

**EQUITORIAL EXPLORATION CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2017**

**1.1 DATE OF REPORT** MAY 05<sup>th</sup>, 2017

**1.2 OVERALL PERFORMANCE**

***General***

Equitorial Exploration Corp. (the "Company") was incorporated on September 21, 2010 under the laws of the British Columbia Business Corporations Act.

The following Management Discussion and Analysis has been prepared as of May 05<sup>th</sup>, 2017, should be read in conjunction with the audited financial statements for the years ended December 31, 2016 and 2015 and related notes attached thereto, which are prepared in accordance with IFRS. All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**Description of Business**

The Company is a junior natural resource company engaged in the acquisition, exploration and development of mineral properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the TSX Venture Exchange under the symbol EXX and Frankfurt: EE1 and the Company has submitted an application to list its shares for trading on the OTCQB markets in the United States.

The Company has yet to receive any revenue from its natural resource exploration operations. Accordingly, the Company has no operating income or cash flows. Its continued existence has relied almost exclusively upon equity financing activities, which is not expected to significantly change in the immediate future.

**Forward Looking Information**

Certain statements in this Management Discussion and Analysis constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically containing statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose" or similar words suggesting future outcomes or statements regarding, and outlook. Forward-looking statements or information in this Management Discussion and Analysis include, but are not limited to, statements regarding:

- Business objectives, plans and strategies;
- Exploration objectives, plans and strategies; and,
- Certain geological interpretations and expectations.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this Management Discussion and Analysis, assumptions have been made regarding, among other things:

- The ability of the Company to continue to fund its operations through financings, options and joint ventures;
- The ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities;
- The level of exploration activities and opportunities;
- The ability of the Company to retain access and develop its mineral claims; and
- Current and future mineral commodity prices.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- The ability of management to execute objectives, plans and strategies;
- Exploration, development and operational risks inherent in the mining industry;
- Market conditions;
- Risks and uncertainties inherent in geology and exploration for deposits;
- Potential delays and changes in plans;
- The Company's ability to retain land tenure;
- Uncertainties regarding financings and funding;
- General economic and business conditions;
- Possibility of governmental policy changes;
- Changes in First Nations policies;
- Other risks and uncertainties described within this document.

The forward-looking statements or information contained in this Management Discussion and Analysis are made as of the date hereof and the Company undertakes no obligation to update publically or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities law.

## **Significant Acquisitions**

### ***Tule Valley***

On February 17, 2017, the Company acquired 100% interest in the Tule Valley Lithium Brine project in Utah and the Gerlach (San Emidio Desert) Lithium Brine properties from Umbral Energy Corp ("Umbral"). Agreement has been approved by TSX.

As per the agreement, the Company has paid Umbral the sum of \$50,000 and issued to the Umbral 2,000,000 common shares in consideration for the assignment of the underlying agreement. The Company also paid a final payment of \$100,000 to the underlying owner and Umbral will issue 1,500,000 shares for 100% interest in the properties. There is a 2% NSR in favour of the underlying owner.

Tule Valley Lithium Brine Project comprises 26 placer claims of 160 acres each, for a total area of 4,200 acres. The property is located approximately 190km south west of Salt Lake City, Utah, and is road accessible from Delta UT, 70km to the east.

Tule Valley is a closed basin, wherein surface water and groundwater flowing into the basin has no escape route (eg, river outlet), and the water can only escape through evaporation at surface. Any minerals dissolved in said water are left behind in the resulting brines and evaporation pools. Tule Valley is mostly a dry lake bed (playa), but it hosts active evaporation pools along its western margin.

Tule Valley is located within an area which hosts several lithium-bearing hardrock properties. Some of these areas may have provided lithium to groundwaters. Redhill Resources Corp.'s Honey Comb beryllium-rubidium-lithium-rare-earth project is situated 20 km to the north; Crystal Peak Minerals Inc.'s potash-lithium-magnesium brine project is 60 km to the southeast, and Materion Corp.'s Spor Mountain beryllium mine can be found 30 km to the northeast. Redhill states in their Sept. 30, 2011, National Instrument 43-101 report, that initial surface sampling provided assays of 1,500 to 1,700 parts per million lithium. Crystal Peak's Nov. 18, 2013, NI 43-101 report announces that lithium values in solution (brine) range from 50 to 200 milligrams/litre. Crystal Peak is an evaporite basin similar to Tule Valley.

