

# **GALORE**

**RESOURCES INC.**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014**

**Date of Report: February 28, 2017**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Galore Resources Inc. (the "Company"), as at December 31, 2016, and the related notes which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee. In the opinion of management, all adjustments, which consist only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for the nine months ended December 31, 2016 presented are not necessary indicative of the results that may be expected for any future period. All dollar amounts in this MD&A are reported in Canadian dollars.

Management is responsible for the preparation and integrity of the financial statements including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the financial statements and MD&A, is complete and accurate.

The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

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

### **Caution Regarding Forward Looking Information:**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the market for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

All statements in this discussion that address the Company's expectations about future exploration and/or development are forward-looking statements.

**Overview**

The Company was incorporated in British Columbia and began trading on the TSX-V under the symbol “GRI” on March 19, 2007. The Company is in the process of exploring its exploration and evaluation assets and has not as yet determined whether these properties contain reserves that are economically recoverable.

The Company’s exploration property is the Dos Santos gold property in Zacatecas State, Mexico.

**Highlights for the nine months ended December 31, 2016 and to date (and the year ended March 31, 2016):**

- On February 27, 2017, the Company announced the engagement of Mr. Craig Byington of Clancy, Montana to act as Galore’s Vice President of Exploration and QP, Mr. Octavio Gonzales as Regional Exploration Manager and the grant of a total of 2,400,000 incentive stock options to consultants of the Company, exercisable for a period of five years at a price of \$0.05, subject to vesting provisions.
- On February 7, 2017, the Company announced that it had entered into a revised Option Agreement with Amarc for the sale of Taseko. Under the amended agreement, Amarc acquired the full 100% interest in the Company’s Taseko properties, clear of any royalties to the Company, by making a final payment of \$280,000, which Galore has received.
- In February 2017, the Company entered into a consulting agreement with an arms-length party to provide services at a rate of USD\$7,000 per month.
- On February 1, 2017, Mr. Uwe Schmidt, the Company’s President and CFO, announced his retirement, and provided his resignation as President, Chief Financial Officer, and a director. Mr. Mike McMillan, the Company’s Chief Executive Officer and a director takes the place of President of Galore, and Mr. Andrew McMillan was appointed Chief Financial Officer.
- On February 1, 2017, a total of 1,800,000 incentive stock options were cancelled.
- In January 2017, an arrangement was made for the settlement of CDN\$51,000.00 of debt with a former related party by the issuance of 510,000 common shares at a price of \$0.10 per share. The shares will be subject to a 4 month hold period from the date of issuance. The shares associated with the debt settlement are being issued to preserve cash committed to project development and working capital. An application for TSX Venture Exchange acceptance to the shares for debt settlement is in progress.
- In January 2017, the Company entered into a loan agreement with a senior officer of the Company (the “Lender”), whereby the Company will borrow USD\$150,000. Under the terms of the agreement, the loan will be due January 12, 2019, bear interest of 8% per annum, compounded monthly, and payable upon demand, provided however, that the Lender agrees not to make a demand within the first twelve months of the Loan. Subject to the approval of the TSX Venture Exchange, as further consideration for advancing the loan, the Company has agreed to issue to the Lender a bonus of 847,560 common shares of its share capital. These shares will be subject to a twelve-month hold period commencing from the date of issuance.
- Subsequent to the quarter, the Company received a demand payment from the CEO for the two loans. These loans were repaid in full with interest accrued up to January 11, 2017.
- On December 29, 2016, the Company granted a total of 8,125,000 incentive options to directors, officers and consultants of the Company under its Stock Option Plan, exercisable for a period of 5 years from the date of grant. 5,925,000 of these options are exercisable at a price of \$0.05 and 2,200,000 are exercisable at \$0.10.
- On November 9, 2016, the Company held an Annual and Special General Meeting of shareholders. At the meeting, shareholders approved the adoption of a new Stock Option Plan in order to incorporate

additional provisions in respect of current Exchange policies and to approve the increase of the number of shares reserved for issuance under the Stock Option Plan from, 9,330,700 to 21,467,000 shares. On November 18, 2016, the Company received TSX Venture Exchange acceptance to the amended Plan.

