



**Management's Discussion and Analysis**

**For the years ended December 31, 2016 and 2015**

The following Management Discussion and Analysis ("MD&A") of Highway 50 Gold Corp. (the "Company" or "Highway 50") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of April 25, 2017 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.highway50gold.com](http://www.highway50gold.com).

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

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The Company was incorporated on June 9, 2004 under the Business Corporations Act of the Province of British Columbia under the name Tatmar Ventures Inc. The name was changed to Highway 50 Gold Corp. in July 2011. Since incorporation, the Company's activities have focused on exploration and evaluation assets located in British Columbia and Nevada, USA. The Company's registered and records office is at Suite 3350, 1055 Dunsmuir Street, Vancouver, BC, V7X 1L2. The Company's head office is at Suite 2300, 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The common shares of the Company are listed on the TSX Venture Exchange and trade under the symbol "HWY".

The Company is an exploration stage company engaged principally in the acquisition and exploration of exploration and evaluation assets. The recovery of the Company's investment in its exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance this operation. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

The following is a summary of the significant milestones that have occurred since the beginning of the year:

- In February 2016, the Company extended the terms of an aggregate of 7,027,025 common share purchase warrants issued pursuant to a non-brokered private placement which closed on March 3, 2014. The warrants are exercisable into common shares in the capital of the Company at an exercise price of \$0.60 per common share and will now expire on February 28, 2018.
- In March 2016, the Company announced that Scott Davis was appointed as CFO of the Company following the resignation of Art McQuade.
- In May 2016, the Company executed an option agreement with Eagle Putt Ventures Inc. to earn an undivided 50% interest in the 1,282 hectare Monroe property located in the Fort Steele Mining Division, southeast British Columbia (see Mineral Property Review section).
- In May 2016 the Company issued 350,000 incentive stock options to directors, officers and employees at a price of \$0.25 per share for a five-year period, pursuant to its Stock Option Plan.
- In May 2016, the Company announced that Bassam Moubarak was appointed as director of the Company following the resignation of Darryl Cardey.
- In June 2016, the Company closed a non-brokered private placement of 750,000 flow-through common shares of the Company at a purchase price of \$0.20 per share to raise gross proceeds of \$150,000. Share issuance costs of \$10,655 were paid in relation to the private placement.
- In August 2016, the Company announced the completion of a drilling program on the Monroe property (see Mineral Property Review).
- In February 2017, the Company closed a non-brokered private placement of 1,835,000 flow-through common shares of the Company at a purchase price of \$0.20 per share to raise gross proceeds of \$367,000. No finders' fees were paid in connection with the private placement.
- In April 2017, the Company announced that it has arranged a non-brokered private placement to raise gross proceeds of up to \$550,000 by the issuance of up to 1,000,000 units at a purchase price of \$0.55 per unit. Each unit will consist of one common share (each a "FT Share") of the Company to be issued on a flow-through basis under the Income Tax Act of Canada and one full non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to purchase one non-flow-

through common share of the Company at a purchase price of \$0.60 per share for a period of one year from the date of the closing of the FT Offering. The Warrants are subject to an accelerated expiry clause.

## MINERAL PROPERTY REVIEW

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*This review has been prepared by the Company's geologic staff under the supervision of Gordon P. Leask, P.Eng., President, CEO and Director of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).*

The Company currently owns, or has the right to acquire an interest in, three primary projects (the Golden Brew Property and the Porter Canyon Project as well as another early stage prospect, all located in Nevada, and the Monroe Property, located in BC).

### Porter Canyon Project

The Company acquired the Porter Canyon claims in 2011 by staking. Porter Canyon comprises 201 unpatented claims located in Lander County, Nevada that cover the projected north-eastern terminus of the Eastgate volcanic trough under pediment cover outboard of the Quito Mine. Quito is a Carlin-type deposit hosted in lower-plate silty limestones from which 175,000 ounces of gold was produced between 1986 and 1989.

