METALLIS RESOURCES INC.

Management's Discussion and Analysis
Six months ended June 30, 2017

Introduction

This Management Discussion and Analysis ("MD&A") is dated August 29, 2017 and should be read in conjunction with Metallis Resources Inc.'s ("the Company", "we", "our") condensed interim financial statements for the three and six month periods ended June 30, 2017, and the annual financial statements for the year ended December 31, 2016 and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and includes material events and transactions up to the date of this report. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented for the period ended June 30, 2017 are not necessarily indicative of the results that may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company, located at Suite #515 - 850 West Hastings St., Vancouver, BC, V6C 1E1, or from Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at **www.sedar.com.**

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding the Company's ability to raise additional financing, execute business and operating strategies, and the Company's ability to ability to develop its mineral properties. Discussions regarding the future exploration of the Company's properties presume such assumptions such as that sufficient financing will successfully complete on reasonable terms, whether from equity or debt issuance, joint venture or the sale of assets.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

Description of Business

The Company is involved in mineral exploration with its primary focus on gold, copper and base metals in north-western British Columbia where it holds a 100% interest in 30 contiguous claims comprising the Kirkham Property (the "Property"), covering an area of 10,610 hectares. The Property is in the south-central part of B.C.'s "Golden Triangle", currently a significant North American exploration region, hosting numerous mineral deposits, mines under construction, operating mines and former producing mines. The famous Eskay Creek mine is 20 km northeast of the Property and the Snip mine (1991-1999) is 40 km to the northwest. Pretium's Valley of the Kings Brucejack high-grade gold mine, a US $700 million underground mine which began commercial operations on July 3, 2017, is 20 km to the Property's east.

Early stage exploration work done by the Company on the Property has identified several very exciting targets to further explore, as described below under Summary of Mineral Property Interests. The Company has not yet determined whether the Property contains economically recoverable reserves. To date, the Company has not earned any revenues and is considered to be in the exploration stage. As at June 30, 2017 the Company has incurred net cumulative acquisition and exploration costs of $390,825 on the Property, after cost recoveries and write-downs in respect of lapsed claims.

The mining exploration business involves a high degree of risk. The recoverability of the amounts expended on mineral interests by the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration programs and development of its mineral properties and upon future profitable production or proceeds from disposition of its mineral interests.

The Company's common shares are listed on Tier 2 of the TSX-V under the trading symbol "MTS".

Corporate Outlook

Exploration work conducted by the Company in the past three years on the Kirkham Property has identified several major anomalies which offer a number of alternative exploration follow-up programs. In February 2017 the Company announced its intention to conduct a 2017 summer drilling program as its next key phase of exploration and as at the date of this report, the 1,500 metre drilling program had begun. A private placement was completed in June 2017, raising total proceeds of $496,300. In August 2017, a further private placement was completed, raising additional total proceeds of $626,750. These financings will finance the 2017 drilling program and the Company's working capital needs through 2017.

In the past two years, the Company has raised funds through the sale of marketable securities, the sale and option of certain mineral property interests, and the issuance of equity via private placements, allowing it to both continue fieldwork on the Property, and to meet its general working capital needs. A long awaited recovery in the mining sector began early in 2016, with increases seen in commodity prices, share trading volumes and prices, exploration funds raised and investor interest in general. Nevertheless the financial markets remain risk averse and capital is scare for mineral exploration. The TSX-V index increased 45% in 2016 but has risen less than 1% in 2017 to the date of this report.

The Company may also enter into debt issuances, joint ventures or other funding arrangements to further explore its property.

Summary of Mineral Property Interests

Kirkham Property, British Columbia, Canada

The Property covers 106 km^2 within the Unuk River area of northwestern British Columbia, part of a mineral and resource rich area referred to as the "Golden Triangle". The Company acquired the Property through a combination of staking and purchase agreements with third parties, starting in 2013 and continuing into 2015. Reconnaissance VTEM/magnetic/radiometric surveying has identified a number of gold and base metals mineral occurrences on the Property.

The primary exploration targets on the Property are high grade precious metal veins; Eskay Creek- type stratiform mineralization and porphyry copper-gold deposits similar to the Red-Chris deposit. An in-depth review of previous work done on the Kirkham Property shows that limestone and chert horizons are intercalated with andesitic and rhyolitic fragmental rocks in the Mt. Dunn area. Grab sampling of these outcrops of mineralized sediments returned anomalous gold and silver values. This finding is very significant because this shallow marine and exhalative environment hosts the high grade mineralization at the nearby Eskay Creek Mine. More importantly, the coincident magnetic and conductivity anomaly at the King Prospect lies one kilometer along strike from these outcrops of Eskay-like sediments. The Company considers that this zone represents one of the most attractive VMS targets to be discovered in the Golden Triangle during the last ten years.

