

Form 51-102-F1

# RED HUT METALS INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended March 31, 2017

Directors and Officers as at May 19, 2017

Directors:

Robert Eadie  
Gary Arca  
Michael Sweatman

Officers:

President & Chief Executive Officer – Robert Eadie  
Chief Financial Officer & Corporate Secretary – Gary Arca

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# RED HUT METALS INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended March 31, 2017

### 1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Red Hut Metals Inc. ("Red Hut", or the "Company") for the period ended March 31, 2017. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com)

This MD&A is prepared as of May 19, 2017.

*This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

### 1.2 Overall Performance

#### *Description of Business*

The Company was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations in April, 2011 and, on December 20, 2011, changed its name to Red Hut Metals Inc. The Company is in the process of exploring and evaluating its mineral property located on Vancouver Island, British Columbia, Canada. On December 11, 2012, the Company completed its Initial Public Offering ("IPO") and began trading on the TSX Venture Exchange ("TSX-V").

## News

### Private Placement

Further to its News Release of February 23, 2017, wherein the Company announced that it had signed a Letter of Intent to acquire the Providence Group of Mines by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Western California, the Company has received conditional acceptance for the proposed acquisition of the Providence Gold Mines property. The closing date for the transaction will occur following receipt of final Exchange approval, and the closing of the part-and-parcel private placement of at least \$1.2 million through the issuance of at least 12 million units (the "Units") at a price of \$0.10 per Unit. Each Unit will be comprised of one share and one-quarter of one share purchase warrant ("Warrant") with each whole Warrant entitling the holder to purchase one share of the Company at a price of \$0.25 per share for a period of one year.

The funds will be used to meet the cash requirements of the Transaction and to undertake the recommended work program for the Property.

### Selected Annual Information

The highlights of financial data for the Company's three most recently completed year-ends since inception, which are calculated in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	\$	\$	\$
(a) Total revenues	Nil	Nil	Nil
(b) Total expenses	(195,552)	(266,647)	(349,986)
(c) Net loss	(166,871)	(261,458)	(505,253)
(d) Loss per share – basic and diluted	(0.02)	(0.02)	(0.04)
(e) Total current assets	21,658	59,971	1,170,150
(f) Total long-term liabilities	Nil	Nil	Nil
(g) Cash dividends declared per-share	Nil	Nil	Nil

## 1.3 Results of Operations

### *Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the March 31, 2017 unaudited condensed interim financial statements of the Company and notes attached thereto.

### 1.3.1 **Property Activity**

#### **Conuma Property**

On December 15, 2011, the Company acquired a 100% interest in 11 mineral claims located in the Alberni and Nanaimo Mining Divisions of British Columbia, more commonly known as the Conuma Property (the “Property”) pursuant to a Letter of Agreement dated May 16, 2011 and as amended December 15, 2011 (the “Agreement”). Under the terms of the Agreement, the Company paid \$5,000 and issued 100,000 common shares with a fair value of \$5,000 to the Vendor.

The Company’s 100% interest in the Property is subject to a net smelter royalty (“NSR”) of 2% of gross revenues from the Property less certain permissible deductions, and is payable to the Vendor.

A Report on the Property was prepared for the Company by Brian Malahoff, P.Geo, who is a qualified person for the purpose of NI 43-101. The Report is available for review under the Company’s profile on the SEDAR database at [www.sedar.com](http://www.sedar.com). The following summary is from the Report on the Property:

#### *Property Description and Location*

The Conuma Property is an early stage exploration property located in central west coast Vancouver Island approximately 80 kilometres west of Campbell River, B.C. and 28 kilometres northwest of Gold River, B.C., within the Alberni Mining Division of British Columbia. The claims cover an area of 6,098 hectares centred at latitude 49° 53’ N and longitude 126° 25’ W within BCGS map areas 92E088, 92E089, 92E098, 92E099 and NTS Map sheet 092E16W. This includes the Norgate prospect, which is adjacent to and contiguous with the property, that was acquired by staking during the year ended 2013.