Although the bedrock at Porter Canyon is largely covered by overburden, the geology at the base of the Toiyabe Range that projects under the property is dominated by an open shallowly plunging, north-westerly trending, breached, anticline which is cored by Roberts Mountains Formation and capped at least in part by Upper-plate lithologies. The northern limb of the anticline shows extensive solution collapse with intermittent occurrences of auriferous and argentiferous jasperoid over a strike length of 2,600 metres. This zone is coincident with a gold bearing float train on its western end. The north-west trending anticline is projected to intersect a set of northerly trending structures which likely form the western edge of the Quito Lower-plate Window, 1,400 metres outboard of the base of the Toiyabe Range. This structural linkage also coincides with an inferred horst block as indicated by detailed gravity surveys. Management believes the geologic architecture at Porter Canyon provides an optimal structural trap for a significant Carlin-style deposit.

Subsequent to staking the Porter Canyon claims, the Company executed gravity surveys which are interpreted to show several horsted blocks under a shallow westerly sloping pediment, west of the base of the Toiyabe Range. Initial drill targets consist of the intersection of a set of northwest trending structures which host auriferous jasperoids with antimony mineralization in the range and a set of north trending cut-off structures related to a major crustal feature referred to as the Western Nevada Rift. These intersections appear to be coincident with the structural edges of the aforementioned horst blocks. Subsequent to executing the gravity surveys over the property, the Company commissioned a CSAMT geophysical survey. Results of this work suggest the existence of a buried horst block located approximately 1.5 kilometres (1 mile) outboard of the range front. A series of south-east trending structures that bracket the target project directly back to the past-producing Quito Mine. A number of auriferous and argentiferous jasperoids, including those in the vicinity of the former Antimony King Mine, are located within this structural zone.

In 2011, the Company announced results from 980 metres of a proposed 1,500 metres reverse circulation drilling program. Holes PCT-11-01 and PCT-11-02, drilled to depths of 451 metres and 528 metres respectively, were lost in alluvium prior to encountering bedrock. The holes are located approximately 1 kilometre apart in the north-south direction with PCT-11-01 being the northernmost. The bottom 40 metres (130 feet) of colluvium in PCT-11-01 exhibits significant enrichment in Carlin-type pathfinder elements, arsenic and antimony, as well as substantially elevated gold values. This is in contrast to PCT-11-02 which shows erratic anomalous values in gold (up to 225 ppb) but no pathfinders. The 35 metre section in PCT-11-01 from 410 metres to 445 metres (110 feet) averaged 61 ppb Au with the two highest 1.5 metre (5 feet) samples returning 174 ppb Au and 83 ppb Au. Corresponding average arsenic and antimony values are 100 ppm As and 30 ppm Sb (up to 44 ppm Sb) over the same interval. In June 2013, additional samples of colluvium were retrieved. These samples make up the bulk of the drill record for an additional 330 metres of the hole. Assays show values that are consistently elevated in gold (to 162 ppb), arsenic (to 221 ppm) and antimony (to 202 ppm).

Subsequent follow-up surface prospecting in the colluvium between the drill hole and the range front returned numerous boulders of mineralized Upper-plate and Lower-plate rocks assaying up to 3.7 g/t Au. Further investigation did in fact find a mineralized jasperoid outcrop, which assayed 54.3 ppm silver and 0.4% antimony, in the immediate vicinity of the auriferous float. Drill hole PCT-11-01 is located on the projected western edge of the Quito Lower-plate window, 1.5 kilometres outboard of the Toiyabe Mountain Range at the western extension of a series of north-west trending structures that bracket the past producing Quito gold mine (176,000 ounces of gold), four kilometres to the south east and the former Antimony King Mine, 3 kilometres to the south east.

In March 2015, the Company completed a RC/core drill comprised of six drill holes totaling 8,590 feet, of which 770 feet was core and 7,820 feet was drilled by RC. A sum total of 1,340 feet was drilled in bedrock in four holes. The geologic units intersected were members of the Lower-plate assemblage including siltstones of the Nine Mile Formation and thin bedded silty limestones of the Roberts Mountains Formation. Sporadic Carlin type mineralization was encountered in bedrock with values up to 952 ppm arsenic and 168 ppb gold. Of more potential economic interest was a 65 foot thick zone that was drilled in colluvium in drill hole PC-6. This zone averaged 100 ppb gold, 144 ppm arsenic and 35 ppm antimony with maximum values for five foot intervals assaying 160 ppb gold, 188 ppm arsenic and 60 ppm antimony. The zone is coincident with a strong resistivity low at the overburden-bedrock interface. As such, this