The Tule Valley prospect may be similar to that of Clayton Valley, Nevada, as they are both closed basins with signs of active and historic evaporation. The Tule Valley project requires further exploration, including geophysics and drilling, to evaluate potential for a mass brine deposit.

The Gerlach (San Emidio Desert) property is located less than 5km south of Gerlach, Washoe County, Nevada. The 89 placer claims of 20 acres each, covering an area of 1,780 acres within the San Emidio Desert which is the southern lobe of the largest dry lake bed in North America (Black Rock Desert), known for its natural hot springs.

Although San Emidio is a dry lake bed (playa) with little evidence of active evaporation,

US Geothermal Co. has a geothermal electro-generation plant located 27km south of the claim block on the east edge of the San Emidio playa. This confirms the presence of geothermal activity (hence brines) in the San Emidio playa.

The Gerlach property may have similar characteristics to that of Clayton Valley, Nevada, as they are both closed basins with signs of geothermal activity. Similarly to Tule Valley, the Gerlach project requires further exploration, including geophysics and drilling, to evaluate potential for a mass brine deposit.

### ***Li Property***

On July 27<sup>th</sup>, 2016 the Company purchased from Strategic Metals LTD 100% interest of the **Li Property** which hosts the **Little Nahanni Pegmatite Group (LNPG)** lithium-cesium-tantalum (LCT) pegmatite dykes that have been traced for over 13km. The property is located in the North West Territories and is 37km northwest of the recently closed tungsten mine (Cantung). A gated road that extends northwest from Cantung passes within 5km of the LNPG property.

As consideration of the purchase and sale, the Company has issued to Strategic 5,000,000 common shares of the Company on the closing date; and paid \$100,000 towards expenditures required for the 2016 work program on the Property and grant a 2% NSR Royalty to Strategic. The Company will have the right to buy down half of the NSR Royalty (equal to 1% of the Net Smelter Returns) in consideration for \$2,000,000. Within one year of the closing date, the Company will issue to Strategic 2,500,000 common shares of the Company; and 2,500,000 common share purchase warrants of the Company, with each warrant entitling Strategic to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the date of issue of the warrants.

During the 2016 field program, a total of 81 channel samples were cut across parts of the lithium-cesium-tantalum pegmatite dike swarms that comprise the Prison Wall, Berlin Wall, Great Wall of China and Hadrian's Wall dike swarms within cirques 3 and 4. Highlights from individual dikes within and adjacent to dike swarms include:

- 1.57 per cent lithium oxide (Li<sub>2</sub>O), 250.3 grams per tonne (g/t) tantalum pentoxide (Ta<sub>2</sub>O<sub>5</sub>) and 0.95 per cent tin dioxide (SnO<sub>2</sub>) across 1.7 metres;
- 2.04 per cent Li<sub>2</sub>O, 57.8 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across four metres;
- 3.1 per cent Li<sub>2</sub>O, 53.6 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.03 per cent SnO<sub>2</sub> across 0.95 metre;
- 2.33 per cent Li<sub>2</sub>O, 59 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across 1.2 metres;
- 1.67 per cent Li<sub>2</sub>O, 41.4 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.03 per cent SnO<sub>2</sub> across 3.75 metres;
- 1.83 per cent Li<sub>2</sub>O, 67.3 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across 1.25 metres;
- 1.63 per cent Li<sub>2</sub>O, 52.9 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.01 per cent SnO<sub>2</sub> across 5.15 metres.

In summer 2017, the Company is anticipating a field program comprising diamond drilling, channel sampling, geological mapping and prospecting on the Li property.

In March 2017, the Company has filed NI 43-101 technical report.

The 43-101 technical report concludes that, *'results such as 10.35m at 1.13% Li<sub>2</sub>O, 71.1 g/t Ta<sub>2</sub>O<sub>5</sub> and SnO<sub>2</sub> are highly encouraging.*

The Technical Report titled "Geology and Summary Report of the Little Nahanni Pegmatite Prospect" was prepared by Timothy Liverton, Phd, C.Geol, FGS, an independent qualified person as defined by National Instrument 43-101. The report has been filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) under the Equitorial Exploration Corp. profile.