The corresponding UTM coordinates (NAD 83, Zone 9) for the centre of the Conuma Property are: 684800 metres east; and 5530500 metres north. Red Hut owns a 100% interest in eleven claims that comprise the Conuma Property.

#### *History*

The area surrounding the Conuma Property has been historically known for hosting a number of volcanogenic massive sulphide and other mineral occurrences and deposits. The most notable deposit is the Myra Falls Mine (Volcanogenic Massive Sulphide: Zn, Pb, Cu, Ag, Au) operated by Nyrstar and is approximately 65 kilometres southeast of the Conuma Property. ***The Conuma Property is an early stage exploration property so there are no historical mineral resource or reserves estimates and no production from the Property.***

This region is known for its potential to host a volcanogenic massive sulphide deposit, for example, the Myra Falls Mine has been in production since 1966. The Myra Falls Mine formed from underwater volcanic vents on the ocean floor. The principal ore minerals include sphalerite, pyrite and chalcopyrite which occur in a zone that is more than six kilometres long and 450 metres wide. Average ore concentrations are 5.4 % Zn, 0.5% Pb, 1% Cu, 45 g/t (grams per tonne) Ag, and 1.3 g/t Au. It is classified as a polymetallic volcanogenic massive sulphide deposit characterized by massive to well layered sulphides, typically zoned vertically and laterally. Sulphides with a quartz, chert or barite gangue are common near the top of a massive sulphide deposit and disseminated stockwork and vein sulphides in the footwall (Trygve, H, 1995). Associated rock types include submarine volcanic arc rocks: rhyolite, dacite associated with andesite or basalt and marine sediments.

Sulphide mineralization identified on the Conuma Property includes, in order of abundance: pyrite, pyrrhotite, chalcopyrite, malachite, molybdenite, sphalerite and galena. Sulphide minerals are consistent with a potential polymetallic mineral system on the Conuma Property including polymetallic quartz veinlets that may underlie a volcanogenic massive sulphide lense.

Sulphide mineralization on the Conuma Property is mainly hosted within Middle to Upper Triassic Karmusten volcanic rocks (basaltic and possibly tuffaceous) as disseminations, fracture filling, and within quartz stringers and veinlets crosscutting volcanic rocks. The Karmusten volcanic rocks are noticeably iron stained and moderately to strongly gossanous near faults and dykes. Smaller gossanous zones with oxidized iron-bearing sulphides were also observed in intrusive rocks of the Early to Middle Jurassic Island Plutonic Suite and sedimentary argillites of the possible Mississippian to Lower Permian Buttle Lake Group.

#### *Exploration*

During 2011, the Company undertook field programs consisting of prospecting/rock sampling, reconnaissance geological mapping and silt sampling on the Conuma Property. Overall, fieldwork conducted collected seven continuous rock chip samples, seven grab rock samples from outcrop, 32 float samples and 27 silt samples. In addition, an airborne magnetic geophysical survey was also carried out in 2011.

In a 1999/2000 Prospecting Report (Efrem Specogna), mineralization was recognized by prospectors in the Conuma Valley. Rock sampling identified molybdenite, chalcopyrite and pyrrhotite within quartz veinlets/veins hosted in volcanic rocks. Lamprophyre dykes and amphibolites were recognized in outcrop. Best assays results from probable float samples were rock sample B48636 (Breccia boulder in road rubble) with 196 ppm Zn, 39 ppm Pb, 3868 ppm Cu, 4.4 ppm Ag and 95 ppb Au; and rock sample B48327 (Mo in quartz vein in volcanic) with 4158 ppm Mo.