resistivity feature is likely a buried channel which hosts a concentration of mineralized boulders and constitutes a lag deposit which is similar but higher grade than the original lag deposit drilled at Porter Canyon in 2011. Although bedrock depths were deeper than expected, assay data from bedrock west of the Toiyabe Mountain range front indicates background gold levels are less than 5 ppb. Background gold levels in the colluvium above bedrock were commonly five times this level with maximum values 40 times background, over a five foot interval. This data would indicate that the high gold levels in colluvium have been sourced from bedrock other than the proximal bedrock. Management now believes that both the district's gold enriched channels as well as the broad colluvian cover, are part of a lag gold deposit related to a bedrock hosted Carlin style deposit located to the north of the recent drill campaign. Further widely spaced drill holes are planned to establish a vector direction of the postulated bedrock host deposit. The Company has received permitting for an additional four drill sites located on BLM lands in the vicinity of Johnson Canyon on the northern portion of the property. In addition, the Company has completed five lines of CSAMT north of the recent drill sites with the objective of delineating the mineralized lag deposit and determining the likely source area of the mineralized boulders for follow-up drilling.

### Golden Brew Property

The Golden Brew project ("Golden Brew") comprises 153 claims prospective for Carlin-style gold mineralization which has only been superficially explored by previous owners, including eight shallow drill holes totaling 2,885 feet completed in 1989. To date, gold mineralization at Golden Brew consists of a zone of gold bearing jasperoid measuring 2,500 feet long and up to 200 feet wide, hosted in thin bedded platy Cambrian-aged carbonates. Wherever sampled, the jasperoid is anomalous in all Carlin-type gold deposit pathfinder elements, with gold grades ranging from anomalous to 4 grams/tonne. The zone is exposed on the western slope of the Toiyabe Mountain range and is truncated on the west by a north-south trending range front fault. West of the range front fault is an area of gravel cover where the company conducted gravity and CSAMT geophysical surveys. These surveys were designed to locate the gold bearing structure within the favourable host rocks at reasonable exploration depths beneath the gravel cover. The geophysical program was successful in locating an uplifted horst block with the potential gold bearing structure extending through it.

The Company has completed four holes of its initial eight hole, +10,000 foot reverse circulation drill campaign at Golden Brew. A total of approximately 8,800 feet of drilling was performed. The Company intends to complete the remainder of the drilling based on permitting and financing. The geophysically-interpreted uplifted carbonate horst block was encountered in three of the first four holes with thick intersections of favourable carbonate host rock stratigraphy. Geophysical modeling is ongoing and will be used to target drill holes for the upcoming drill program. Assay results show a 150 foot interval of anomalous arsenic (to 290 ppm) and antimony (to 24 ppm) in drill hole GB-3. These levels are higher than the anomalous soils peripheral to the auriferous jasperoid at the range front 7500 feet to the east.

The following are summary logs of the first four holes on a north-south section spanning 7 kilometres (2.75 miles).

Golden Brew Drill Results				
Drill Hole #	Location	Interval	Length	Description
GB-1		0 to 2,145 ft	2,145 ft	Alluvium
		2,145 to 2,200 ft	55 ft	Volcanic tuffs
GB-2	6,000' south of GB-1	0 to 2,060 ft	2,060 ft	Alluvium
		2,060 to 2,160 ft	100 ft	Volcanic tuffs
		2,160 to 2,180 ft	20 ft	Thin-bedded limey siltstones
GB-3	4,000' south of GB-2 and 7,000' WNW of the large auriferous jasperoid at Golden Brew	0 to 1,380 ft	1,380 ft	Alluvium
		1,380 to 2,100 ft	720 ft	Thin-bedded limey siltstones
		2,100 to 2,200 ft	100 ft	Carbonaceous phyllites
GB-4	3,000' south of GB-3	0 to 1,685 ft	1,685 ft	Alluvium
		1,685 to 2,200 ft	515 ft	Thin bedded limey siltstones

As predicted by a previously executed gravity survey, the drill holes confirm an uplifted horst block around hole GB-3. The magnitude of the uplift is 800 feet. Gravity data suggests that this location is not necessarily the shallowest area of the horst block. The northern flank of the horst block is approximately coincident with the southern edge of the Eastgate Volcanic Trough. Based upon the drilling, the structural intersection between the southeastern terminus of the Eastgate Volcanic Trough and projected extension of the Golden Brew jasperoid is now interpreted to be proximal to, and east of drillhole GB-2. This area is a priority target for follow-up drilling.

