87,350
	\$ 54,334	\$ 95,504

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2015, the Company had accounts payable and accrued liabilities of \$484,452 (2014 - \$326,545) and a loan in the amount of \$5,000 (2014 - \$5,000). Based on the current funds held as at December 31, 2015, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

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The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

December 31, 2015			
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	\$ 55,206	\$ 429,246	\$ 484,452

  

December 31, 2014			
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	\$ 53,466	\$ 273,079	\$ 326,545

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consist of cash held in bank accounts and a guaranteed investment certificate that earns interest at the prime lending rate minus 1.95%. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the guaranteed investment certificate, any fluctuations in the interest rate would lead to an immaterial change in the consolidated statements of comprehensive loss.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

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**PROPOSED TRANSACTIONS**

The Company announced on December 21, 2015 that the Company, Magnum Goldcorp Inc. ("Magnum") and Cobra Venture Corporation ("Cobra", and collectively, the "Parties") announced they have entered into a non-binding letter of intent (the "LOI") pursuant to which Magnum has indicated its intention to acquire (the "Proposed Acquisition") all of the interest of each of Cobra and the Company in the LH Property. Other than the December 31, 2015 announcement, the Company does not have any current proposed asset or business acquisition or dispositions; however, the Company continues to seek new business opportunities to raise capital.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the depreciation of equipment, impairment of assets, valuation of share-based payments and recognition of deferred tax amounts.

Critical accounting estimates:

**a) Recoverability of asset carrying values**

The Company assesses its exploration and evaluation assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at each reporting period. The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

**b) Share-based payments**

The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. These estimates will impact the amount of share-based payments recognized.

**c) Income taxes**

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

**CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies during the year ended December 31, 2015.

**Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

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**OUTSTANDING SHARE DATA as at February 26, 2016:**

Effective November 10, 2015, the Company has consolidated its share capital on a 4 old common shares for 1 new common share basis (the "Consolidation"). Accordingly, the share information below is stated on a post consolidated basis:

- a) Authorized Share Capital: Unlimited number of common shares without par value
- b) Issued and Outstanding Shares: 11,350,951 common shares with a stated value of \$13,819,531.
- c) Outstanding Stock Options: 291,250

Expiry Date	Exercise Price	Number of Options
May 6, 2016	\$ 0.40	141,250
September 8, 2016	\$ 0.40	131,250
July 24, 2017	\$ 0.40	18,750
<b>Outstanding and exercisable</b>		<b>291,250</b>

- d) Outstanding share purchase warrants: nil

**DIRECTORS AND OFFICERS**

Douglas L. Mason, President, CEO, and Director (Chairman)  
Sead Hamzagic, CFO and Director  
Bruce E. Morley, Director  
Andrzej Kowalski, Director  
Mehrune Payravi, Director