#### *Geological Mapping*

Reconnaissance mapping focused on structural controls on mineralization, alteration, continuous chip sampling of mineralized outcroppings and geological contacts. Results of geological mapping determined that there are three types of structural control on the sulphide mineralization observed within the Middle to Upper Triassic Karmusten volcanic rocks on the Conuma Property:

1. Fracture controlled sulphide mineralization consisting mainly of pyrite, pyrrhotite, chalcopyrite and malachite. Less common are fractures containing trace magnetite (volcanic unit is weakly to moderately magnetic). Not all fractures are mineralized. Fractures generally trend northeast-southwest and northwest-southeast.

2. Fault controlled sulphide mineralization consisting mainly of pyrite, pyrrhotite, chalcopyrite, malachite. Oxidized iron-bearing sulphides are more intense in fault controlled zones. Two types of faulting were recognized on the Conuma Property. A strike-slip fault was mapped in the north central part of the claims within a granitic dyke. This fault is a result of shearing forces and trends northeast-southwest with a moderately steep dip to the northwest. An oblique-slip fault was mapped within volcanic rocks and displays both a strike-slip and dip-slip component. This fault results from a combination of shearing and tension produced by compressional forces and trends northeast-southwest with a moderately steep dip to the southeast. Mineralized quartz stringers and veinlets that crosscut the Karmutsen volcanic rocks occur in faulted zones. For example, a mapped mineralized quartz veinlet trends northwest-southeast with a shallow dip to the southwest.
3. Dykes usually occur in zones of weakness produced by earlier faulting and oxidized iron-bearing sulphides are more pronounced marginal to dykes. Numerous dykes up to 46 metres wide were mapped on the Conuma Property. The dykes generally trend northeast-southwest with a moderate to steep dip to the southeast and northwest. Other dykes mapped trend northwest-southeast with a steep dip to the southwest and northeast.

#### *Geochemical Surveys*

A total of 32 float (not from outcrop), seven continuous chip (from outcrop), seven grab (from outcrop) rock samples and 27 silt samples were collected. Results of this 2011 rock sampling program returned assays up to 1.69 g/t gold, 13.0 g/t silver, 0.72% copper, 0.04% lead and 0.21% zinc from a float sample (986262: Quartz veinlet). The highest gold/silver/copper/lead/zinc assay is related to quartz veinlets crosscutting Karmutsen volcanic rocks in the central part of the claim group. This highly anomalous rock sample is located a short distance east of the main northerly trending stream on the Conuma Property which is interpreted to be a major structural trend.

A silt sampling program in 2011 returned values up to 597.9 ppb (parts per billion) Au (Sample# 986098), 0.5 ppm (parts per million) Ag (Sample# 986098), 321.8 ppm Cu (Sample# 986181), 22.3 ppm Pb (Sample# 986097), 128 ppm Zn (Sample# 986097) and 72.1 ppm Mo from various samples (Sample# 986184). Anomalous silt samples are generally located in the central and central south parts of the Conuma claims along a main north-south trending stream. The average crustal abundances (www.webelements.com) of Au, Ag, Cu, Zn and Mo are 3.1 ppb (parts per billion) gold (Au), 0.08 ppm (parts per million) silver (Ag), 68 ppm copper (Cu), 10 ppm lead (Pb), 79 ppm zinc (Zn) and 1.1 ppm molybdenite (Mo). A total of 27 silt samples were taken and 20 returned anomalies for Au, 19 were anomalous for silver, 20 were anomalous for copper, six were anomalous for lead, five were anomalous for zinc and 16 were anomalous for molybdenite.

#### *Geophysical Survey*

The Company commissioned Aeroquest Airborne Surveys to conduct a helicopter airborne magnetic survey over a northeast region of the Conuma Property. On November 19, 2011 Aeroquest commenced a 128 line-kilometre helicopter-borne magnetic survey utilizing a stinger mounted cesium vapour magnetometer. The airborne magnetic survey lines are oriented north-south and spaced at 100 metres with tie lines at 1,000 m spacings.

The main objectives of the magnetic airborne survey are: to determine if magnetic targets are within the survey area; to determine how the magnetic targets relate to magnetic sulphide targets on adjoining claims; and, to understand the geology based on the magnetic airborne survey.