Based upon the confirmation of a strong structural architecture is juxtaposition with favourable host rocks and geochemical evidence that the Carlin-type system exposed one mile east of the horst block extends under pediment to the west, management believes further drilling is warranted. The Company completed a 3-D inversion of the gravity data plus an additional 3 lines of CSAMT. This work further refines the structural interpretation of the property. The Company has engaged Enviroscentists, Inc. of Reno, Nevada to permit six new drill sites on the Golden Brew property. Three of these locations are on BLM lands and three are on Forest Service managed lands. In 2013, the Company filed a NI 43-101 report recommending a further 5 drill holes (10,000 ft) at Golden Brew. All of the requisite reports, including biological and cultural studies, have been filed with the U.S. Forest Services and the Company is awaiting approval. Recent correspondence from the U.S. Forest Service has provided guidance that the review of the Biological Evaluation reports are completed and bonding will be requested imminently.

The Company is party to a mining lease with Genesis Gold Corporation with an option to acquire a 100% interest in Golden Brew. The mining lease is for a term of fifteen years, and for so long thereafter as the Company is engaged in mineral development, mining or reclamation and closure activities on the property, subject to earlier termination by the parties in accordance with the mining lease agreement. The terms of the mining lease agreement include an initial payment to the optionor of US\$10,000 (paid) on execution of the mining lease agreement. The Company has also agreed to pay to the optionor escalating annual lease payments (the "Lease Payments") until production is achieved or the mining lease agreement has terminated. The Company has an option which may be exercised at any time during the mining lease agreement to acquire a 100% interest in the property for the purchase price of US\$2,000,000 (the "Purchase Price"), subject to a 2% net smelter returns royalty (the "Royalty"). The Company may not place the property into production without paying the optionor the Purchase Price in full. All Lease Payments made by the Company will be applied to the Purchase Price. The Royalty will be reduced to one percent of net smelter returns at such time as the Company has paid US\$4,000,000 to the optionor in royalty payments. During 2014, the Company negotiated an amendment to the Genesis Agreement whereby the Lease payments due January 5, 2014 and 2015 were reduced from US\$50,000 to US\$20,000. During 2015, the Company negotiated an amendment to the Genesis Agreement whereby the lease payment of US\$10,000 due January 5, 2017 was reduced to US\$5,000 plus another US\$5,000 upon mobilization of a drilling rig to the property..

To maintain the mining lease agreement, the Company must make the following lease payments:

	Annual Lease Payments	
On January 5, 2010 (paid)	US\$	10,000
On or before January 5, 2011 (paid)		15,000
On or before January 5, 2012 (paid)		25,000
On or before January 5, 2013 (paid)		35,000
On or before January 5, 2014 (paid)		20,000
On or before January 5, 2015 (paid)		20,000
On or before January 5, 2016 (paid)		10,000
On or before January 5, 2017 (paid)		5,000
Upon the mobilization of a drill rig to the property		5,000
On or before January 5, 2018 through January 5, 2019		50,000
On or before January 5, 2020 to January 5, 2025		75,000

In 2014, the Company entered into a definitive Option Agreement with Regulus Resources Inc. ("Regulus"), a related party, whereby Regulus may acquire a 50% option in the Golden Brew Property (the "Option"). In order to exercise the Option, Regulus must, among other things, spend US\$5,000,000 on exploration expenditures on the project over 5 years, and assume the underlying third party lease payments to Genesis and claim holding costs. A minimum US\$500,000 firm commitment in the first year has been delayed by Force Majeure when the permitting process for the project was slowed as the requisite agencies dealt with a request by the U.S. Fish and Wildlife Service to have the Sage-Grouse designated as an endangered species. The Company has received guidance from U.S. Forest Service personnel that noise restriction parameters will be observed within 3 miles of active Sage-Grouse mating grounds ("Leks") between the dates of March 1 and June 30. An active Lek is located within this distance from exploration activities at the property. As such, the firm commitment of US\$500,000 in exploration expenditures will be due 120 days after the Company receives the final permit allowing the parties to commence drilling. All subsequent annual work commitments will be deferred accordingly. Upon earn-in the parties will form a joint venture on a 50/50 basis.