### ***Mag One Products Inc.***

On March 11, 2016, the Company entered into agreement with Mag One Products Inc. ("Mag One"), in which Mag One has granted the Company a first right to a 50/50 JV to fund equally the construction of the first magnesium and refining production facility for use by Mag One to produce magnesium metal and related products, by using its proprietary magnesium metal technology upon the Company completing its investment of \$1 million Canadian dollars to Mag One.

The terms of the JV shall be set out in a formal JV agreement once the Investment is in place. Upon the successful completion of the first production and refining facility under the JV terms, the Company shall then have the first right to enter into a further 50/50 JV in regard to participate to funding of the construction of the second production and refining facility on the same terms as the first JV. The Company will also have the right to fund other production facilities on a 50/50 JV, on a non-exclusive basis, with Mag One once the first 2 facilities are funded and in operation.

### **Amendment to Agreement**

On May 2<sup>nd</sup>, 2016, The Company and Mag One have amended their agreement announced March 11, 2016. Upon providing \$750,000 (paid) of the initial \$1.5M private placement, the Company will have earned an exclusive right to enter into the first JV to fund, on a 50/50 basis, the construction of production facilities that Mag One will use to produce magnesium metal and products.

The Company will also have the right to fund other production facilities on a 50/50 JV, on a non-exclusive basis, with Mag One. On the Company advancing a second \$750,000, then it would have an exclusive option to enter into a second JV to fund, on a 50/50 basis a second facility on the same basis as the first JV.

On May 6, 2016, the Company bought 833,333 units of Mag One at a price of \$0.90 per unit. Each unit has one common share and one share purchase warrant at a price of \$1.10 per share expiring on May 6, 2017.

On May 18, 2016, the Company further bought 277,778 units at a price of \$0.90 per unit. Each unit has one common share and one share purchase warrant at a price of \$1.10 per share expiring on May 18, 2017.

### 1.3 SELECTED FINANCIAL INFORMATION

|                                                               | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|
| Total revenues                                                | \$ -              | \$ -              | \$ -              |
| Income (loss) before other items                              | (672,169)         | (837,469)         | (1,118,106)       |
| Net income (loss) attributable to shareholders of the Company | (2,242,196)       | (183,328)         | (1,602,076)       |
| Income (loss) per share basic and diluted                     | (0.03)            | (0.00)            | (0.06)            |
| Total assets                                                  | 2,795,004         | 4,982,249         | 3,743,665         |

### 1.4 RESULTS OF OPERATIONS

These interim consolidated financial statements, as at and for the three months ended March 31, 2017, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company recorded a net loss (attributable to shareholders of the Company) for the period ended March 31, 2017 of \$1,459,049 (\$0.03) per share) and had cumulative deficit of \$6,463,764 as compared to cumulative deficit of \$5,004,715 for the year ended December 31, 2016.

#### ***Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016***

The total expenses were \$296,026 an increase of \$165,036 compared to \$130,990 for the comparable period of the prior year. This increase was mainly due to stock based compensation expense of \$123,036.

Accounting and audit fees were increased by \$1,000. This was due to increase in accounting fees.

The consulting fees were increased by \$49,863 as a result of business development consulting services retained during the period.

Exploration expenses increased by \$3,881. The Company spent funds on Li property.

The filing fees were increased by 7,992 as a result of property acquisitions and increased annual fees.

The legal fees were decreased by \$3,551.

Office expenses were increased by 11,601 as a result of increased office activities.

During the period, the Company granted 2,300,000 options to its consultants and officers and recorded \$123,036 stock based compensation expenses.

The shareholder information expenses were decreased by \$33,157. These decreased costs associated with the decrease in corporate development and marketing activities.

The transfer agent fees were decreased by \$4,297.

The travel expenses were increased by \$8,528. These increased costs associated with the increase in travel for corporate development and marketing activities.

The Company sold 8,941,000 shares of Iberian Minerals Ltd., for the net proceeds of \$686,633. The Company incurred the loss on disposal of shares \$207,471.

The fair value changes in marketable securities were \$(955,552).