2017 exploration:

In July 2017, Metallis completed Phase 1 of its 2017 exploration program which focused on geological and alteration mapping of the Hawilson Monzonite south of drill hole MD09-01 (92.67 m @ 0.22% Cu and 0.28g/t Au at the bottom of the hole) to Fewright Creek.

Phase 1 confirmed that mineralization, within the monzonite body from hole MD09-01 to Fewright Creek, is up to 500 metres wide, extends at least 1.4 kilometres along strike and was traced to 500 meters lower elevation to the bottom of the slope. Historical grab samples, at this elevation, have returned results up to 1.8% Cu and 4.3 g/t Au.

Furthermore, the intensity of phyllic alteration and copper mineralization (chalcopyrite+malachite+/-bornite) within the monzonite is stronger south of hole MD09-01 and is continuous to the Cliff Zone. Resistivity data from the 2016 VTEM survey conducted by Metallis also supports these observations as a strong conductivity anomaly (Fewright Creek) coincides with the strongest phyllic alteration and Cu/Au mineralization from hole MD09-01 to the Cliff Zone.

"Previous exploration on the Property, conducted by Metallis and others, points to the possible existence of two or more deposits, of similar geological and geophysical characteristics to a number of significant discoveries made within the Golden Triangle", notes President Fiore Aliperti. "We are very excited to begin our Phase Two 2017 drilling program and thrilled at the prospect of adding Metallis to the list of companies that have made exceptional discoveries within this prolific region".

Diamond drilling services will be provided by Swiftsure Diamond Drilling Ltd. ("Swiftsure"), which has agreed to be paid in shares in accordance with the shares for services rules of the TSX Venture Exchange. Swiftsure has 7 years of diamond drilling and consulting experience in a range of geological environments from the high Arctic to South America.

<u>Target #1: Southern Extent of the Hawilson Monzonite Body</u>

This target is characterized by an altered and mineralized Porphyry, stretching from historical hole MD09-01 to Fewright Creek. The porphyry is up to 500 metres wide, extends at least 1.4 kilometres along strike and was traced to 500 metres downslope to the bottom of the slope. At this elevation, historical grab samples have returned results up to 1.8% Cu and 4.3 g/t Au. The porphyry appears comparable in size and grade to the KSM deposit, located about 30 kilometres from the Property.

The Kirkham Porphyry target was tested in 2009 with five shallow drill holes. These holes show that the copper and gold grades increase with depth. Drill hole MD-09-01, which most deeply penetrated the monzonite porphyry reported 92.67 m @ 0.22% Cu and 0.28g/t Au at the bottom. Rock samples show improving grades down section. At the lowest exposure, twenty-two rock samples (Cliff Showing) from the mineralized monzonite porphyry average 0.7 g/t gold and 0.35% copper. The magnetite, potassium feldspars, quartz veins, biotite alteration and mineralization distribution indicate that the lower part of the exposed Monzonite is proximal to the high-grade potassic core. The Company has planned its current drilling program to test the mineralized monzonite porphyry below the previous drilling intercepts, through two or more drill holes. These holes are designed to test the Monzonite down-dip and across the strike.

<u>Target #2: The King Target</u>

The King Target is a shear-vein deposit, which sits outside the mineralized Hawilson Porphyry, was identified and confirmed by geophysical surveys of the Property conducted in 2013 and 2016. Modeling of the geophysical responses indicates that the target is approximately 400 metres long, 15 metres thick and at least 220 metres down-dip. The probable generator of this anomaly is a mineralized shear/vein system belonging to the "INTRUSION-RELATED Au PYRRHOTITE VEINS" type categorized by the BC Geological Survey.

The target is potentially three times the size of the high-grade Snip, which is located 40 kilometres northwest of the Property. Between 1991 and 1999, the Snip Mine produced over

1,100,000 ounces of gold, 429,000 ounces of silver and over 550,000 pounds of copper from 1.2 million tonnes (BC Minfile).

A heavy mineral sample collected several hundred meters downstream from this target returned a very anomalous assay of 3847 ppb gold. Modelling of the geophysical responses indicate that they are related to a plate-like conductor that is approximately 400 m long, 15m thick and at least 220 m down-dip. This plate is 3 times the size of the Snip deposit (average gold grade of 27.5 g/t), located 40 kilometers to the northwest of the Property. The Snip Mine is the best example of this class of mineralized deposits. From 1991 to 1999, the Snip Mine produced over 1.1 million ounces of gold, 429,000 ounces of silver and over 550,000 pounds of copper from 1.2 million tonnes (Refer to the Company's news release, February 7, 2017).

