



**NORTEC MINERALS CORP.  
MANAGEMENT'S DISCUSSION and ANALYSIS  
For The Nine Months Ended September 30, 2017 prepared as of November 29, 2017**

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This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial results of Nortec Minerals Corp. (the "Company" or "Nortec") for the nine months ended September 30, 2017.

Except for historical information, this MD&A includes forward-looking statements which are subject to risks and uncertainties. Actual results may differ materially from those in such forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect results, changes in assumptions or changes in other factors affecting such statements.

The following discussion is Management's assessment and analysis of the results of operations and financial conditions of the Company and should be read in conjunction with the Company's audited annual consolidated financial statements and related notes thereto for the year ended December 31, 2016 and the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three and nine months ended September 30, 2017. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and can be found at [www.nortecminerals.com](http://www.nortecminerals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

All monetary amounts in this MD&A and in the Company's consolidated financial statements are expressed in Canadian dollars, unless otherwise stated.

This management discussion and analysis and the Company's consolidated financial statements include the Company's wholly-owned subsidiary, Tammela Minerals Oy ("TMO"). At December 31, 2015, the Company's interest in Finore Mining Inc. ("Finore"), a majority-owned publicly-listed company, was diluted from 54% to 34% resulting in a deconsolidation of Finore. On July 8, 2016, the Company sold 8,000,000 of its Finore shares and reduced its interest in Finore to 2%. As at September 30, 2017, the Company held 614,492 Finore shares.

TMO was incorporated in Finland on November 11, 2010. Finore was incorporated in Canada on November 29, 2006 as Otterburn Ventures Inc. and changed its name to Finore Mining Inc. on September 23, 2011.

The Company's Management is responsible for the preparation of the consolidated financial statements and the notes thereto and this MD&A.

**INTRODUCTION**

The Company's corporate head office is located at Suite 915 – 700 West Pender Street, Vancouver, BC, V6C 1G8. The Company is listed on the TSX Venture Exchange ("TSXV") under the symbol NVT.V.

The company has interests in the following properties:

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Property	Optionor	Interest to be Earned	Ownership	Location	Agreement or Acquisition Date
Tammela <sup>(1)</sup>	N/A	-	100%	Finland	September 9, 2009

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<sup>(1)</sup> Claim reservations granted by the Finish Ministry of Environment and the Economy.

The Company's management and board of directors have extensive mineral industry and business experience around the world. The three directors of the Company combine expertise in exploration geology, mining development and operations, and mineral industry accounting, financing and operational control.

## **Haukiahio Zone OVERVIEW**

### **Finland**

In Finland, Nortec has the Tammela, and interest in the Lantinen Koillismaa (“LK”) property through ownership of shares in Finore and a 2% net smelter return royalty with a buy-out of 1% for € 1 million in the Haukiahio Zone of the LK property.

#### *Interest in Finore*

As at December 31, 2014, the Company held 8,614,492 shares or 54% of Finore.

On June 5 2015, Finore issued additional shares diluting the Company’s interest in Finore to 34% resulting in a deconsolidation of Finore and accordingly the Company’s interest in Finore was, for the remainder of fiscal 2015, recorded as an equity investment.

On July 8, 2016, the Company sold 8,000,000 of its Finore shares which reduced its interest in Finore to 2%. As at September 30, 2017, the Company held 614,492 Finore shares.

### **LK Property - Palladium, Platinum, Gold, Copper, Nickel, North Central Finland**

On July 29, 2008, the Company earned a 70% interest in the Kaukua platinum/palladium/gold property in northeastern Finland by making option payments of €190,000 and incurring exploration expenditures of €600,000 over three years from the date of the option agreement.

On September 4, 2009, the Company earned the remaining 30% interest in the Kaukua property in exchange for outstanding VAT refund claims allowable on Kaukua exploration expenditures of \$269,076 and a 2% NSR on any future production.

In October 2009, the Company acquired the nearby Haukiahio palladium, platinum, gold, copper and nickel property in northern Finland in exchange for 1,666,667 common shares of the Company.