Results of the Aeroquest airborne magnetic survey display a dynamic range of approximately 2450 nT (nanotesia – unit of measure for strength of magnetic field) within the survey area. The magnetic highs correlate well with ridges and peaks of the mountain tops. The central part of the survey block displays the highest magnetic readings within the survey area. The magnetic trends display predominate E-W strike direction although several other trend/directions can be observed (NW-SE). High frequency magnetic features (Magnetic Highs) may indicate near surface units or intrusive bodies and areas of smoother magnetic patterns are more indicative of deeper units or sedimentary units. In general, many of the magnetic highs (pink and reddish in color) could be attributed to intrusive units with the magnetic lows (bluish and green in color) mapping sedimentary units.

#### *Sampling Preparation, Analyses and Security*

All of the Conuma rock and silt samples were transported directly to Acme Analytical Laboratories facilities in Vancouver, where they were analyzed for 36-element ICP-MS with a Group 1DX1 (rock) and 1DX2 (Geochemical Aqua Regia Digestions) analysis. A 3B01 (fire assay) analysis was performed on all rock samples. Three blank samples were introduced into the sample stream approximately every 15 samples.

#### *Recommendations*

In order to evaluate the economic potential of the Conuma Property, a \$365,000 Phase 1 exploration program would include the following:

- All data that can be gathered on the Conuma Property and its immediate surroundings should be compiled in detail using a modern GIS database, so a coherent picture of the area can be obtained.
- Geological mapping, prospecting and geochemical sampling of all contact zones within bimodal volcanic rocks and overlying sedimentary rocks. Special attention should be given to those areas near faults, fractures and dyke/dykes swarms and a package of sedimentary rocks shown by Massey (Massey et al., 2005) to occur in the north central part of the Conuma claims.
- Soil grids over anomalous areas generated from the regional silt program. Quality soil samples (auger: lower B to upper C horizon) should be collected at 25 metre intervals along lines 50 to 100 metres apart.
- Silt sampling of areas not covered in the original survey.
- Pima surveys could help map alteration.
- Airborne EM (Electromagnetic) Geophysical Survey with 100 m line spacing in order to delineate conductive sulphides and, based on field observations, an expanded airborne magnetic survey to the west.

Following the above recommended studies and contingent on the results thereof, the Company will consider a second phase of work including diamond drilling of, but not restricted to, testing of the volcanogenic massive sulphide potential of the Conuma Property.

At December 31, 2014, management decided to write down the costs accumulated on the Conuma property to nil as an asset impairment and continues to expense amounts related to this property. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions warranted a write down at that time under IFRS accounting guidance.

Ian Webster is the Company's qualified person on the Conuma property as required under NI 43-101 and has prepared the technical information contained in the Management discussion and analysis.

### **Providence Gold Mines**

The Company has signed a Letter of Intent (“LOI”) with a private B.C. company (collectively the “Assignors”) whereby Red Hut will acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims (the “Property”) with a history of gold mineralization in Western California, USA (the “Transaction”).

The Property includes six parcels which have been fully patented and are owned in fee simple, and thirteen 20-acre mining claims on Bureau of Land Management and US Forest Service property (260 acres), which include several historic mines and a mill site. The Assignors have also staked a further nine claims contiguous to the existing Providence patented and located claims for a total of 22 mining claims.

#### *The Proposed Transaction*

The Assignors have negotiated the general terms and provisions whereby they can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property requires the payment of US\$175,000 and incurring C\$2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

- payment of US\$25,000 following regulatory approval;
- payment of US\$25,000 and incurring C\$250,000 of expenditures by March 28, 2018;
- payment of US\$100,000 and incurring an additional C\$750,000 of expenditures by March 28, 2019; and
- incurring an additional C\$1,000,000 of expenditures by March 28, 2020.

Having earned a 50% interest, a joint venture would be formed with the Property owner.