2016 exploration:

In 2016, the Company engaged Geotech Ltd to conduct a VTEM/magnetic/radiometric survey over a 6,000 hectare portion of the property, which was not previously surveyed. The VTEM component of the survey is useful for delineating conductors (veins, massive sulphide lenses) down to ~400m below surface. Magnetics are useful for delineating structures and intrusions which are associated with porphyry copper-gold deposits of the Golden Triangle. Radiometrics may show potassic alteration which is associated with some mineralized occurrences.

The 2016 survey identified four anomalies, which continue several hundred meters below the surface:

<u>Fewright Creek</u>: features an arcuate resistivity and magnetic anomaly surrounding a magnetic low. A small felsic plug has been mapped within this target. A large gossan occurs on the western side of the target. These features are interpreted to represent a classic alkaline porphyry copper-gold system that has experienced magnetite destruction in the center and propyllitic alteration around the rim. The geophysical results indicate that this anomaly increases in size with depth.

<u>King East</u>: comprises large coincident magnetic and resistivity anomalies. Numerous gold-bearing veins and several small felsic stocks have been mapped on the southern part of this target.

<u>North and South Terwilligen</u>: Are also characterized by coincident magnetic and resistivity anomalies. The propyllitic alteration minerals suggest that this target is high in the porphyry system. The geophysical modelling indicates the intrusion is quite near the surface.

The 2016 survey confirmed a fifth anomaly, a linear, very strong coincident resistivity and magnetic anomaly (King), originally identified by the 2013 survey, which is outboard from the mineralized Hawlison Porphyry. This feature is similar to the geological setting and geophysical response associated with the Snip Mine, located 40 kilometers to the northwest. The presence of a pyroclastic dome, limestone units and mineralized chert layers also could be indicative of an Eskay Creek – type VMS deposit.

All four of the coincident magnetic and resistivity anomalies fit Metallis' model of the geophysical response from porphyry copper/gold deposits in the Golden Triangle. King East and Fewright Creek also have strong potassium anomalies. These anomalies are at least 2 kilometers in diameter, are near the surface and display proximal features such as small diorite stocks, propyllitic alteration and local mineralized veins.

All five anomalies are concentrated near the Stuhini-Hazelton contact (also known as the Red-Line). Kyba and Nelson (2012) have shown that many of the mineralized systems in the Golden Triangle are clustered near this contact. The large porphyry-style anomalies also display coincident potassium spectral highs. This is likely due to the presence of potassic alteration – again a classic feature of alkaline porphyry systems in the Golden Triangle. Taken together, the geophysical, geochemical, geological setting and alteration are strikingly similar to producing mines in the Golden Triangle (Refer to the Company's news release, January 24, 2017).

Directors and Officers

There have been no changes to executive management or the board of directors in 2017 or 2016.

Directors are Fiore Aliperti, Jon Lever, Michael Sikich and Dr. David Webb. Mr. Aliperti is CEO, Mr. Lever is CFO, Dave Dupre is Vice-President of Exploration and Sameen Sheikh is Corporate Secretary.

The directors were reappointed by the shareholders at the Company's Annual General Meeting held May 15, 2017.

In April 2017, the Company appointed two individuals to its Advisory Board, joining Mr. Lawrence Roulston. The three members of the Advisory Board offer many years of senior exploration experience with many companies, different types of ores and geological conditions and exploration programs, and are a valuable asset of the Company. The individuals appointed during the current period are as follows:

Mr. Jeff Kyba:

Mr. Kyba, P.Geo., has been directly involved in mineral exploration for 13 years, holding various positions with junior and mid-tier exploration companies and the provincial government. Most recently, he spent the past five years as the Regional Geologist for the BC Ministry of Mines responsible for monitoring mineral exploration and mining activity in northwest BC, which includes the area containing the Kirkham Property. Prior to 2011, Mr. Kyba worked as an exploration project geologist with Ivanhoe Australia, Hard Creek Nickel Corp. and as a senior regional mapping assistant with the BC Geological Survey. Mr. Kyba is well-known for the following theory: geologic contact between Triassic age Stuhini rocks and Jurassic age Hazelton rocks is the key marker for copper-gold mineralization. Most of the Golden Triangle's copper-gold deposits, whether they are large-scale porphyry and intrusion-related, are found within 2km of this contact. It's been infamously named "The Red Line".