The transaction was to be completed in two ‘Closings’. The First Closing was completed on October 21, 2009 when the Company issued 1,333,333 common shares valued at \$1,200,000. In July 2012, the Company issued the remaining 333,333 common shares valued at \$300,000.

The Company has grouped the Haukiahio and Kaukua properties together and on December 1, 2009 the Company announced the project name “LK Property”.

On July 27, 2011, the Company signed a binding Letter of Intent (“LOI”) with Finore (formerly Otterburn Ventures Inc.). The LOI gave Finore the option to earn up to an 80% interest the LK Property.

Under the terms of the LOI, Finore could earn an 80% interest in the LK Project on payment of \$10,500,000 in cash and securities to the Company and by expending \$10,000,000 in exploration work within three years of signing the Option Agreement (“OA”). The effective date of the OA was within five business days after receipt of both CNSX and TSX-V which was received on September 6, 2011.

Finore paid \$2,000,000 and issued 100,000 common shares pursuant to the LOI.

On September 6, 2012, the Company agreed to amend the option agreement such that Finore can earn a 70% interest in the LK Project by issuing 2,700,000 common shares of Finore to the Company (received September 17, 2012). In addition, Finore agreed to pay all outstanding balances owed for exploration work completed to date by January 10, 2013.

As a result of the amended terms and condition, the Company was considered to have control in Finore and has consolidated the interest in Finore from the date of acquisition of control, September 10, 2012.

During the year ended December 31, 2013, the Company agreed to further amend the option agreement such that Finore will have the option to earn 100% interest in the LK Property upon completion of the following:

- issuing 4,100,000 shares (issued) to the company within five (5) business days of signing;

- paying in full any amounts owed by Finore to third parties, whether incurred directly or indirectly with respect to exploration expenditures incurred on the TL Property; and
- granting the Company the right to nominate two persons for appointment or election to Finore's Board of Directors (granted).

Effective May 6, 2014, Finore acquired NMO, which holds a 100% interest in the Läntinen Koillismaa Project from the Company by fulfilling all requirements pursuant to the relevant and amendment agreements between Finore and the Company. On May 6, 2014, Finore made the final payment to the Company, comprised of 91,771 shares in Finore, pursuant to second amendment agreement.

On June 5 2015, Finore issued additional shares diluting the Company's interest in Finore to 34% resulting in a deconsolidation of Finore.

On July 8, 2016, the Company sold 8,000,000 of its Finore shares which reduced its interest in Finore to 2%. The Company also holds a 2% net smelter return royalty with a buy-out of 1% for € 1 million in the Haukiaho Zone of the LK property.

#### **Tammela Lithium-Gold Property, Southwest Finland**

Tammela Minerals Oy. ("TMO") 100% owned subsidiary of the Company has received the official claim registration papers from the Ministry of Employment and Economy, Finland for both Tammela and Somero claims in March 2014.

On May 18, 2016, the Company announced an earn-in Heads of Agreement ("HoA") with Avalon Minerals Ltd. ("Avalon"). Avalon is an Australian company listed on Australian Stock Exchange.

Avalon paid Nortec's subsidiary TMO \$29,172 (€ 20,000) and issued the Company 1,000,000 Avalon shares. Avalon, through its subsidiary Scandian Metals ("Scandian"), has agreed to fund exploration on the Tammela Project in two stages in order to earn up to an 80% interest. Stage 1 is comprised of an expenditure requirement of € 500,000 over a 24-month time period to earn a 51% interest. In March 2017, Scandian elected to undertake Stage 2 in the Tammela Property to earn an additional 29% interest. In addition to committing to an additional expenditure of €1,000,000 over two years, Scandian paid the Company \$287,239 (€200,000). After the completion of Stage 2, Scandian will have a total of 80% interest in the Tammela Property.

Standard dilution clauses will apply once the joint venture agreement is completed. The interest will convert to a 1.5% NSR if a party's interest falls below 10%.

Avalon completed 3,120 metre diamond core drilling program on the Tammela project with 1,171.9 metres at Kietymäki prospect, 1,401.6 metres on Satulinmaki prospect and 546.6 metres on Riukka prospect.