### Monroe Property

In May 2016, the Company announced it has executed an option agreement with Eagle Putt Ventures Inc. ("Eagle Putt") to earn an undivided 50% interest in the 1,282 hectare Monroe property (the "Property") located in the Fort Steele Mining Division, southeast British Columbia. The Property covers an area exhibiting comparable geologic similarities to the Sullivan mine corridor located 40 kilometres to the north.

In order to exercise the option (the "Option"), the Company has made a firm commitment to spend an initial \$100,000 in exploration expenditures on the Property in the first year, followed by additional annual optional exploration expenditures totalling \$2.9 million over the next four years. No other consideration is required to exercise the Option. The Company will be the operator on the Property during the course of the Option. Upon exercise of its Option to earn a 50% undivided interest in the Property, the Company and Eagle Putt will form a joint venture to further advance the exploration and development of the Property.

The Monroe property is owned 50/50 by Gordon P. Leask, President, Chief Executive Officer and a director of the Company and John M. Leask a director of the Company, and is held in trust for them by Eagle Putt, a private corporation owned by Gordon Leask. Given the non-arm's length nature of the transaction, the Company obtained approval to the grant of the Option by way of written resolution from a majority of the disinterested shareholders of the Company. Messrs. Gordon Leask and John Leask and their associates were excluded from voting on the shareholder resolution to approve the grant of the Option to the Company.

The Sullivan Mine closed in 2001 after producing 160 million tons of ore yielding over 17 million tons of lead and zinc plus more than 285 million troy ounces of silver. A significant amount of drilling has been completed on the western portion of the Monroe property by former operators including Eagle Putt. The proposed target is in the eastern half of the Property where there has been sparse drilling in widely spaced holes. Impetus for further exploration is a combination of new geophysical surveys coupled with a re-examination of a number of previous drill holes. The Company intends to complete a first round of drilling on the Property this summer.

In August 2016, the Company announced the completion of a drilling program on the Monroe property. Two drill holes were drilled to a depth of 810 metres and 544 metres, respectively. The holes, HWY 16-1 and HWY 16-2, were successful in intersecting the Sullivan Time Horizon within a third order basin which comprises the Eastern Structural Domain. These holes constitute only the second and third pierce points within the Eastern Domain. Evidence from the drill holes strongly supports the existence of a strong hydrothermal convective cell operating at Sullivan Time within the Eastern Domain. Specifically, HWY 16-1 intersected abundant carbonate beds and pyrrhotite-biotite-chlorite-albite±chalcopyrite veins in the 150 metre thick section immediately above the Sullivan Time Horizon. These were accompanied by intense sericitization and chloritization of the Sullivan in-fill sequence including multiple stacked sulphide clast fragmental units. Some of these fragmentals are graded, similar to those described within the Sullivan Mine section, 40 kilometres to the north. Massive chlorite-pyrrhotite alteration occurs over a 40 metre interval in the immediate hanging wall of the STH, providing evidence for seawater entrainment into the hydrothermal system. This alteration, together with the preponderance of large angular pyrrhotite clasts in the fragmental, support the existence of an upflow zone nearby. The upflow zone is the expected location for the development of ore-stage lead-zinc-silver mineralization. HWY 16-2, located 800 metres east of HWY 16-1, intersected a similar interval to the first hole, minus the massive chlorite alteration. Noteworthy to HWY 16-2 was the existence of a 3 metre thick section of pyrrhotite laminated muds overlain by a thin interval of bedded pyrrhotite-sphalerite (5 cm thick). This may be analogous to the Concentrator Hill Horizon which constitutes the distal manifestation of the Sullivan Deposit, 4 kilometres southeast of the Sullivan Mine. Based on vectors from the above mentioned evidence, the Company intends to permit an additional four sites in the south-western corner of the eastern domain.