- On September 23, 2016, 875,000 incentive stock options, exercisable at \$0.15 expired unexercised.
- On September 22, 2016, 2,270,000 warrants issued on October 7, 2014 with original expiry date of October 8, 2016 were extended to expire on October 8, 2019.

### **DOS SANTOS, MEXICO**

The Dos Santos project in Zacatecas State, Mexico is the company's primary exploration focus. The property mineral tenures cover a gold exploration project located within the historic Concepcion del Oro mining district in northern Zacatecas State, Mexico. It is located in a sparsely populated, mining friendly area of Mexico with a 500 year long mining history and in one of the most prospective areas in Mexico for large mineral deposits. The property is located 35 kilometres southeast of Goldcorp's world-class Peñasquito gold-silver-lead-zinc mine and also lies adjacent to the northern property boundary of the Camino Rojo gold deposit. The Camino Rojo project was acquired by Goldcorp in February, 2010 through an acquisition of Canplats Resources.

The property was assembled over a number of years, starting in 2007 with an option agreement on 658 hectares covering artisanal mining activity dating back to the mid-19<sup>th</sup> century. A 100% interest in these claims was earned in 2011. Additional claims were acquired by staking and through the Mexican mineral title lottery system from 2007 to 2010.

In 2012, the Company entered into a purchase agreement to acquire the surface rights to certain privately-owned lands known as Rancho Duraznillo that cover a portion of the Dos Santos project. The terms of the agreement required payments of \$350,000 Pesos on signing (paid) and further monthly payments over 18 months totaling approximately \$1,050,000 Pesos. The Company has completed 16 of these monthly payments and must pay the remaining \$116,666 Pesos to acquire the surface rights. Payment of this amount has been postponed due to the property being included in the process of settling the estate of the seller's wife, who had co-title to the property and passed away in 2013.

### ***La Palma target***

Prior to 2009, Galore explored known gold showings at San Jose and Los Gemelos in the northern area of the property. In 2009 and 2010 the Company began exploring for a Camino Rojo-style silver-gold deposit in areas underlain by the same host rocks. Exposure is limited in these areas so a soil pH survey was used to outline initial targets, which were then explored by Induced Polarization (IP) and magnetometer surveys.

The best results were obtained on the North Grid at La Palma, where a 160 hectare area, coincident chargeability and magnetic anomalies were defined on seven lines. The chargeability anomaly is up to 1,400 metres wide, delineated over a 1,200 metre length and appears to be open to the west.

The North Grid anomaly was tested in October to December, 2010 with twelve diamond drill holes, totalling 4,973 metres. The drill holes are spaced from 280 to 860 metres apart and tested targets within and outside the anomalies. Further details can be found in the Company's news release dated April 4, 2011.

### ***La Palma Geology and Drilling***

The La Palma area is underlain by a calcareous and carbonaceous clastic sedimentary rock unit, which grades into an impure limestone at depth. The clastic unit is an argillite having interbeds of siltstone-sized fragments at higher levels. Centimetre-scale pyritic beds to millimeter-scale very fine grained pyrite laminations occur in this unit in all holes and increase in frequency with depth. These pyritic layers do not carry significant metal values. Deposition of the pyrite bands in the clastic unit is interpreted as syn-sedimentary, caused by an influx of iron into a starved basin environment. However, drilling also encountered a three to four metre thick marker horizon in all holes, with a unique geochemical signature, suggesting a short pulse of metals associated with hydrothermal fluids were discharged on the sea floor during sedimentation.

Much younger, polymictic breccias (mixed angular rock types) were also encountered in all drill holes. These breccias occur in thicknesses from centimetres to several metres, parallel to and cross-cutting bedding. More importantly, breccias contain altered felsic intrusive and feldspar porphyry fragments, common to diatreme related deposits. These breccias are evidence of a high energy explosive intrusion-related event.

