



**NORTHERN LION  
GOLD CORP.**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of Northern Lion Gold Corp. (“Northern Lion” or the “Company”) and compares the Company’s 2016 financial results with those of the previous years. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and the related notes for the year ended December 31, 2016 (“Financial Statements”) which have been prepared under International Financial Reporting Standards (“IFRS”).

These and additional documents are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com). All financial information in this MD&A related to 2016 and 2015 has been prepared in accordance with IFRS, except where noted. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including May 1, 2017 (the “Report Date”).

## FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute “forward-looking statements” as the term is defined in applicable securities laws. The forward-looking information includes, without limitation, the success of exploration activities and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management’s current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward-looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company’s control. Such factors include, among others, risks and uncertainties relating to exploration and development; risks arising as a result of the Company operating in Cyprus; the ability of the Company to obtain additional financing; the Company’s limited operating history; the need to comply with environmental and governmental regulations; potential defects in title to the Company’s properties; fluctuations in currency exchange rates; fluctuating prices of commodities; operating hazards and risks; competition; and other risks and uncertainties. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

## OVERVIEW AND OVERALL PERFORMANCE

Northern Lion is a Canadian mineral exploration company focused on the acquisition and exploration of gold-bearing mineral resource properties in Canada. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol “NL” and the Frankfurt Exchange under the symbol “N3E”. The Company has no revenues, thus its ability to ensure continuing operations is depended on its ability to obtain necessary financing to complete the acquisition and development of potential exploration and evaluation assets.

In September 2016, the Company consolidated the issued share capital on the basis of two (2) old common shares for one (1) new common share. Outstanding stock options and warrants were adjusted by the consolidation ratio. All common shares and per common share amounts in this MD&A have been retroactively restated to reflect the share consolidation.

In December 2016, the Company entered into certain shares-for-debt agreements, whereby the Company issued 884,095 common shares to settle \$109,243 of debt relating to unpaid director and consulting fees and expenses and other payables.

In December 2016, the Company completed a non-brokered private placement of 5,000,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$500,000. Each unit consists of one common share and one transferable warrant to purchase an additional common share at a price of \$0.20 expiring in 5 years.

In January 2017, the Company entered into certain shares-for-debt agreements. Pursuant to the agreements, the Company issued 897,321 common shares to settle an aggregate of \$234,867 of debt relating to unpaid director and consulting fees and expenses and other payables.

In March 2017, the Company entered into an option agreement to acquire an undivided 100-per-cent interest in three mineral claims totaling 491.60 hectares located in Kamloops, B.C. (“the Riverside property”). In order to exercise the option, the Company must:

- Pay \$70,000 cash to the optionor as follows: \$20,000 upon execution (paid); and an additional \$50,000 on the first anniversary of the option agreement;
- Issue 400,000 common shares of the Company to the optionor within five business days following acceptance of the option agreement by the TSX Venture Exchange;
- Incur exploration expenditures of \$75,000 on the Riverside property within six months following exchange acceptance, which expenditures constitute a binding obligation on the part of the Company.

The Company agreed to engage a private company controlled by the optionor, to incur such exploration expenditures on behalf of the Company. All shares issued pursuant to the option agreement will be subject to a four-month-and-one-day hold period from the date of issuance.

## SUMMARY OF ANNUAL AND QUARTERLY RESULTS

The following table sets out selected annual financial information of Northern Lion. The Company’s annual financial statements are prepared in accordance with IFRS and are expressed in Canadian dollars.

	December 31, 2016 \$	December 31, 2015 \$	December 31, 2014 \$
General and administrative expenses	(211,808)	(201,526)	(179,197)
Other items	(205,015)	(849,047)	(1,367,534)
Loss for the year	(416,823)	(1,050,573)	(1,546,731)
Net loss per share, basic and fully diluted	(0.28)	(0.71)	(1.06)
Total assets	570,655	214,583	1,205,664
Shareholders' equity	371,290	50,603	1,101,176

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters. The financial information has been reported in accordance with IFRS. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the deferral and valuation of exploration expenditures. Actual results may differ from these estimates.

<b>Period</b>	<b>Other items</b>	<b>Recovery (Write off) of mineral property interest</b>	<b>Operating expenses</b>	<b>Income (Loss) for the period</b>	<b>Net income (loss) per share, basic and fully diluted</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2016	(244,053)	-	(89,195)	(333,248)	(0.22)
September 30, 2016	12,200	-	(23,634)	(11,434)	(0.01)
June 30, 2016	17,079	-	(64,048)	(46,969)	(0.03)
March 31, 2016	9,759	-	(34,931)	(25,172)	(0.02)
December 31, 2015	-	-	(62,773)	(62,773)	(0.04)
September 30, 2015	(2,439)	216,179	(39,805)	173,935	0.12
June 30, 2015	2,439	(1,067,666)	(60,892)	(1,126,119)	(0.76)
March 31, 2015	2,440	-	(38,056)	(35,616)	(0.02)

The Company's future financial success will be dependent upon the ability to obtain necessary financing to complete the development of reserves or the discovery and development of a body of commercial ore. Such discovery and development may take years, if at all, to complete and the amount of resulting income, if any, is impossible to determine.