As consideration for the assignment, the Company will also assume all obligations of the Assignors to the Property owner, and has agreed to pay the following to the Assignors:

- a) Following regulatory approval, the Company will make a cash payment US\$25,000 and issue 1,500,000 common shares;
- b) After completing the recommended first year work program of at least C\$250,000, the Company will issue an additional 1,500,000 common shares.;
- c) After completing the recommended second year work program of at least \$750,000, the Company will issue an additional 1,500,000 common shares.

Alternatively, a 100% interest in the Property can be acquired for US\$5,000,000, at any time, of which one-half can be paid in shares. In the event the Company elects to acquire the Property for US\$5 million the Company will issue an additional 1,500,000 common shares.

In either event, the Property owner will retain a 2.5% net smelter returns royalty (“NSR”), of which 1.5% NSR can be acquired for US\$1,000,000 if the option to acquire a 100% interest in the Property is exercised.

A Report on the Property was prepared for the Company by John Kowalchuk BSc., P.Geo, who is a qualified person for the purpose of NI 43-101. The Report is available for review under the Company's profile on the SEDAR database at [www.sedar.com](http://www.sedar.com). The following summary is from the Report on the Property:

#### *Property Description and Location*

The Providence Mines Property is located in the Summerville Mining District, Tuolumne County, California, upon the eastern belt of the "Mother Lode" District. A number of high grade, well known Motherlode gold mines of California are found within this belt, including the Black Oak Mine, the Soulsby Mine, the Dead Horse Mine, the New Albany Mine, the Star King Mine and others from which gold has been mined over the years. These mines are located via good all weather roads, three miles from the town of Tuolumne, and about 20 miles east of Sonora, California. The Property being optioned by the Company consists of the Providence Mines, the Consuelo Quartz Mine, the Goodenough Quartz Mine, the Bonita Quartz Mine and Mill Site, as well as a number of patented claims.

#### *History*

Historical documentation shows that these mines were for many years profitably worked and were regarded as one of the best mining camps on the eastern belt of the "Mother Lode" occurrences. It is historically reported that owing to differences between the former owners and their then manager, the Property was shut down in the midst of active and profitable operations.

At that time, 1916, the lower levels of the mines were allowed to fill with water, and the lower four levels never reopened according to available records. Thus conditions of the mineralized bodies in these lower four levels are potentially in the same condition that they were when the operations ceased, at which time records indicated milling high grade mineralization from the tenth and eleventh levels. At the same time development work had been completed on the twelfth level into bodies of mineralization.

#### *Mineralization*

The veins of the Providence Mines are in black slates, lying parallel with each other at an angle of about 45 degrees, pitching toward the east. The strike of the vein is from south east to North West. The formation contains porphyry and limestone, the mineralized material is found in many places on these contacts, as often occurs in many mines. The mineralized material is found in lenses at varying distances along the veins. These lenses or shoots of mineralization have been opened up on various levels of the mine and a large amount of mineralized material extracted therefrom, although in many places in the mine these mineralized materials which have been historically reported have been worked in only one direction.

#### *Development*

A double compartment shaft was sunk to a depth of 1470 ft. on the dip of the vein. Twelve drifts were run north and south of the shaft on twelve different levels, the number 12 level being about 1400 feet from the mouth of the shaft. From different levels, crosscuts were run east or west to develop and open up parallel mineralization shoots found in parallel veins. Some of these mineralized material and veins have been stoped out. In others there is said to be potential mineralized material still in place. A significant amount of underground work has been completed, developing and proving the property to be one of permanent formation and to contain well defined mined mineralization bodies of value. The Providence Group of Mines has not only been said to be a producer of mineralization in its historical past, there still remains

potential for similar untapped resources. The Providence Group of Mines has been historically identified and described as having identical similarities to many of the great mines within the “Mother Lode” gold district.