The highlights of the exploration program drill results are as follows:

#### **Satulinmaki and Riukka Gold Prospects:**

- 7.0m at 1.2g/t gold from 9m in SMDD001
- 10.0m at 1.1 g/t gold from 33m in SMDD001
- 1.0m at 15.2g/t gold from 57m in SMDD001
- 42.0m at 0.9 g/t gold from 112m in SMDD002
- 2.0m at 2.1 g/t gold from 237m in SMDD003
- 13.4m at 2.0 g/t gold from 15.6m in SMDD004
- 0.8m at 3.5 g/t from 170.5m in SMDD004
- 2.0m at 10.5 g/t gold from 7m in SMDD005
- 147.0m at 0.8 g/t gold from 73m in SMDD007, including 23.5m at 3.3g/t from 143m, including 9.0m at 7.3 g/t from 147m
- Multiple intervals of gold mineralization in other holes drilled by Avalon and GTK
- Gold system is open in all directions and highly anomalous results have been identified in historical drilling over an area of 700m x 500m.
- Results define a significant near-surface gold system with both narrow high grade intervals and wide lower grade intervals, all within 150m of surface.

### **Kietyönmäki Prospect**

- Diamond drilling returned 24.2m at 1.4% Li<sub>2</sub>O, including 9m at 2.0% Li<sub>2</sub>O in hole KMDD001, and 5.00m at 1.0% Li<sub>2</sub>O in hole KMDD006;
- Channel sampling returned 16.25m at 1.72% Li<sub>2</sub>O

### **Satulinmaki and Riukka Gold Prospect Summary**

The results from Avalon's drilling together with the historical drilling results of the Geological Survey of Finland show a large gold system of broad mineral zones and sub-parallel narrow veins. The system is open in all directions and has a length of at least 400m, a vertical extent of at least 150m and ranges up to approximately 50m thick.

Within the main system, gold mineralization has been identified as narrow high grade zones within quartz veins and breccias, and as wide low grade intervals within veined and altered rock.

At Riukka, located 4km to the south-east, Avalon has completed 3 diamond drill holes. The holes intersected quartz veins at depth below quartz vein hosted gold mineralized intervals drilled by the Finnish Geological Survey containing up to 2m at 16.6 g/t gold. GTK drilled 41 diamond drill holes for 3,404 meters during the period 2001-2005 in the broader Riukka area.

Assay results from Avalon's drilling at Riukka returned only weakly mineralized intervals. The drilling assumed a sub-vertical plunge to the gold mineralization. Further work at Riukka will be dependent upon further structural studies.

### **Kietyönmäki Lithium Prospect Summary**

Kietyönmäki lithium prospect was discovered by the Finnish Geological Survey (GTK) in the mid-1980's. Lithium mineralization at Kietyönmäki is hosted in a spodumene-bearing pegmatite dyke swarm. GTK drilled seventeen shallow diamond drill holes to test down to 70m below surface across three traverses, including one traverse of very shallow holes to identify bedrock.

Six diamond drill holes totaling 1,171.9 m have been drilled by Avalon at Kietyönmäki confirming a high grade spodumene-bearing pegmatite dyke swarm (Figure 3). Channel sampling has also been completed on 7 traverses – 3 over the main dyke and 4 over smaller dykes and has returned up to 16.25m at 1.72% Li<sub>2</sub>O.

The geological results suggest continuation of a thickened pegmatite dyke to the southeast and this trend is expected to be tested with future drilling. Further work is required to better understand the geology; however initial results are encouraging. Further work is being done on characterizing the geochemical and geophysical components of the dyke swarm to assist with future targeting of drill holes. Nb<sub>2</sub>O<sub>5</sub> and Ta<sub>2</sub>O<sub>5</sub> are both anomalous and in places highly anomalous within logged pegmatite dykes and may help characterize other dykes for further exploration. There are several dykes with known lithium values that have not been explored to date and these will be targeted in future drilling programs.

For further details on the Company's mineral properties see "Mineral Interests" below and Note 5 in the Company's audited consolidated financial statements for the year ended December 31, 2016.