All anomalous concentrations of silver-lead-zinc mineralization in drill core are associated with these breccias. Geochemical evidence suggests the brecciation and mineralization are intrusion-related, although not all breccia intercepts contain igneous fragments. These features may be associated with diatreme intrusions similar to the geology of Goldcorp's Peñasquito mine. Our exploration model is based on this relationship. Diatreme intrusions at Peñasquito have been shown to have a lower density than their host rocks and are associated with intrusion-related magnetic anomalies. A combined airborne gravity and magnetic survey was chosen in 2012 to explore the favourable geology on the property. A fixed wing airborne survey was initially selected but system availability and various delays resulted in choosing a helicopter-borne gravity survey system, which was working near the Dos Santos property in February, 2014.

In April, 2014, the Company received the survey results. A total of 1,233 line-kilometres (770 line-miles) Helicopter Airborne Gravity Gradiometer and High Sensitivity Magnetic Survey were flown over approximately 20,000 hectares (49,400 acres) of the Dos Santos Property and the adjacent, optioned, San Onesimo property. An assessment of the survey data by an independent geophysicist revealed encouraging anomalies in three areas of the property, which fit Galore's exploration model. Secondary geophysical anomalies, which may indicated other styles of mineralization, were also outlined by the survey.

Galore has prepared an exploration plan and budget to test these anomalies. Management is currently working to raise money to carry out this plan.

### ***El Álamo target***

The El Álamo claim was acquired by Galore through a Mexico government claim lottery and is 100% owned by Galore. In September, 2010 the Company began a systematic trenching and mapping program. The main trenches ranged in length from 34 to 80 metres. The program included 512 continuous chip and channel rock samples taken from 10 trenches totalling 1,020 in length. Samples were taken in a north-south direction, across steeply dipping, east-west trending, altered limestone beds. Six of the trenches, which ended in gold-bearing mineralization, were extended by 212 metres. The best results include 12 meters of 0.96 g/t gold, adding to more significant intervals in the main trenches. It is now interpreted that the main area of gold mineralization at El Álamo measures over 500 metres long and up to 110 metres wide. The mineralization remains open at depth and in at least two directions.

From December 2011 to January 2012, the Company carried out a shallow percussion drill sampling program on the claim. Drilling was done at 30 metre spacing using a conventional track-mounted percussion drill to minimize construction of road access in steep terrain. The results demonstrate that mineralization exposed in the trenches extends to depth. No recent work, other than the airborne survey has been carried out on this target.

### ***San Jose target***

Previous work in the San Jose area included rock sampling of hand-trenches, numerous artisanal pits and several abandoned underground workings. Gold assays range from trace to 208 gm/tonne over 0.5 metres. Gold values are associated with anomalous arsenic, mercury, antimony and thallium concentrations, which are known pathfinder elements associated with high-level epithermal gold mineralization. All samples lie within a one-kilometre diameter circular carbonate and silica-alteration anomaly, which is evident on an ASTER satellite image of the area.

In July, 2009, the Company completed a thirteen hole, 3,500 metre reverse-circulation drilling program. Anomalous gold and gold pathfinder elements occur throughout all holes. The best intercepts were returned from three holes. Holes 2S-07, 2S-08 and 2S-10 returned 1,880 ppb gold (1.88 gm/tonne) over 2 metres, 1,019 ppb gold (1.02 gm/tonne) over 2 metres and 962 ppb gold (0.96 gm/tonne) over 2 metres respectively. Intercept depths range from 40 to 149 metres. Results indicate that the San Jose epithermal target is underlain by an extensive mineralized system that is gold bearing. Trace elements, associated with gold mineralization

and alteration at San Jose, show a west to east trend, suggesting the San Jose mineralization system extends to the west on the El Álamo claim.

In April, 2014 this area was covered by the Helicopter Airborne Gravity Gradiometer and Magnetic Survey.

#### ***Los Gemelos target***

At Los Gemelos, two small hills crop out above the surrounding pediment; dozens of surficial mines and prospects have been worked by artisanal miners for the production of free gold associated with abundant calcite veins which cut calc-silicate altered carbonate rocks. Galore's 2008 program tested the bulk mining potential of the area by excavating a number of hand trenches in bedrock, which typically measured 20 metres in length and were sampled with continuous two metre long-chip samples.