Mr. Stephen Wetherup:

Mr. Wetherup is a structural and economic geologist with over 20 years of global exploration experience. Mr. Wetherup has worked for Fox Geological Consultants, Phelps Dodge Corporation of Canada and as a consulting geologist for numerous exploration companies including Freeport-McMoran. Mr. Wetherup is currently the Vice President – Geology with Caracle Creek International Consulting and the Vice-President of Exploration for Commander Resources Ltd. Mr. Wetherup will be leading and coordinating the Company's mapping activities.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Annual Financial Statements.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total assets	$ 420,824	$ 294,762	$ 597,546
Total liabilities	439,402	431,475	249,384
Shareholders' equity (deficiency)	(18,578)	(136,713)	348,162
Major operating expense items			
Consulting fees	165,350	162,000	169,000
Investor relations	16,500	20,250	9,000
Professional fees	29,625	24,676	41,091
Share-based compensation	172,946	2,255	44,320
Travel and promotion	1,398	-	-
Net loss	$ 406,201	$ 608,898	$ 121,514
Loss per share	$ 0.02	$ 0.04	$ 0.01

Analysis of annual cash flows:

In 2016, the Company raised $356,750 from issuing equity, of which $311,000 was from private placements and $45,750 was from the exercise of options and warrants. It also received $31,651 from the sale and option of certain mineral property interests pertaining to the MMICP property. The Company spent $152,291 on property work and $246,482 on management and office operations, and maintained liquidity to manage its day-to-day working capital needs without significantly increasing its total liabilities, which rose approximately 2% in 2016.

In 2015, the Company issued share capital to raise $130,768 after issuance costs, and sold 50% of its marketable securities for proceeds of $43,975. It spent $8,138 net of recoveries on its mineral properties and $169,885 on operating activities for a net increase in cash during 2015 of $1,720. Cash operating costs were approximately $14,000 per month, less than the $20,000 - $25,000 monthly costs incurred in recent years primarily due to management's informal deferral of a substantial portion of its consulting and professional fees charged in the year.

Analysis of annual operations for 2016 compared to 2015:

The Company's loss in 2016 of $406,201 was 33% lower than 2015's net loss of $608,898. The difference is a result of year-to-year differences in such items as stock-based compensation, write-downs of property interests, and gains and losses on asset sales and fair value adjustments. Those items are listed in the Statements of Operations and Comprehensive Loss. Operating expenses, not including share-based compensation, were however substantially similar during the two years, $273,953 in 2016 and $253,212 in 2015, an increase of 8%. Marketing costs rose to $10,411 from $2,782 as the Company undertook two private placements. Other expense items increased 10-

20% while investor relations costs declined 18% from $20,250 to $16,500. These variable changes are normal for early stage exploration companies. Investor relations fees of $1,500 per month were charged by Buchalter Consulting Inc. until the contract was terminated on March 31, 2017.

Share-based compensation arises from the fair value computations over the vesting periods of stock option grants. With the exception of investor relations options grants, the Company's Stock Option Plan provides for full vesting of options at the time of grant. Share-based compensation was $172,946 (2015 - $2,255), attributable to the fair value of the 2016 option grant of 1,400,000 shares exercisable at $0.10 per share for a five year period.

Analysis of annual operations for 2015 compared to 2014:

The Company had a net loss of $608,898 (2014 - $121,514) which can be analyzed into five clear categories: Operating expenses declined 20% to $255,467 (2014 - $319,714), write-off of exploration and evaluation assets was $238,105 (2014 - $32,397), gain on sale of subsidiary was $nil (2014 - $163,738), unrealized loss on marketable securities was $58,425 (2014 - gain of $79,500), interest and penalties were $57,249 (2014 - $nil) and all other items totalled ($348) (2014 - $12,641).

Operating costs include the day to day overhead needs, professional fees and those costs related to the Company's compliance with its continuous disclosure obligations as a public company. These costs include mainly consulting fees of $162,000 (2014 - $169,000), professional legal, audit and tax fees of $24,676 (2014 - $41,091), investor relations of $20,250 (2014 - $9,000), and share-based compensation of $2,255 (2014 - $44,320), all of which comprise 82% (2014 – 79%) of all operating expenses. Consulting fees charged by the officers, and detailed under Related Party Transactions later in this MD&A, represented 100% (2014 – 95%) of all consulting fees incurred during the period. Professional fees were about 40% higher in 2014 as it included the consolidation of an Italian subsidiary, for which certain professional fees were incurred up to its date of disposition in mid 2014. The remainder of professional fees is substantially the audit fee which remained at approximately $20,000. No stock options were granted in 2015, and the share-based compensation relates to the 2014 option grants, with a small portion vesting in 2015.