### **Guinea, West Africa**

On January 11, 2017 the Company announced that it entered into a Letter of Intent ("LOI") to acquire an 80% interest in pro-rata stages (Stage 1, 2 and 3) in the Tomboko Gold Property, held by The Golden Rule Limited ("Golden Rule"). Nortec will also earn an 80% interest in all of Golden Rule's interests in other exploration permits located in Guinea

Golden Rule's holdings (properties) consist of 100% interest in the Tomboko and Diguifara permits and minority interests in the Badamako and the Kouroussa permits, subject to the Mining Rules and Regulations of the Government of Guinea. The Tomboko permit lies on one mineralized northwest trend, the Badamako permit is approximately 70 kilometers to the east on another northwest trend and the Kouroussa permit lies on a third mineralized trend 50 kilometres to the west. The Company is finalizing a definitive agreement.

The Projects lie in the northern part of the Birimian Siguiri Basin, a well-known prolific gold producing area. This part of the Basin already hosts three multimillion ounce gold mines, the Lero (Nord Gold NV), the SAG (AngloGold-Ashanti) and the Keniéro (SEMAFO) along with several other lesser mines and projects in advanced

stages. Historically, the Niger River lowlands have been the site of extensive mining of alluvial gold and high-grade quartz lode gold in the saprolite (rock altered to clay) that gave rise to several past African Empires. Artisanal mining is still very widespread in the area today.

#### **Tomboko Permit:**

The Tomboko Permit totals more than 75 square kilometres and is located immediately west of Anglo-Ashanti's SAG 5 million ounce gold mine. Extensive bedrock (rock geochemical sampling), soil, termite mound and pit sampling (over 10,000 samples) plus detailed geological mapping delineated three targets for follow up drilling, Tom-1, Tom-2 and Tom-3. Termite mound sampling also showed high gold values of 7.1 g/t, 3.5 g/t, 2.7 g/t, 2.3 g/t, 2.2 g/t, 1.8 g/t, 1.7 g/t, 1.6 g/t, 1.5 g/t, 1.4 g/t, 1.2 g/t and 1.1 g/t. Geochemical soil anomalies were delineated over several kilometres on all three targets that were over 100 ppb gold and some with greater than 600 ppb gold. Rock geochemical bedrock sampling, consisting of 65 samples, on the Tom-1 Zone-North prospect returned high grade gold values of 84.6 g/t, 35.8 g/t, 13.9 g/t, 5.8 g/t, 4.7 g/t and 2.5 g/t. Over 9779 termite mound samples and 212 bedrock samples were collected and analysed for gold.

The gold mineralization on the Tom-1 and Tom-2 targets appears to be hosted in highly altered, sheared brecciated sandstone and volcanic rocks of the early Paleoproterozoic age Siguiiri Basin. The SAG Mine is also hosted in the same age rocks. The TOM 3 Prospect is hosted in quartz porphyry intrusive rocks. The mode of occurrence of the gold mineralization is similar to the 2.3 million ounce Koulékoun deposit owned by Avocet Mining, a company listed on the London Stock Exchange, located 120 kilometres to the south. At 31 December 2012, Koulékoun's Mineral Resource estimate was 2.3 million ounces and includes Indicated Mineral Resources of 31.5 million tonnes at a grade of 1.38 g/t Au (1.4 million ounces), in addition to an Inferred Mineral Resource of 22.8 million tonnes at a grade of 1.22 g/t Au (892,200 ounces) (Re: Avocet Mining website, <http://www.avocetmining.com/guinea>)

The Kolenlada River, which crosses all three targets in the Tomboko Permit, has the potential to host more significant alluvial placer gold deposits as extensive placer gold workings and mining activity already occurs along 35 kilometres of the river. A detailed pitting program conducted by Golden Rule along the Kolenlada River showed a prospective trend of high grade alluvial gold values over a minimum area of 600 metres by 200 metres. Several pit samples returned assays averaging 1.14 g/t gold at a pit depth of 1 metre and over an area 185 metres long and 65 metres wide. More pitting work is required to delineate several areas of gold placer deposits.