Gold assays from the Los Gemelos samples range from trace to 33.70 gm/tonne over 1.7 metres. The lack of outcrop surrounding this area merits geophysical methods to confirm the extent of skarn mineralization immediately beneath the shallow alluvium. In April, 2014 the Helicopter Airborne Gravity Gradiometer and Magnetic Survey outlined a higher density area associated with a strong magnetic response, which may have implications for skarn-related gold mineralization.

#### ***San Onesimo target***

In June, 2014 the Company signed an Option Agreement to acquire three claims totaling 5,603 hectares known as the San Onesimo property. These claims are located south and contiguous to Galore's Dos Santos property in northern Zacatecas State, Mexico. Previous work on the San Onesimo property confirmed that the favourable host rocks the Company is exploring on Dos Santos, underlie the San Onesimo claims. This is an early stage, underexplored property and a suitable target for applying Galore's Dos Santos exploration model. The San Onesimo claims were covered by the 2014 Heli-Falcon gravity magnetic survey flown over the Dos Santos property.

Under the San Onesimo Agreement, Galore can earn a 100% interest in the property by making escalating cash payments totalling US\$508,000 (US\$28,000 paid) over 5 years and issuing 1 million common shares of the Company by the contract completion date in 2019. The property optionors retain a 2% Net Smelter Royalty (NSR) from gold and silver production and 1% NSR from all other mineral production. These royalties may be purchased by Galore for US\$ 1 million for each 1% NSR on or before the option completion date in 2019. The agreement also requires the Company to pay annual taxes on the claims.

Option payments of US\$30,000 and US\$50,000 due under the San Onesimo Option Agreement have not been paid; however, the Company is working with the owners to facilitate better working terms.

#### **TASEKO PROPERTY**

On July 15, 2014, the Company entered into an Option and Joint Venture Agreement with Amarc Resources Ltd. (TSX-V:AHR; OTCBB:AHR) covering the Taseko Project. Under the Agreement, Amarc will be the operator and can acquire up to a 70% ownership interest in the Taseko Project claims. Amarc will acquire a 51% ownership interest in the Taseko Project claims by making cash and share payments totaling \$450,000 over four years and by completing \$3 million in exploration expenditures by December 31, 2019 (the "Initial Option"). Up to 50% of these payments may be made in shares at Amarc's discretion. Following the exercise of the Additional Option, Amarc can earn an additional 19% ownership interest in the Taseko Project claims (for a total of 70%) by spending an additional \$2 million over two years.

On February 7, 2017, the Company announced that it had entered into a further revised Option Agreement with Amarc for the sale of Taseko. Under the amended agreement, Amarc acquired the full 100% interest in the Company's Taseko properties, clear of any royalties to the Company, by making a final payment of \$280,000, which Galore has received.

**EXPLORATION EXPENDITURES**

|  | Taseko<br>Project | Dos<br>Santos,<br>Mexico | Total            |
|--|-------------------|--------------------------|------------------|
|  | \$                | \$                       | \$               |
| <b>Balance, March 31, 2015</b>               | 72,153            | 4,595,696                | 4,667,849        |
| Acquisition costs                            | -                 | 106,563                  | 106,563          |
| Amortization                                 | -                 | 2,388                    | 2,388            |
| Assay and analysis                           | -                 | 2,750                    | 2,750            |
| Camp cost, logistics and community           | -                 | 31,705                   | 31,705           |
| Field office, travel and accommodation       | 4,243             | 27,649                   | 31,892           |
| Geological, geophysical and geochemical      | 492               | 15,094                   | 15,586           |
| Option payment received                      | (40,000)          | -                        | (40,000)         |
| <b>Balance, March 31, 2016</b>               | 36,888            | 4,781,845                | 4,818,733        |
| Acquisition costs                            | -                 | 97,024                   | 97,024           |
| Amortization                                 | -                 | 1,993                    | 1,993            |
| Camp cost, logistics and community relations | -                 | 5,091                    | 5,091            |
| Field office, travel and accommodation       | -                 | 9,650                    | 9,650            |
| Geological, geophysical and geochemical      | -                 | 34,221                   | 34,221           |
| Option payment received                      | (36,888)          | -                        | (36,888)         |
| <b>Balance, December 31, 2016</b>            | -                 | <b>4,929,824</b>         | <b>4,929,824</b> |