The write-off of exploration and evaluation assets was significant in 2015, comprising 39% of the net loss compared to 27% in 2014. A write-off of $186,635 was recorded as at December 31, 2015 to impair the capitalized value of the Company's MMICP property to $1, after the subsequent termination of the MMICP option agreement by the optionee, Karsten Energy Corp. The decision to write-off the property was driven by a lack of other third party interest, and the Company's own publicized intent to focus on its Kirkham Property, and consequently no significant exploration on MMICP was done after 2011.

The indemnification provision of $68,750 was recorded pursuant to the completion of a CRA audit in early 2016 of the Company's 2011 flow-through private placement, the results of which deemed certain previously renounced qualifying flow-through expenditures as non-qualifying expenditures. The provision reflects the expected income tax adjustment to the subscribers of the 2011 flow-through private placement financing in the event the CRA reassesses the subscribers, for which the Company is obligated to "make whole" the subscribers' tax positions.

Quarterly Information

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30 2016
Total assets	$ 719,002	$ 417,207	$ 420,824	$ 416,055
Total liabilities	424,465	488,565	439,402	391,460
Shareholders' equity (deficiency)	294,537	(71,358)	(18,578)	24,595
Consulting fees	49,500	50,220	41,500	42,850
Professional fees	9,344	945	20,000	2,390
Rent	5,363	5,104	5,217	5,093
Share-based compensation	-	-	-	-
Net income (loss)	(105,224)	(73,280)	(62,480)	(71,921)
Earnings (loss) per share	(0.01)	(0.00)	(0.00)	(0.01)

	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30 2015
Total assets	$ 326,183	$ 285,566	$ 294,762	$ 507,373
Total liabilities	410,787	463,400	431,475	293,169
Shareholders' equity (deficiency)	(84,604)	(177,834)	(136,713)	214,204
Consulting fees	40,500	40,500	40,500	40,500
Professional fees	7,235	-	20,000	4,176
Rent	5,093	5,092	4,962	4,963
Share based compensation	153,639	-	-	294
Net income (loss)	(224,679)	(47,121)	(341,917)	(100,232)
Earnings (loss) per share	(0.01)	(0.00)	(0.02)	(0.01)

Results of Operations

Three months ended June 30, 2017 compared to three months ended June 30, 2016:

For the three months ended June 30, 2017 the Company had a net loss of $105,224 (2016 - $224,679) mainly composed of consulting fees of $49,500 (2016 - $40,500), advertising and marketing of $32,850 (2016 - $1,371), professional fees of $9,344 (2016 - $7,235) and share-based compensation of $nil (2016 - $153,639), all comprising 87% (2016 – 90%) of the net loss. Other operating expenses totalled $15,780 (2016 - $18,851) which includes office expenses, rent, investor relations fees and regulatory and transfer agent fees, all of which remained at similar levels over the periods. Of note in 2017 were a paid research report and a redesign of the Company's website, both of which were recorded as advertising and marketing expenses which totalled $32,850 compared to $1,371 last year.

Investor relations services provided by Buchalter Consulting Inc. were terminated in March 2017, and had been charged at a rate of $1,500 per month.

In the current period the Company capitalized costs of $50,500 (2016 - $7,668) related to exploration of the Kirkham Property, including $43,000 for licenses and claim fees (2016 - $nil) and professional fees of $7,500 (2016 - $7,500). The Company conducted some fieldwork in July 2017 and is currently drilling on the Property; these costs will be recorded in Q3 as appropriate.

In the current three month period, cash inflows totalled $485,819 (2016 - $159,270) composed of net proceeds from private placements (2016 and 2017) and warrants exercised (2016). Property disbursements were $58,000 (2016 - $22,872) before recoveries of $nil (2016 - $26,650), and operating cost disbursements totalled $181,003 (2016 - $103,630). The higher amount of operating disbursements reflects the Q2 2017 payment of audit fees, advertising and marketing costs of $32,850 as noted above, and net $37,430 was paid to related parties against their deferred fees outstanding.