## 1.5 SUMMARY OF QUARTERLY RESULTS

| Quarter ended      | Revenue | Net (loss) gain | Net loss per share |
|--------------------|---------|-----------------|--------------------|
|                    | \$      | \$              | \$                 |
| March 31, 2017     | 0       | (1,459,049)     | (0.03)             |
| December 31, 2016  | 0       | 16,949          | 0.01               |
| September 30, 2016 | 0       | (60,214)        | (0.00)             |
| June 30, 2016      | 0       | (163,053)       | (0.00)             |
| March 31, 2016     | 0       | (2,035,878)     | (0.04)             |
| December 31, 2015  | 0       | 458,736         | 0.01               |
| September 30, 2015 | 0       | (221,048)       | (0.01)             |
| June 30, 2015      | 0       | (229,026)       | (0.01)             |

Due to fair value change of marketable securities amount \$955,552 and loss on disposal of marketable securities amount \$207,471, the net loss was \$1,459,049 for the quarter ended March 31, 2017.

Due to fair value change of marketable securities amount \$521,043 and gain on settlement the net gain was \$16,949 for the quarter ended December 31, 2016.

Due to fair value change of marketable securities amount \$1,535,950 and loss on disposal of investment in association, amount \$408,412, the net loss was \$2,035,878 for the quarter ended March 31, 2016.

Due to fair value change of marketable securities and gain on disposal of investment in association, amount \$1,021,170 the net profit was \$458,736 for the quarter ended December 31, 2015.

## 1.6 LIQUIDITY

As at March 31, 2017, the Company had working capital of \$642,686 as compared to working capital of \$2,073,444 on December 31, 2016.

### *Cash Flow from Operations*

During the period ended March 31, 2017, the Company had cash out-flow of \$(293,357) from operations compared to an outflow of \$(98,225) in the comparable period of the previous year.

Accounts receivable increased by \$6,951, compared to decrease of \$6,040, prepaid expenses increased by \$13,170, compared to decrease of \$18,810, and accounts payable decreased by \$100,246 compared to an increase of \$7,912.

### *Investing Activities*

During the period ended March 31, 2017, the net cash from (to) investing activities were \$603,963 compared to \$297,988 in the comparable period of the previous year. During the period sale of marketable securities were \$686,633 compared to \$496,688 in previous period, due to related parties increased by \$12,075 compared to decrease of \$(1,300) and resource property expenses were increased by \$94,745.

### *Financing Activities*

There were no financing activities during the year ended March 31, 2017.

Since incorporation, the Company's capital resources have been limited. The Company has to rely upon the sale of equity and debt securities for cash required for administration, acquisitions and exploration programs, among other things. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next year, it is unlikely that significant cash will be generated from operations over this period. Since the Company is unlikely to have significant cash flow, the Company will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company is engaged in the acquisition, exploration and development of natural resource properties.

## **1.7 CAPITAL RESOURCES**

During the period ended March 31, 2017, the Company sold 8,941,000 marketable securities for the net proceeds of \$686,633. The Company spent funds in buying marketable securities, property expenses and working capital.

## **COMMITMENTS**

At present, the Company has no commitments.

## **1.8 OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## **1.9 RELATED PARTY TRANSACTIONS**

During the period ended March 31, 2017, the Company entered into the following transactions with the related parties:

- (a) Incurred consulting fees of \$30,000 (March 31, 2016: \$nil) with Jack Bal CEO and Saf Dhillon director of the Company.

As at March 31, 2017, \$12,075 (December 31, 2016 - \$nil) was owing to companies controlled by directors and officers of the Company.

- (b) Paid rent of \$1,500 (March 31, 2016: \$1,500) pertains to rent paid to a company related by a common officer Binny Jassal for shared office premises.
- (c) Incurred accounting fees of \$9,000 (March 31, 2016: \$9,000) with Binny Jassal, officer of the Company.
- (d) As at March 31, 2017, prepaid expenses include \$23,625 (December 31, 2015: \$23,625) to Jack Bal. CEO and president of the Company.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties. Note 10 also provide information on related party transactions.

## **1.11 PROPOSED TRANSACTIONS**

N/A

## **1.12 CRITICAL ACCOUNTING ESTIMATES**

Critical Accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact the Company's financial statements. At present the Company does not have any critical accounting estimate.