#### **Diguifara Permit:**

The Diguifara Permit (Figure 2) totals more than 75 square kilometres and is located immediately north and on the same trend of AngloGold Ashanti's SAG 5 million ounce gold mine. The permit was explored in 2007 - 2008 by Wega Mining following a geochemical termite, pit and trench sampling campaign which revealed a strongly mineralized anomalous zone. Recent work mainly consisted of detailed geological and structural mapping and geochemical termite sampling surveys which defined two (2) DIG1 and DIG2 anomalies that cover nearly 70% of the Diguifara Permit and can be traced for 10 km. This is based on the results of 4860 termite mound samples taken on a grid. This work program was followed up with extensive pit sampling and rock sampling. The best rock sample values of 736 ppb, 608 ppb and 5,960 ppb gold were obtained in siltites with quartz stringers. The pits also returned anomalous gold values including 263 ppb @ 3.2m, 331 ppb @ 1.4 m and 210 ppb @ 1.4 m. These values occur on the DIG1 anomaly.

Mapped tectonic structures are similar to those identified in the Tomboko area and those associated with the SAG deposit just a few kilometers south.

#### **Kouroussa Permit:**

The Kouroussa Permit (Figure 3) is located 80 kilometres west of the Tomboko Permit and 5 kilometres south of the Lero Gold mine, also called Lefa owned by Nord Gold NV. The Lefa Mine has measured and indicated resources of 87.5 million tonnes (3.9 million ounces) grading 1.38 g/t Au.

Extensive termite mound sampling (2239 samples) and detailed geological mapping with emphasis on structural controls were carried out in 2011, 2012 and 2013. In 2013 detailed infill sampling delineated a 3 kilometre long and 500 metre wide northeast-trending geochemical gold anomaly ranging from 100 ppb to 2000 ppb gold, with high grade values of 2.0 g/t, 1.2 g/t, 1.1 g/t, 0.9 g/t, 0.8 g/t, 0.82 g/t, 0.79 g/t and 0.75 g/t gold in termite mounds. The anomaly appears to be associated with the northeast and northwest tensional structures in Paleoproterozoic sedimentary and volcanoclastic rocks of the Siguiiri Basin. The project is ready to drill. Golden Rule has a 20% interest in the permit.

### **Badamako-permit:**

The Badamako Permit, comprising over 100 square kilometres of exploration licenses, is approximately 55 kilometres northeast of the Tomboko Permit. Badamako occurs on the West Mali Gold Trend hosting several million ounce gold deposits (Kalana mine – 1.9 M oz. at 3.2 g/t, Yanfolila Project/Komana Mine – 1.4 M oz. at 2.8 g/t, million ounces, Kobada deposit and Niaouleni deposit. Golden Rule has a 25% minority interest in the permit in exchange for past financial assistance.

Avnel Gold Mining Ltd., a TSX listed company, is developing the Kalana Mine and contains reserve of 21.7 million tonnes at 2.8 grams gold per tonne (“g/t Au”) with 2 million ounces and a measured and indicated resource of 23.7 million tonnes grading 4.1 g/t Au with 3 million ounces.

Hummingbird Resources (LSE-AIM: HUM) acquired the Yanfolila Project from Goldfields in July 2014. Yanfolila is fully permitted with 7.039 million tonnes grading 3.14grams gold per tonne for 757,000 oz. of contained gold in the probable reserve category and 18.8 million tonnes averaging 2.54 grams gold for 1.54 million oz. contained gold in the indicated and inferred category.

Extensive termite mound sampling (8930 samples) were analyzed for gold values and detailed mapping was conducted on the Badamako Permit. Three zones, North, Central and South, all appearing to have northwest trends of up to 6 kilometres long and 3 kilometres wide, had anomalous gold values in the range of 100 ppb to 8,700 ppb. The South Zone returned very high gold values (8.7 g/t, 7.2 g/t, 6.9 g/t, 5.6 g/t, 3.5 g/t, 2.1 g/t, 2.0 g/t, 1.9 g/t, 1.7 g/t, 1.6 g/t and 1.5 g/t Au). Several alluvial gold mining sites are present along the river in the southern portion of the property. The geological and structural modes of occurrence of the Badamako gold mineralization appears to be similar to the Anglo-Ashanti’s SAG and Nord Gold’s Lero gold districts. The mineralization occurs in highly sheared and brecciated Paleoproterozoic sedimentary, volcanoclastic and calc-alkaline granitic Birimian Siguiri Basin rocks.