**SELECTED QUARTERLY FINANCIAL INFORMATION**

The following table sets out selected unaudited quarterly financial information and is derived from the Company's unaudited quarterly financial statements prepared by management.

| Quarter ended      | (Income) Loss<br>before income<br>taxes | Total Assets | Exploration<br>and evaluation<br>assets | Weighted<br>average shares<br>outstanding | Basic &<br>diluted loss<br>per share |
|--------------------|---|--------------|---|---|--------------------------------------|
| December 31, 2016  | \$251,889                               | \$5,114,518  | \$4,929,824                             | 107,337,901                               | \$0.00                               |
| September 30, 2016 | \$(99,482)                              | \$5,210,909  | \$4,826,704                             | 103,336,011                               | \$0.00                               |
| June 30, 2016      | \$24,006                                | \$4,911,434  | \$4,821,204                             | 95,918,717                                | \$0.00                               |
| March 31, 2016     | \$17,904                                | \$4,852,070  | \$4,818,733                             | 95,918,717                                | \$0.00                               |
| December 31, 2015  | \$25,117                                | \$4,749,758  | \$4,665,918                             | 95,918,717                                | \$0.00                               |
| September 30, 2015 | \$24,998                                | \$4,754,573  | \$4,689,607                             | 95,918,717                                | \$0.00                               |
| June 30, 2015      | \$19,001                                | \$4,757,917  | \$4,689,607                             | 99,918,717                                | \$0.00                               |
| March 31, 2015     | \$50,055                                | \$4,745,766  | \$4,667,849                             | 94,834,917                                | \$0.00                               |
| December 31, 2014  | \$46,962                                | \$4,565,359  | \$4,497,192                             | 95,721,300                                | \$0.00                               |

Quarterly results will vary in accordance with the Company's exploration, financing and non-cash expenses such as stock compensation benefits and writing off of previously incurred exploration costs. The office and administrative costs vary mostly due to the accrual of stock based compensation which is dependent upon the size, timing and estimated fair value of the stock option granted. The Company's professional fees will vary in each quarter depending on financing and property acquisitions. The Loss before income taxes includes the office & administrative costs, general exploration costs not associated with an existing property of the Company less interest income earned.

**RESULTS OF OPERATIONS**

The Company's principal business activity is the acquisition and exploration of mineral properties. The Company currently has mineral property interests in Canada and Mexico.

The Company's net loss before taxes for the three months ended December 31, 2016 was \$251,889 or \$0.00 per share compared to net loss for the three months ended December 31, 2015 was \$25,117 or \$0.00 per share. The most significant contribution to the loss in the three months ended December 31, 2016 were management fees, share-based compensation, trust and filing fees, and foreign exchange loss.

During the three months ended December 31, 2016:

- i) Management fees increased to \$57,000 (2015 – \$6,900) due to the Company entering into new management agreements.
- ii) Share-based compensation increased to \$148,993 (2015 - \$nil) due to the issuance of incentive stock options.
- iv) Trust and filing fees increased to \$13,581 (2015 - \$559) due to the completion of a private placement, issuance of stock options, and amending the Company's stock option plan.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is a mineral-exploration company with no producing resource properties, and consequently, does not generate operating income or cash flow. To date, the Company has relied primarily upon the sale of its common shares to provide working capital for exploration activities and to fund the administration of the Company. There can be no assurances that additional financing will be available to the Company when required.

During the nine months ended December 31, 2016, the Company granted 8,125,000 (March 31, 2016 – 2,300,000) stock options with a fair value of \$149,993 (March 31, 2016 - \$24,840), or \$0.0179 - \$0.0185 (March 31, 2016 - \$0.01) per option.