## **1.13 CHANGES IN ACCOUNTING POLICIES**

### **New standards and interpretations not yet adopted**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2015, or later periods. Some updates that are not applicable or

are not consequential to the Company may have been excluded from the list below.

i) New standard IFRS 9 Financial Instruments has been issued by IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## **Significant Accounting Policies**

### **(a) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

### **(b) Foreign currency translation**

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### **(c) Impairment of tangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(d) Deferred income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**(e) Provision for decommissioning and restoration**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at March 31, 2017 and December 31, 2016, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

**(f) Share-based payments**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non- employees are measured at the fair value of goods or

services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(g) Earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. For the period presented, dilutive loss per share is equal to basic loss per share.

**(h) Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts, determination of functional currency and provision for restoration, rehabilitation and environmental costs.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the

discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

#### **(i) Mineral properties**

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### **(j) Financial instruments**

##### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash has been classified under this category.

Loans and receivables - These assets are non-derivative financial assets with fixed or

determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Accounts and loans receivables and due from a related party have been classified under this category.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities, loan payable and due to related parties have been classified under this category.

IFRS 7 requires additional disclosures relating to the measurement of fair value for financial instruments and liquidity risk. The disclosure requirement establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability; and

Level 3 - Inputs for the asset or liability that are not based on observable market data.

All of the financial instruments measured at fair value on the statement of financial position are

included in Level 1. The company does not hold any financial instruments that are measured from Level 2 or Level 3 inputs.

**(k) Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**(l) Investment in Associates**

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statements of income (loss).

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If the interests are impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statements of income (loss).

**FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

**(a) Fair value of financial instruments**

The Company's financial instruments at December 31, 2016 consist of cash and cash equivalents, marketable securities, accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties. Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying values of accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties approximate their fair values because of their nature and respective maturity dates or durations.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at March 31, 2017 as follows:

|                           | Level 1      | Level 2 | Level 3      | Total      |
|---------------------------|--------------|---------|--------------|------------|
| <b>Financial Assets</b>   |              |         |              |            |
| Cash and cash equivalents | \$ 396,809   | \$ –    | \$ –         | \$ 396,809 |
| Marketable securities     | 622,245      | –       | (269,778)    | 352,467    |
|                           | \$ 1,017,054 | \$ –    | \$ (269,778) | \$ 749,276 |

**(b) Risk Management**

## Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company's receivables consist of mostly GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

## Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

## Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

## Foreign currency risk

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars, Colombian Peso and US dollars. To fund exploration expenses, it maintains a Colombian Peso and US dollars-denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

## Commodity price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

## (c) **Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes cash, debt and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to those markets, and by its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. However, it is subject to any regulations and rules imposed by the TSX Venture Exchange in issuing and/or maintaining debt or equity financings. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

#### **1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

It is management's opinion that the fair value of the Company's cash, accounts receivable, accounts payable and accrued liabilities, approximate their carrying value due to the relatively short periods to the maturity of the instruments.

None of the Company's financial instruments are denominated in U.S. dollars, and the Company does not use foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

#### **1.15 OTHER MD&A REQUIREMENTS**

##### **Financial and Disclosure Controls and Procedures**

During the period ended March 31, 2017, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the period ended March 31, 2017 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and

maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

### Outstanding Share Data

- a) The Company’s authorized share capital consists of unlimited common shares without par value. The Company has only one kind and class of shares and there are no unusual rights or restrictions attached to that class.
- b) As at May 05<sup>th</sup>, 2017, the Company had a total of 60,252,571 (December 31, 2016: 58,252,571) common shares issued and outstanding.
- c) As at May 05<sup>th</sup>, 2017, the Company had 13,695,838 (December 31, 2016: 15,432,103) warrants outstanding enabling holders to acquire the following:

| Number of<br>Shares | Exercise<br>Price | Expiry<br>Date   |
|---------------------|-------------------|------------------|
| 2,700,000           | \$0.20            | July 27, 2020    |
| 997,106             | \$0.20            | August 25, 2020  |
| 4,522,699           | \$0.10            | October 8-2017   |
| 4,464,833           | \$0.10            | October 26-2017  |
| 104,000             | \$0.06            | October 26-2017  |
| 840,000             | \$0.10            | November 2, 2017 |
| 67,200              | \$0.06            | November 2, 2017 |
| <b>13,695,838</b>   |                   |                  |