Three months ended June 30, 2017 compared to three months ended March 31, 2017:

The Company's net loss this quarter of $105,224 (Q1 2017 - $73,280) is composed of operations expenses of $107,474 (Q1 2017 - $74,405), and an unrealized gain on marketable securities of $2,250 (Q1 2017- $1,125). Current period operating expenses are $33,069 or 44% higher as this includes new advertising and marketing costs, specifically a paid research report and a full website redesign, incorporating a new interface with the latest property information, all done ahead of and to assist with the recently successfully completed private placements. All other operating costs (except advertising and marketing) total $74,624 (Q1 2017 - $71,727). This is consistent with management's new estimate of regular recurring operating costs in the range of $25,000 per month, increased from $20,000 per month in recent years, due to the overall ramp up of exploration activities.

Consulting fees to related parties remained $40,500 during both periods. Other consulting fees were $9,000 (Q1 2017 - $9,720).

Of the $506,319 raised in Q1 and Q2 2017, $485,819 was raised in Q2 when the private placement closed. From these funds the Company paid license and claim fees on the Property of $43,000, set into motion its summer drilling program and reduced total liabilities in Q2 by $78,800 or 16%. After payment of Q2 operating costs of $102,203 (against operating expenses of $107,474), there is $250,053 cash as at June 30, 2017.

Six months ended June 30, 2017 compared to six months ended June 30, 2016:

The six month 2017 loss of $178,504 is less than the comparative 2016 loss of $271,800. A stock option grant in 2016 resulted in a share based compensation charge of $153,639 as determined by the Black Scholes pricing model, while no such charge was recorded in the current period. Notwithstanding this item, the comparative loss would be $118,161, less than the current period by $60,434. The analysis of this increase shows that consulting fees were $18,720 higher and advertising and marketing was $33,520 higher, for a total of $52,240 or 86% of the total increase. The additional consulting fees are to unrelated third parties, and the advertising and marketing costs increase has been detailed above.

As the Company moves forward with its drill program and the subsequent period awaiting assay results in the fall, management expects its operations to carry forward along operating costs consistent with the above discussion and analysis of operating results.

Liquidity and capital management

The Company has no commercial operations or source of revenue, no long term debt, and no externally imposed capital requirements other than those specified under continuous listing requirements. Its capital is comprised of shareholders' equity. The Company's objectives when managing capital are to fund critical exploration work, meet its on-going liabilities, continue as a going concern, maintain creditworthiness and to ultimately maximize returns for shareholders over the long term. Private placement financings cause dilution to shareholders, but the relative dilution declines as the share issuance price rises. Management plans its exploration programs with the objective of adding enterprise value with each phase of work performed, serving to mitigate the effect of dilution. There were no changes in the Company's approach to its capital management objectives during the period ended June 30, 2017.

Meeting current and future liabilities and obligations as a non-revenue early stage developer requires mid-term financial planning and consideration of the Company's internal, exploration and financing risks at any particular time. The Company endeavors to maintain capital balances over the periods to alleviate unexpected cash flow shortfalls. The capital for operations and property exploration has historically come from proceeds from the issuance of common shares and the sale of non-core assets. The net proceeds raised from equity financings and the sale of assets during 2015 and 2016 were sufficient to complete defined exploration programs and meet most day to day obligations related to corporate overhead. Private placements completed in 2017 are sufficient to fund this summer's 1,500 metre drill program, any additional exploration work as deemed necessary, and working capital, going forward.

The Company expects its ongoing operating expenses, including annualized costs such as audit fees allocated over each month, to be approximately $30,000 per month, an increase over the $25,000 per month experienced over the past couple of years. The manageable increase reflects additional consulting engagements and more shareholder communication costs as the website and interface was redesigned, more data was uploaded, and a (paid) research report was prepared by Westbay Research to aid in fundraisings. Monthly operating costs averaged $22,800 per month in fiscal 2016, not including share-based compensation, compared to $30,300 per month for the six months ended June 30, 2017. Capital scarcity in the exploration sector in recent years caused management to accept the deferral of the payment of significant portions of its fees to help conserve cash resources. Certain non-deferrable overhead costs relate to the Company's obligations as a public company and include audit, legal, regulatory and transfer agent fees. Those costs totalled approximately $50,000 and $40,000 in 2016 and 2015, respectively. Mitigating these fees remains challenging in a world of increasing compliance, regulation, disclosure and bureaucracy.

Liquidity is also available from the sale of marketable securities consisting of 225,000 common shares of Seahawk Ventures Inc. ("Seahawk"), a company listed on the CSE Exchange (Toronto) under the symbol "SHV", which were valued at $0.32 per share at the date of this report, for a total fair value of $72,000. The Seahawk shares do not have any trading restrictions but have limited liquidity in the market as a junior exploration company.