Subsequent follow-up drilling commenced in March 2017 with drillhole HWY 17-03. This hole is located 500 metres south of HWY 16-1 and 700 metres west of HWY 16-2. HWY 17-3 entered the Sullivan hanging wall sequence at 650 metres and remains in this unique package of rocks at 785 metres where it is currently being reduced to secure the hole to that depth. To date, significant developments include a 6 metre thick zone of vented albite fragmental at 742 metres. This style of alteration occurs in the immediate hanging wall of the Sullivan Mine. Immediately beneath the albite fragmental in HWY 17-3 are intensely sericitized sediments with veinlets and disseminations of sphalerite (ZnS) and Galena (PbS) present locally to the bottom of the hole. These features, together with some distinct pyrrhotite laminated units document a hydrothermal system within the graben in-fill. Drilling is anticipated to restart in mid May 2017.

## **OPERATIONS AND FINANCIAL CONDITION**

### **Summary of Annual Information**

The following selected annual financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards:

All in 1,000's except Loss per share and Number of shares	2016	2015	2014
Working capital	\$ 417	\$ 1,048	\$ 1,817
General and administration expenses	514	760	604
Net loss	564	516	509
Loss per share	0.02	0.02	0.02
Loss per share (fully diluted)	0.02	0.02	0.02
Total assets	3,451	3,802	4,181
Exploration and evaluation assets	2,885	2,605	2,089
Other non-current assets	136	145	132
Share capital <sup>(1)(2)</sup>	6,068	5,928	5,928
Number of shares <sup>(1)(2)</sup>	27,447,570	26,697,570	26,697,570
Retained deficit	3,820	3,257	2,741

(1) The Company has only one kind and class of shares issued and outstanding, being common shares.

(2) No dividends were paid during the years reported above.

### Summary of Quarterly Results

The following is a summary of certain selected financial information for the most recent eight fiscal quarters comprising the Company's preceding two fiscal years:

All in \$1,000's except loss per share	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Working capital	\$417	\$520	\$860	\$863
Loss	\$(85)	\$(108)	\$(177)	\$(193)
Loss per share	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Loss per share (fully diluted)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Total assets	\$3,451	\$3,527	\$3,641	\$3,648
Total liabilities	\$14	\$5	\$11	\$44
Deficit	\$3,820	\$3,735	\$3,628	\$3,450
All in \$1,000's except loss per share	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Working capital	\$1,048	\$1,147	\$1,277	\$1,427
Loss	\$(90)	\$(42)	\$(146)	\$(238)
Loss per share	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Loss per share (fully diluted)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Total assets	\$3,802	\$3,920	\$3,953	\$4,135
Total liabilities	\$4	\$33	\$23	\$59
Deficit	\$3,257	\$3,167	\$3,125	\$2,979

### Results of Operations – For the Years Ended December 31, 2016 Compared to the Year Ended December 31, 2015

During the year ended December 31, 2016, loss from operating activities increase by \$47,432 to \$563,500 compared to \$516,068 for the year ended December 31, 2015. The net increase in loss from operating activities is mainly made up of:

- An increase of \$42,330 in accounting and audit fees and a decrease of \$66,852 in office and administration. Accounting and audit fees were \$57,630 for the year ended December 31, 2016 compared to \$15,300 for the year ended December, 2015. Office and administration was \$55,695 for the year ended December 31, 2016 compared to \$122,547 for the year ended December 31, 2015. The increase in accounting and audit fees is related to the decrease in office and administration due to the new CFO's accounting firm's fees being included in accounting and audit fees whereas the previous CFO's fees were included in office and administration. The current year also reflects a decrease in office and administration rates charged by a Director of the Company.
- A decrease of \$212,287 in stock-based compensation. Stock-based compensation was \$63,791 for the year ended December 31, 2016 compared to \$276,078 for the year ended December 31, 2015. During the year ended December 31, 2016, the Company granted 350,000 options with a weighted average fair value of \$0.18 (2015 - 1,375,000 options with a weighted average fair value of \$0.20).
- Loss on foreign exchange was \$52,920 for the year ended December 31, 2016 compared to a gain on foreign exchange of \$238,747 for the year ended December 31, 2015. The change is due to fluctuating exchange rates with the U.S. Dollar, the currency of which a significant portion of the Company cash is held.

The remaining expenses were relatively comparable to the prior year.

### **Cash Flow**

#### *Operating Activities*

Cash outflow from operating activities was \$502,486 for the year ended December 31, 2016 compared to \$216,693 for the year ended December 31, 2015. The increase in cash outflow mainly consists of foreign exchange fluctuations between the USD and CAD exchange rates on the Company's USD cash during the current year and the prior year.