On April 12, 2017, the Company announced that it has commenced a work program in preparation for Phase 1 drilling on the Tom-1 and Tom-2 targets, Tomboko Permit, Northeast Guinea, West Africa.

The Company signed a drill contract with Gestion Fredal SARL, a drilling company located in Ouagadougou, Burkina Faso. Drill pads and access roads are being constructed in preparation for drilling with several drill pads already completed. The Company plans to drill 31 shallow reverse circulation drill holes for a total of 2500 metres on the Tom-1 North, Tom-1 South and Tom-2 targets (Figures 2 & 3). Drilling is expected to commence in two weeks. Nortec has a management and technical team in place onsite through Golden Rule to monitor and supervise the drill program.

### **QUALIFIED PERSONS**

Mr. Mohan R. Vulimiri, M.Sc., P.Geo, Executive Chairman, CEO and Director is the Qualified Person for the Company.

### **FINANCIAL RESULTS OF OPERATIONS**

#### **Summary of Quarterly Results**

The following table sets forth selected financial data of the Company for, and as at and at the end of, each of the last eight completed financial quarters.

Quarters Ended	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Cash and short term investments	\$262,862	\$417,385	\$650,576	\$816,871	\$79,614	\$15,262	\$23,681	\$31,192
Net loss (gain)	(15,740)	\$18,939	\$373,235	\$27,033	(\$1,778)	\$49,788	\$24,063	\$1,781,180
Shares outstanding	51,876,840	51,876,840	49,551,840	49,551,840	33,192,840	33,192,840	33,192,840	33,192,840
Loss (gain) per share	(\$0.00)	\$0.00	\$0.01	\$0.00	(\$0.00)	\$0.00	\$0.00	\$0.06
Mineral properties exploration	\$280,260	\$235,316	(\$11,711)	\$17,395	\$12,741	(\$53,315)	\$24,531	(\$7,304,054)

## **Results of Operations**

### **Three months ended September 30, 2017 and 2016**

The net gain for the three months ended September 30, 2017 was \$15,740 compared to a net gain of \$1,778 for the three months ended September 30, 2016, an increase of \$13,962. The net gain in 2017 was primarily due to an increase in general and administrative expenses offset by a gain on debt extinguishment.

For the three months ended September 30, 2017, general and administrative expenses were \$51,854 compared to expenses of \$92,910 for the three months ended September 30, 2016, a decrease of \$41,056 mostly as a result of a foreign exchange gain in 2017 compared to a foreign exchange loss for the same period in 2016.

The Company incurred consulting fees of \$27,000 for the three months ended September 30, 2017 compared to \$nil for the same period in 2016 as a result of the Company's agreement with Bullrun Management Ltd. ("Bullrun") signed in December 2016, in which Bullrun provides management services to the Company for an initial period of two years.

The Company recorded a fair value gain on marketable securities of \$67,594 for the three months ended September 30, 2017 compared to a fair value gain on marketable securities of \$81,738 for the same period in 2016, a decrease in the gain of \$14,144. The decreased loss was mostly a result of the decrease in fair value of Finore shares held by the Company for the comparable periods.

### **Nine months ended September 30, 2017 and 2016**

The net loss for the nine months ended September 30, 2017 was \$376,434 compared to a net loss of \$72,073 for the nine months ended September 30, 2016, an increase of \$304,361. The net loss in 2017 was primarily due to increases in general and administrative expenses and fair value loss on marketable securities both of which were offset by a gain on debt extinguishment.

For the nine months ended September 30, 2017, general and administrative expenses were \$393,977 compared to \$130,847 for the nine months ended September 30, 2016, an increase of \$263,130 mostly as a result of increases in accounting, audit and legal fees, consulting fees and share-based compensation expenses.