On August 29, 2016, the Company completed a non-brokered private placement (the "Offering"), pursuant to which the Company issued 11,419,184 units consisting of one common share and one share purchase warrant at a price of \$0.025 per unit for total gross proceeds of \$285,480. Each warrant entitles the holder to purchase one additional common share of the Company for a period of five years following the closing of the Offering, at a price of \$0.05 in the first year, \$0.06 in the second year, \$0.07 in the third year, \$0.08 in the fourth year and \$0.09 in the fifth year. Warrants will be subject to an accelerated expiry provision upon the occurrence of a triggering event as detailed in the Company's August 29, 2016 news release.

As of December 31, 2016, the Company had cash of \$155,017 compared to \$11,015 as of March 31, 2016. There was a working capital deficiency as of December 31, 2016 of \$272,526 (March 31, 2016 - \$385,146).

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off balance sheet arrangements.

### **RELATED PARTY TRANSACTIONS**

A detailed summary of all the Company's related party transactions is included in Notes 5 of the Company's December 31, 2016 condensed consolidated interim financial statements.

### **RELATED PARTY LOANS**

Subsequent to the quarter, the Company received a demand payment from the CEO for the two loans (see note 6). These loans were repaid in full with interest accrued up to January 11, 2017.

In January 2017, the Company entered into a loan agreement with a senior officer of the Company (the "Lender"), whereby the Company will borrow USD\$150,000. Under the terms of the agreement, the loan will be due January 12, 2019, bear interest of 8% per annum, compounded monthly, and payable upon demand, provided however, that the Lender agrees not to make a demand within the first twelve months of the Loan.

Subject to the approval of the TSX Venture Exchange, as further consideration for advancing the loan, the Company has agreed to issue to the Lender a bonus of 847,560 common shares of its share capital. These shares will be subject to a four-month hold period commencing from the date of issuance.

### **DEBT SETTLEMENT**

Subsequent to the quarter, an arrangement was made for the settlement of CDN\$51,000.00 of debt with a former related party by the issuance of 510,000 common shares at a price of \$0.10 per share. The shares will be subject to a 4 month hold period from the date of issuance. The shares associated with the debt settlement are being issued to preserve cash committed to project development and working capital. An application for TSX Venture Exchange acceptance to the shares for debt settlement is in progress.

### **OUTLOOK**

The Company is in discussions with various companies for possible joint ventures. No definitive agreements have been reached.

### **PROPOSED TRANSACTIONS**

At present there are no specific transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows of any asset of the Company.

### **CRITICAL ACCOUNTING ESTIMATES**

A detailed summary of all the Company's significant accounting policies is included in Note 2 of the Company's December 31, 2016 condensed consolidated interim financial statements.

### **FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

The Company's financial instruments, at December 31, 2016, consist of cash, amounts receivable, accounts payable and accrued liabilities and due to related parties. Cash has been classified as financial assets at fair value through profit of loss and is recognized at fair value. Amounts receivable have been classified as loans and receivables, the carrying values of which approximate their fair values due to their short term nature. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, measured at amortized cost using the effective interest rate method, however due to their short term nature, their carrying amounts approximate fair value.

### **OUTSTANDING SHARE DATA**

The Company has one class of common share. As at the current date, there were 107,337,901 common shares outstanding.

The Company has a stock option plan. As at the current date, there were 14,825,000 stock options outstanding, all of which have vested, except for 2,400,000 newly granted options, which are subject to vesting provisions relating to performance goals being met and approved by the Board. 25% of these options will be available upon the date of grant and 25% will be released each quarter over a 12 month period subject to these conditions.

The Company has 14,114,484 warrants outstanding at the current date.

### **CAPITAL MANAGEMENT**

The capital of the Company consists of the items included in shareholder's equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As such, the Company is unable to self-finance its operations. Further, the Company expects its current capital resources will not be sufficient to complete its exploration and development plans and operations through its current operating period and will be required to raise additional funds through future equity issuances. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances.

There has been no change to the Company's capital management policy during the nine months ended December 31, 2016.

### **RISKS 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 ability to raise financing, title matters, metal prices, currency-rate fluctuations, and changing legislation and regulations. 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.

Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

### **DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. 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 at [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.