#### *Financing Activities*

Cash inflow from financing activities was \$139,345 for the year ended December 31, 2016 compared to \$Nil for the year ended December 31, 2015. The increase in cash inflow is a result of the issuance of common shares for net proceeds of \$139,345 during the year ended December 31, 2016. There were no shares issued during the year ended December 31, 2015.

#### *Investing Activities*

Cash outflow from investing activities was \$283,979 for the year ended December 31, 2016 compared to \$654,821 for the year ended December 31, 2015. The outflows mainly consist of expenditures on the Company's exploration and evaluation assets during the current year and the prior year.

**Results of Operations – For the Three Months Ended December 31, 2016 Compared to the Three Months Ended December 31, 2015**

During the three months ended December 31, 2016, loss from operating activities decreased by \$4,671 to \$84,882 compared to \$89,553 for the three months ended December 31, 2015. The net decrease in loss from operating activities is mainly made up of:

- An increase of \$9,000 in accounting and audit fees and a decrease of \$19,956 in office and administration. Accounting and audit fees were \$9,000 for the three months ended December 31, 2016 compared to \$Nil for the three months ended December 31, 2015. Office and administration was \$11,166 for the three months ended December 31, 2016 compared to \$31,122 for the three months ended December 31, 2015. The increase in accounting and audit fees is related to the decrease in office and administration due to the new CFO's accounting firm's fees being included in accounting and audit fees whereas the previous CFO's fees were included in office and administration. The current period also reflects a decrease in office and administration rates charged by a Director of the Company.
- Gain on foreign exchange was \$14,782 for the three months ended December 31, 2016 compared to \$27,521 for the three months ended December 31, 2015. The change is due to fluctuating exchange rates with the U.S. Dollar, the currency of which a significant portion of the Company cash is held.

The remaining expenses were relatively comparable to the same period in the prior year.

**Cash Flow**

*Operating Activities*

Cash outflow from operating activities was \$83,255 for the three months ended December 31, 2016 compared to cash inflow of \$14,336 for the three months ended December 31, 2015.

*Financing Activities*

There were no financing activities during the three months ended December 31, 2016 and 2015.

*Investing Activities*

Cash outflow from investing activities was \$16,125 for the three months ended December 31, 2016 compared to \$141,134 for the three months ended December 31, 2015. The outflows mainly consist of expenditures on the Company's exploration and evaluation assets during the current period and the same period of the prior year.

**Liquidity and Capital Resources**

Cash at December 31, 2016 totaled \$395,344 compared to \$1,042,464 at December 31, 2015. Working capital at December 31, 2016 was \$417,177 compared to \$1,047,654 as at December 31, 2015. The Company has sufficient working capital to continue the exploration and development of the Company's properties. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing.

Cash used in operating activities during the year ended December 31, 2016 totaled \$502,486 compared with cash used in operating activities of \$216,693 during the year ended December 31, 2015. Cash used in investing activities was \$283,979 during the year ended December 31, 2016 compared to \$654,821 during the year ended December 31, 2015. Cash outflow from investing activities were primarily used in the exploration of the Company's properties in Nevada and BC.

In June 2016, the Company closed a non-brokered private placement of 750,000 flow-through common shares of the Company at a purchase price of \$0.20 per share to raise gross proceeds of \$150,000. Share issuance costs of \$10,655 were paid in relation to the private placement.

In February 2017, the Company closed a non-brokered private placement of 1,835,000 flow-through common shares of the Company at a purchase price of \$0.20 per share to raise gross proceeds of \$367,000. No finders' fees were paid in connection with the private placement.

In April 2017, the Company announced that it has arranged a non-brokered private placement to raise gross proceeds of up to \$550,000 by the issuance of up to 1,000,000 units at a purchase price of \$0.55 per unit. Each unit will consist of one common share (each a "FT Share") of the Company to be issued on a flow-through basis under the Income Tax Act of Canada and one full non-flow-through

common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to purchase one non-flow-through common share of the Company at a purchase price of \$0.60 per share for a period of one year from the date of the closing of the FT Offering. The Warrants are subject to an accelerated expiry clause.

As at the date of this report, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value.