The Company's working capital at the date of this report is approximately $516,000 as follows:

Analysis of working capital, August 29, 2017		($ 000's)
Cash, receivables, advances and deposits	$	800
Marketable securities		70
Accounts payable and accrued liabilities		(54)
Due to related parties		(231)
Indemnification provision		(69)
Total net working capital	$	516

Private placements completed in the current period have provided sufficient exploration funds and working capital for the Company's needs over the ensuing year. Prior to the current period, the Company had experienced working capital deficiencies for several years but was able to meet its necessary obligations associated with its day to day operations through prudent management of its cash resources and through the use of certain creditor agreements and arrangements. Management still considers it unlikely that certain liabilities will require payment for the foreseeable future, as follows:

a) 65%, or $231,000 of total liabilities are owing to related parties and management of the Company for fees rendered; they have informally agreed to continue to defer repayment of significant portions for their fees for the foreseeable future;

b) 19% of total liabilities represent an indemnification provision of $68,750 that is unlikely to be realized, in management's opinion. The Company completed a flow-through financing in 2011, and did not spend all the funds on qualifying activities, triggering tax reassessments to the original institutional subscribers. A provision was first provided for in 2014 and then increased in 2015. Management considers this provision as unlikely to be paid because the CRA would need to reassess the institutional subscribers which in turn would need to reissue flow-through documentation for each of their beneficial shareholders, followed by a claim for the differential tax amounts.

The remaining 16% of liabilities or about $54,000 relate to the day-to-day operations of the Company.

Outstanding share information

The total number of common shares outstanding as of the date of this report is 23,398,617 shares, reflecting the August 2017 closing of a $626,750 private placement at $0.25 per Unit, resulting in the issuance of 2,507,000 common shares, and the August 2017 exercise of 65,000 warrants at $0.35 per share.

Stock options

At the date of this report, there are 2,325,000 stock options outstanding, reflecting a grant of 1,100,000 stock options in August 2017. The Company's current outstanding stock options are as follows:

Stock options outstanding as at the date of this report:		
Number of Options	Exercise Price	Expiry Date
1,225,000	$ 0.10	April 23, 2021
1,100,000	0.39	August 18,2022
2,325,000		

Warrants

As at the date of this report, there are 3,451,280 share purchase warrants outstanding, consisting of 860,000 remaining warrants from an August 2016 private placement as 65,000 were exercised in August 2017 at $0.35 per share, 900,780 warrants from the May 2017 closing of the first tranche of a private placement, 437,000 warrants from the second closing of the private placement in June 2017, and 1,253,500 warrants from the private placement completed in August 2017.

Warrants outstanding as at the date of this report:		
Number of Warrants	Exercise Price	Expiry Date
860,000	$ 0.35	August 2, 2018
900,780	0.35	May 9, 2019
437,000	0.35	June 28, 2019
1,253,500	0.40	August 16, 2019
3,451,280		

Related party transactions

The following related parties include directors and key management personnel, including those entities in which such individuals may hold positions that result in them having control or significant influence over the financial or operation policies of these entities:

a) Avanti Consulting Inc. ("Avanti") is a company controlled by the current CEO and director of the Company, Fiore Aliperti, and has provided consulting services.

b) Lever Capital Corp., a company owned by the current CFO and director Jon Lever, provided consulting services to the Company.

c) The Company's Corporate Secretary Ms. Sameen Sheikh provides general administrative services, bookkeeping and corporate secretarial services.

d) D. G. Dupre and Associates Inc. ("Dupre") is a company that is controlled by the Vice President of Exploration for the Company David Dupre which provides geological consulting services, the amounts of which are capitalized under exploration and evaluation assets.

The aggregate value of fee-based transactions (exclusive of share-based compensation) and outstanding balances relating to the above noted related parties are as follows:

		Transactions for the period ended June 30, 2017	Transactions for the year ended December 31, 2016	**Balance payable as at June 30, 2017**	Balance payable as at December 31, 2016
Avanti Consulting Inc.	**(a)**	**$ 42,000**	$ 84,000	**$ 101,125**	$ 109,100
Lever Capital Corp.	**(b)**	**15,000**	30,000	**67,993**	57,643
Corporate secretary	**(c)**	**24,000**	48,000	**3,165**	12,450
D.G. Dupre and Associates Inc.	**(d)**	**15,000**	30,000	**56,892**	59,142
Total		**$ 96,000**	$ 192,000	**$ 229,175**	$ 238,335

Other related party transactions

In the period ended March 31, 2017, a director exercised 125,000 stock options at $0.10 per share for proceeds of $12,500.