The Company incurred accounting, audit and legal fees of \$68,103 for the nine months ended September 30, 2017 compared to \$23,531 for the same period in 2016, an increase of \$44,572, as the Company incurred legal fees associated with finalizing agreements with Avalon with respect to the Tammela Property in Finland and with Golden Rule with respect to the Tomboko Project in Guinea, West Africa.

The Company incurred consulting fees of \$79,500 for the nine months ended September 30, 2017 compared to \$nil for the same period in 2016 as a result of the Company's agreement with Bullrun signed in December 2016.

The Company recorded share-based compensation expense of \$149,473 for the nine months ended September 30, 2017 compared to \$nil for the same period in 2016 as a result of the immediate vesting of options granted to by the Company in 2017.

The Company recorded a fair value loss on marketable securities of \$68,739 for the nine months ended September 30, 2017 compared to a fair value gain on marketable securities of \$41,459 for the same period in 2016, an increase in the loss of \$110,198. The increased loss was mostly a result of the decrease in fair value of Finore shares held by the Company.

The Company recorded a gain on debt extinguishment of \$86,282 for the nine months ended September 30, 2017 compared to \$12,950 for the same period in 2016. The Company settled \$166,282 in accounts payable and accrued liabilities due to related parties for \$80,000 in consideration resulting in a gain on debt extinguishment of \$86,282.

### **Critical Accounting Estimates and Judgements and Significant Accounting Policies**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors,

including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

### ***Estimates***

#### *Share-Based payments*

The Company uses the Black Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

#### *Fair value of other investments*

The fair value of other investments is determined using valuation techniques. The Company uses its estimates and judgment to select a variety of methods as prescribed under the relevant accounting standards. At year-end, management utilized recent financial transactions as a metric in determining the fair value of other investments.

### ***Judgements***

#### *Capitalization of exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

#### *Usage of the going concern assumption*

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

### ***Accounting Policies***

The Company's significant accounting policies are disclosed in Note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2016.

## **FINANCIAL INSTRUMENTS**

The Company's financial assets are classified into the following: FVTPL, available for sale ("AFS") and loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Company's financial assets are classified into the following: FVTPL, available for sale ("AFS") and loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

#### ***FVTPL***

Marketable securities held by the Company are classified as FVTPL and are stated at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

#### ***AFS financial assets***

Other investments held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive loss. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive loss is included in profit or loss for the year.

### *Loans and receivables*

Short-term investments and receivables and deposits that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the fair value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's accounts payable and accrued liabilities are included in this category.

### *Fair value*

The amounts for short-term investments, receivables and deposits and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these items. Cash, marketable securities and other investments are measured using the fair value hierarchy as follows:

	<b>September 30, 2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>			
Cash	\$ 102,674	\$ -	\$ -
Marketable securities	160,188	-	-
Other investment	9,968	-	1
	<u>\$ 272,830</u>	<u>\$ -</u>	<u>\$ 1</u>

	<b>December 31, 2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>			
Cash	\$ 587,944	\$ -	\$ -
Marketable securities	228,927	-	-
Other investment	19,414	-	1
	<u>\$ 836,285</u>	<u>\$ -</u>	<u>\$ 1</u>

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that sufficient financial resources are available to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As at September 30, 2017, the Company had a cash balance of \$102,674 (December 31, 2016 – \$587,944), marketable securities of \$160,188 (December 31, 2016 – \$228,927) and total liabilities of \$166,303 (December 31, 2016 – \$294,321).

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient

funds are raised from private placements to meet its operating requirements, after taking into account existing cash, short-term investments and expected exercise of stock options and share purchase warrants.

The Company has no operating revenues and finances its operations principally through equity financing. Although the Company has been successful in raising funds, there can be no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities. In these uncertain times, the Company carefully monitors its expenditure and cash flows. The Company anticipates that it will continue to rely on equity markets to raise additional funds when needed. Debt financing has not been used to fund property acquisitions and exploration; the Company has no current plans to use debt financing.

The Company has not yet determined whether any of its properties other than the LK property contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

#### **Current Period Financing**

During the nine months ended September 30, 2017, 2,325,000 warrants were exercised for gross proceeds of \$186,000.