#### 1.4.2 Results of Operations

The expenses relating to the loss and comprehensive loss for the period ended March 31, 2017 of \$27,895 and for the comparative period ended March 31, 2016 of \$29,924 are as follows:

For the period ended March 31,	2017	2016
Accounting and audit fees	2,032	1,500
Legal and corporate services	3,000	3,000
Management activities	15,794	15,000
Office, rent and administration	3,124	3,049
Shareholder communications	1,500	1,500
Transfer agent and filing fees	2,445	5,875
Total loss and comprehensive loss for the period	\$ 27,895	\$ 29,924

The Company incurred similar expenses compared to the prior period.

#### *Financings, Principal Purposes & Milestones*

During the period ended March 31, 2017, the Company did not arrange any financings.

#### 1.4 Summary of Quarterly Results

The following is a summary of the Company’s financial results for the eight most recently completed quarterly periods:

	Q1 <u>31-Mar-17</u>	Q4 <u>31-Dec-16</u>	Q3 <u>30-Sep-16</u>	Q2 <u>30-Jun-16</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 27,895	\$ 34,545	\$ 6,247	\$ 96,155
Per share – basic and fully diluted loss	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01

	Q1 <u>31-Mar-16</u>	Q4 <u>31-Dec-15</u>	Q3 <u>30-Sep-15</u>	Q2 <u>30-Jun-15</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 29,924	\$ 63,897	\$ 31,296	\$ 68,988
Per share – basic and fully diluted loss	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

#### *Discussion*

For the discussion of results for the period ended March 31, 2017, see Section 1.4.2 Results of Operations.

## **1.6 Liquidity and Capital Resources**

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at March 31, 2017, the Company had \$15,574 in cash, working capital deficiency of \$79,362 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

The Company's working capital deficiency will not meet corporate, development, administrative and property obligations for the coming year. As a result, the Company will require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern.

## **1.7 Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

## **1.8 Transactions with Related Parties**

The following is a summary of charges incurred by the Company with related parties during the periods ended March 31, 2017 and 2016:

<u>Period ended March 31,</u>	<u>2017</u>	<u>2016</u>
Accounting fees	\$ 1,500	\$ 1,500
Corporate services	3,000	3,000
Management fees	15,000	15,000
Office, rent and administration	3,000	3,000
Shareholder communications	1,500	1,500
<b>Total</b>	<b>\$ 24,000</b>	<b>\$ 24,000</b>

During the period ended March 31, 2017, the Company incurred operational expenses totalling \$24,000 (March 31, 2016 - \$24,000) from companies controlled by a director and an officer of the Company and where there are common officers with the Company.

During the period ended March 31, 2017, trade and other payables included \$66,950 (December 31, 2016 - \$42,125) owed to a company controlled by a director and an officer of the Company for operational expenses.

## **1.9 Critical Accounting Estimates**

### a) Exploration and Evaluation Expenditures

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

### b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### c) Income Taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

## **1.10 Changes in Accounting Policies**

N/A

## **1.11 First Quarter**

The first quarter ended March 31, 2017 results are similar to previous Review discussion in *Section 1.4.2 Results of Operations*.

## **1.12 Financial and Other Instruments**

As at March 31, 2017, the Company's financial instruments consist of cash and trade and other payables.

The fair value of the Company's cash and trade and other payables approximate their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

As at March 31, 2017, the Company's financial instruments consist of cash and trade and other payables.

The fair value of the Company's cash and trade and other payables approximate their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2017. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at March 31, 2017 is \$15,574 (December 31, 2016 - \$20,460). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company is subject to high liquidity risk due to its current capital deficiency outlined in Note 2 to the financial statements. Additional cash requirements could be met with the issuance of additional share capital, however there is no assurance it will be able to raise funds in this manner in the future. As at March 31, 2017, the Company was holding cash of \$15,574 (December 31, 2016 - \$20,460). The Company's trade and other payables are due in the short term.

**1.13 Disclosure of Outstanding Share Capital as at May 19, 2017:**

	Number		Book Value
Common Shares	8,372,851	\$	1,277,317

The Company has no outstanding options and warrants.

**1.14 Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.