Directors and management subscribed for $52,000 of the first private placement tranche which closed in May 2017 and $46,800 of the second and final tranche which closed in June 2017.

There no other related party transactions during the current period.

Off Balance Sheet Arrangements

As of the date of this report, the Company does not have any 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 including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Risk Factors

Investing in the common shares of the Company has risks. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline and prospective investors may lose part or all of their investment.

Financing
The Company may not be successful at raising financing or disposing of its marketable securities and could therefore become insolvent or face bankruptcy proceedings. Without sufficient funds, it may not be able to carry on operations, and it may not be able to continue to develop or even maintain its exploration and evaluation assets. If the only alternative is to sell the Company's assets, any funds received may not be sufficient to allow the Company to continue as a going concern.

Possible Trading Suspension or Delisting
The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to submit documents to the Exchange in the time periods required or has otherwise failed to meet minimum standards. Suspension from trading of the common shares

may, and delisting of the common shares will, result in the regulatory securities authorities issuing a consolidated interim cease trade order against the Company. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Company held by Insiders. Trading in the common shares of the Company may be halted at other times for other reasons also.

Dilution
If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change and subscribers may suffer dilution of their investment.

Directors and Officers
The directors and officers of the Company may not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management
The Company is relying solely on the past business success of its directors and officers to identify, acquire and develop strategic assets of merit. The success of the Company is dependent upon the efforts and abilities of its directors and officers and from the results of exploration. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

Title to mineral resource properties
Title to mineral exploration permits and mineral claims cannot be guaranteed and may be subject to regulatory changes and possible expropriation or cancellation. To the extent financing is not available, resource property fees and lease payments, work commitments, rental payments and option payments, if any, may not be completed and could result in a loss of property ownership or earning opportunities for the Company.

Results from exploration
The results of the Company's exploration programs may not be successful, and its properties may need to be written off or abandoned, in which case the Company would not have any principal asset.

Community relations
Public scrutiny of mining projects has brought corporate social responsibilities into strategic planning. Garnering community and public support for future mine development and construction includes public engagement and involvement of key community stakeholders, encompassing transfer of economic benefits and environmental stewardship. The lack of a social license to operate could impair the value of the Company's resource properties or delay or prevent exploration, development or construction activities.

New accounting standards
There were no new IFRS or IAS accounting standards that became effective in 2016 that had a material impact on the Company's financial statements.

There is a new standard *IFRS 9 "Financial Instruments"* effective for annual periods beginning on or after January 1, 2018. This new standard is a partial replacement of IAS 39 Financial

Instruments: Recognition and Measurement. Management is assessing the impact on its financial statements and disclosures.

Financial Risks

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

Credit Risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Company is normally exposed to credit risk through its cash and receivables. The Company manages credit risk associated with its cash by using reputable financial institutions, from which management believes the risk to be remote. Receivables have primarily consisted of recoverable sales taxes, or mineral exploration tax credits, for which management believes the collectability of these amounts to be assured.

Liquidity Risk

The Company has historically relied on equity issuances and asset sales to satisfy its capital requirements and maintain liquidity. It will continue to rely on the equity markets, debt markets and the continued support of its directors, creditors and other related parties. Financings completed in 2017 have reduced liquidity risk and as the funds will finance the summer drilling program and provide for the Company's working capital needs through the year. As noted above under Summary of Mineral Property Interests, the driller has agreed to be paid in common shares which will further increase liquidity. However, in order to execute further exploration programs, additional funds may be required and the ability of the Company to arrange such financings in the future will depend on the prevailing market conditions which are influenced by the Company's results from its exploration. Accordingly, there can be no assurance the Company will be able to obtain any required financing in the future on acceptable terms.

The Company's approach to managing liquidity risk has been to proactively raise funds when possible, through the sale or option of mineral properties or other assets, or the sale of equity units, common shares or flow-through common shares, all of which the Company has done. Management budgets conservatively, minimizes its day to day operating costs and carefully plans its exploration work programs, to minimize overall liquidity risk.

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2017 portfolio value, every 10% increase or decrease in the share price of marketable securities held would have impacted profit (loss) for the year, up or down, by approximately $6,975 (December 31, 2016 - $6,638) before income taxes.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of its purchases are transacted in Canadian dollars. From time to time, the Company has funded certain costs in foreign currencies. The frequency and magnitude of such transactions are not significant and the foreign currency risk is considered negligible.

Fair value hierarchy

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

Management's Responsibility for the Condensed Interim Financial Statements

Information provided in this report, and the accompanying condensed interim annual financial statements, are the responsibility of management. In the preparation of these reports, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the condensed interim financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.