On October 10, 2017, the Company closed the first tranche of a non-brokered private placement and issued 5,735,000 shares of the Company at a price of \$0.075 per common share for gross proceeds of \$430,125.

#### **Prior Year Financing**

On December 6, 2016, the Company completed a non-brokered private placement of 15,960,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price \$0.10 per common share for the two years from the date of issue, and at \$0.20 per common share for the third year from the date of issue. Associated with the private placement, the Company issued 399,000 units, valued at \$19,950, as finders' fees. There was no value attributed to the warrants issued.

#### **SHARE CAPITAL**

As at September 30, 2017, the Company had:

- 51,876,840 common shares issued and outstanding; and
- 23,870,075 warrants outstanding; and
- 3,000,000 options outstanding.

As at the date of this MD&A, the Company had:

- 57,611,840 common shares issued and outstanding; and
- 23,870,075 warrants outstanding; and
- 4,000,000 options outstanding.

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

To the best of Management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

#### **RELATED PARTY TRANSACTIONS AND BALANCES**

Except as disclosed elsewhere in these consolidated financial statements, related party transactions for the nine months ended September 30, 2017 and 2016 are as follows:

**Key management personnel**

	Three Months ended September 30, 2017	Three Months ended September 30, 2016	Nine Months ended September 30, 2017	Six Months ended September 30, 2016
Consulting fees	\$ -	\$ 6,500	\$ -	\$ 19,500
Wages and salaries	15,675	23,000	47,236	69,000
Total	\$ 15,675	\$ 29,500	\$ 47,236	\$ 88,500

Key management includes directors, officers and key consultants.

**Related party payables to key management personnel**

	September 30, 2017	December 31, 2016
Accounts payable and accrued liabilities	\$ 45,000	\$ 197,282

During the nine months ended September 30, 2017, the Company settled \$166,282 in accounts payable and accrued liabilities due to related parties for \$80,000 in consideration resulting in a gain on debt extinguishment of \$86,282 (2016 – \$nil).

Due to related parties are unsecured, non-interest-bearing and are without fixed terms of repayment.

**PROPOSED TRANSACTIONS**

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited financial statements for the period ended December 31, 2016 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017.

**RISK AND UNCERTAINTIES**

The Company's success depends upon a number of factors, many of which are beyond the Company's control. Typical risk factors and uncertainties include the current world economic recovery, world conflict, natural disasters which affects the ability to raise financing, title matters, metal prices, currency rate fluctuations, operating hazards encountered in the mining business, and changing legislation, regulations or the administration thereof. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

**Environmental and Other Regulatory Requirements**

Mineral exploration activities require permits from various governmental authorities and are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs, and delays as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mineral exploration and development activities may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

The Company believes it is in compliance with all laws and regulations that currently apply to its activities. However, there can be no assurance that all permits which the Company may require for mineral exploration and development can be obtained or maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any such mineral exploration or development which the Company might undertake.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### **Metal Prices**

The principal activity of the Company is the exploration of resource metal properties. The feasible development of such properties is highly dependent upon metal prices. A sustained and substantial decline in commodity prices could result in the write-down, termination of exploration and development work or loss of the Company's interests in identified resource properties. Although such prices cannot be forecast with certainty, the Company carefully monitors factors that could affect metal prices in order to assess the feasibility of its resource properties.

### **Industry and Economic Factors Affecting Performance**

As a mineral exploration and development company, the Company's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These include metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration companies, and the availability of qualified staff and equipment such as drilling rigs to conduct exploration.

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental regulatory and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company to meet work commitments and work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment, the impact of increasing competition, unpredictable changes to the market prices for minerals, that costs related to development of the mineral properties will remain consistent with historical experiences, anticipated results of exploration activities and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth previously in this MD&A: volatility in the market prices for metals, uncertainties associated with estimating resources, geological problems, technical problems, drilling problems, processing problems, liabilities and risks including environmental liabilities and risks inherent in mining operations, fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, unanticipated results of exploration activities, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands, competition for skilled personnel and unpredictable weather conditions.