### Related Party Transactions

During the year ended December 31, 2016, the Company entered into the following transactions with related parties:

- a) Eagle Putt Ventures Inc. ("Eagle Putt") is a private company controlled by Mr. Gordon P. Leask, a director and officer of the Company. For the year ended December 31, 2016, Eagle Putt charged \$120,000 (2015 - \$120,000) which are classified as consulting fees in the consolidated statements of operations and comprehensive loss. At December 31, 2016, the Company owed \$Nil (2015 - \$Nil) to Eagle Putt.
- b) Rangefront Exploration Corp. ("Rangefront") is a private company controlled by Mr. John M. Leask, a director to the Company. For the year ended December 31, 2016, Rangefront charged \$120,000 (2015 - \$120,000) which are classified as consulting fees in the consolidated statements of operations and comprehensive loss. At December 31, 2016, the Company owed \$Nil (2015 - \$Nil) to Rangefront.
- c) Cerro Rico Management Corp. ("Cerro Rico") is a private company controlled by Megan Cameron-Jones, a director and a former officer to the Company. For the year ended December 31, 2016, Cerro Rico charged \$6,000 (2015 - \$24,275) for management services and are classified as consulting fees in the consolidated statements of operations and comprehensive loss. The Company also incurred \$12,000 (2015 - \$64,128) to Cerro Rico for expenses classified in the consolidated statements of operations and comprehensive loss as office and administrative. At December 31, 2016, the Company owed \$Nil (2015 - \$Nil) to Cerro Rico.
- d) Cross Davis & Co. LLP ("Cross Davis") is an accounting firm of which Scott Davis, an officer of the Company is a partner. For the year ended December 31, 2016, Cross Davis incurred \$29,130 (2015 - \$Nil) and are classified as accounting and audit fees in the consolidated statements of operations and comprehensive loss. At December 31, 2016, the Company owed \$Nil (2015 - \$Nil) to Cross Davis.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2016 and 2015 are as follows:

	Other Payments	Share-based Benefits	Total
<b>December 31, 2016</b>			
Chief Executive Officer	\$ 120,000	\$ -	\$ 120,000
Chief Financial Officer	29,130	9,113	38,243
Executive directors	138,000	36,452	174,452
	<u>\$ 287,130</u>	<u>\$ 45,565</u>	<u>\$ 332,695</u>
<b>December 31, 2015</b>			
Chief Executive Officer	\$ 120,000	\$ 80,314	\$ 200,314
Chief Financial Officer	-	10,039	10,039
Executive directors	144,275	135,529	279,804
Non-executive directors	-	40,157	40,157
	<u>\$ 264,275</u>	<u>\$ 266,039</u>	<u>\$ 530,314</u>

**Outstanding Shares, Stock Options and Warrants**

As at the date of this report, the Company had the following outstanding:

- 29,282,570 common shares.
- Warrants:

Number of Warrants Outstanding	Exercise Price	Expiry Date
7,027,025	\$ 0.60	February 28, 2018

- Stock options:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
500,000	\$ 0.41	October 14, 2019	500,000
1,175,000	0.40	February 3, 2020	1,175,000
<u>350,000</u>	0.25	May 6, 2021	<u>350,000</u>
2,025,000			2,025,000

**Proposed Transactions**

The Company is not contemplating any other transactions which have not already been disclosed. The Company continues to look at other property acquisitions and to seek joint venture partners on its properties on a regular basis.

**Investor Relations**

Investor relations activities are performed by directors and officers of the Company.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

**Contingencies**

There are no contingent liabilities.

**Internal Controls Over Financial Reporting**

**Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

### **Other MD&A Requirements**

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Disclosure for Venture Issuers without Significant Revenue**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended December 31, 2016 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended December 31, 2016 to which this MD&A relates.

### **Management's Responsibility for Financial Statements**

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

### **Financial and Capital Risk Management**

Please refer to the December 31, 2016 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

### **Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

Please refer to the December 31, 2016 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

### **Risks and Uncertainties**

The Company is engaged in the acquisition and exploration of exploration and evaluation assets. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate the risk involved. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual losses are expected to continue until the Company has an interest in an exploration and evaluation asset that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company's accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

### **Forward Looking Statements**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual

results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the volatility of the Company's common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)).