- d) As at May 05<sup>th</sup>, 2017, the Company had 3,900,000 (December 31, 2016: 1,600,000) stock options outstanding enabling holders to acquire the following:

| Number of<br>Shares | Exercise Price | Expiry Date       |
|---------------------|----------------|-------------------|
| 450,000             | \$0.12         | May 24, 2023      |
| 50,000              | \$0.275        | April 9, 2019     |
| 1,100,000           | \$0.09         | November 25, 2020 |
| 1,300,000           | \$0.055        | July 21, 2021     |
| 500,000             | \$0.05         | March 9, 2022     |
| 500,000             | \$0.07         | March 21, 2022    |
| <b>3,900,000</b>    |                |                   |

## Additional Disclosure for Venture Issuers without Significant Revenue

### Schedule of General and Administrative costs:

|                           | March 31, 2017    | March 31, 2016    |
|---------------------------|-------------------|-------------------|
| <b>Expenses</b>           |                   |                   |
| Accounting and audit      | \$ 10,000         | \$ 9,000          |
| Bank charges              | 271               | 131               |
| Consulting fees           | 71,818            | 21,955            |
| Exploration expenses      | 3,881             | -                 |
| Filing fees               | 13,242            | 5,250             |
| Legal                     | 10,261            | 13,812            |
| Office expenses           | 11,726            | 125               |
| Rent                      | 1,500             | 1,500             |
| Stock options             | 123,036           | -                 |
| Shareholder's information | 40,358            | 73,515            |
| Transfer agent fees       | 1,405             | 5,702             |
| Travel                    | 8,528             | -                 |
|                           | <b>\$ 296,026</b> | <b>\$ 130,990</b> |

### Schedule of Exploration and Development Costs:

During the period ended March 31, 2017, the Company incurred property acquisition costs as follows:

|                                              | USA<br>Tule Valley<br>Utah | Canada<br>Li<br>Property | Total             |
|----------------------------------------------|----------------------------|--------------------------|-------------------|
| <b>Mineral properties</b>                    |                            |                          |                   |
| Balance, December 31, 2015                   | \$ -                       | \$ -                     | \$ -              |
| Acquisition costs incurred during the year   | -                          | 430,000                  | 430,000           |
| Balance, December 31, 2016                   | -                          | 430,000                  | 430,000           |
| Acquisition costs incurred during the period | 94,745                     | -                        | 94,745            |
| Written-off                                  | -                          | -                        | -                 |
| <b>Balance, March 31, 2017</b>               | <b>\$ 94,745</b>           | <b>\$ 430,000</b>        | <b>\$ 524,745</b> |

During the period ended March 31, 2017 and 2016, the Company incurred exploration expenditures as follows:

|                                             | Canada<br>Li Property<br>March 31, 2017 | Canada<br>Li Property<br>March 31,<br>2016 |
|---------------------------------------------|-----------------------------------------|--------------------------------------------|
| <b>Exploration and related expenditures</b> |                                         |                                            |
| Consulting                                  | \$ 3,881                                | \$ -                                       |
| <b>Total exploration expenditure</b>        | <b>\$ 3,881</b>                         | <b>\$ -</b>                                |

Additional information about the Company can be found on [www.sedar.com](http://www.sedar.com).

**Corporate Head Office**

# 1400 – 1111 West Georgia Street  
Vancouver, British Columbia  
V6E 4M3  
Tel – 604.689.1799  
Fax – 604.689.8199

**Investor Relations**

Jack Bal  
Tel – 604.306.5285

**Corporate Counsel**

McMillan LLP  
# 1500-1055 W. Georgia Street  
PO Box 11117  
Vancouver, British Columbia  
V6E 4N7

**Board of Directors**

Jack Bal  
Saf Dhillon  
Buddy Doyle  
Binny Jassal

**Transfer Agent**

Computershare Investor Services Inc.  
510 Burrard Street  
Vancouver, British Columbia  
V6C 3B9  
Canada

**Auditors**

A Chan & Company LLP  
8988 Fraserton Court, 2<sup>nd</sup> Floor  
Burnaby, British Columbia  
V5J 5H8

**Shares Listed**

TSX-V: EXX  
FRANKFURT: EE1