The Company receives interest from cash balances. These amounts fluctuate from quarter to quarter and year to year depending on its outstanding cash balance. The Company has not yet earned revenue from any of its mineral properties. If a property is determined to have limited exploration potential the property is abandoned and expenditures are written off to operations.

## RESULTS OF OPERATIONS

### Year Ended December 31, 2016 Compared To Year Ended December 31, 2015

The Company had a net loss of \$416,823 for the year ended December 31, 2016 compared to a net loss of \$1,050,573 for the year ended December 31, 2015. The change was primarily due to the following:

- Unrealized gain on marketable securities of \$31,718 (2015 – \$2,440) during the year ended December 31, 2016.
- General and administrative costs increased by \$10,282 primarily due to a combination of the following factors:
  - decrease in corporate filing fees of \$9,138, office and administration expenses of \$12,060, and management fees of \$18,333, primarily due to the Company having fewer transactions since its Cyprus mineral property was abandoned.
  - increase in professional fees of \$26,574 due to higher legal fees and accounting fees.
  - increase in foreign exchange expense of \$27,009 due to the fluctuation of Euros to Canadian dollars.

- The Company incurred a non-cash write-off of exploration and evaluation assets of \$Nil (2015 - \$851,487) due to the write-off of the exploration permits located in the Republic of Cyprus.
- The Company incurred a non-cash loss on settlement of debt of \$244,396 (2015 - \$Nil) and a non-cash gain on forgiveness of debt of \$7,633 (2015 - \$Nil) due to debt-for-share settlements.

#### **Year Ended December 31, 2015 Compared To Year Ended December 31, 2014**

The Company had a net loss of \$1,050,573 for the year ended December 31, 2015 compared to a net loss of \$1,546,731 for the year ended December 31, 2014. The change was primarily due to the following:

- Unrealized gain on marketable securities of \$2,440 (2014 – unrealized loss on marketable securities of \$51,237) during the year ending December 31, 2015.
- General and administrative costs increased by \$22,329 primarily due to the:
  - increase in professional fees due to the share consolidation completed during the year ended December 31, 2015 and a refund of fees received during the year ended December 31, 2014 in the amount of \$15,005 in relation to the closing of its subsidiaries.
  - increase in management fees of \$19,920 primarily due to a severance payment.
  - decrease in foreign exchange expense of \$25,543 due to the fluctuation of Euros to Canadian dollars.
- The Company reversed a non-cash write-off of exploration and evaluation assets of \$216,179 during the year ended December 31, 2015 due to the Company previously recording VAT expense in relation to the exploration and evaluation assets as a portion of the exploration and evaluation assets.
- The Company incurred a non-cash write-off of exploration and evaluation assets of \$851,487 (2014 - \$1,316,297) due to the write-off of the exploration permits located in the Republic of Cyprus.

#### **FOURTH QUARTER**

The operating and administrative expenses for the quarter ended December 31, 2016 totaled \$89,195. The major expenses for the quarter ended December 31, 2016 were consulting fees of \$8,364, office and administration expenses of \$2,345, professional fees of \$41,306, rent of \$10,000 and management fees of \$19,814.

During the fourth quarter, the Company closed a non-brokered private placement for gross proceeds of \$500,000 which consisted of the issuance of 5,000,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one transferable warrant to purchase an additional common share at a price of \$0.20 expiring in 5 years.

In December 2016, the Company entered into certain shares-for-debt agreements, whereby the Company issued 884,095 common shares to settle \$109,243 of debt relating to unpaid director and consulting fees and expenses and other payable. The Company recorded a loss on settlement of debt of \$244,396.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had working capital of \$369,461 (2015 - \$47,989) and a cash position of \$519,188 (2015 - \$186,431). The increase in the working capital of \$321,472 was primarily due to the recent completion of a private placement of 5,000,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$500,000. Each Unit consists of one common share and one transferable warrant to purchase an additional common share at a price of \$0.20 expiring in 5 years.

	December 31, 2016	December 31, 2015
	\$	\$
Cash	519,188	186,431
Marketable securities	41,478	9,760
Receivables	6,127	7,349
Prepays	2,033	8,429
Total current assets	568,826	211,969
Accounts payable and accrued liabilities	199,365	163,980
Working capital	<u>369,461</u>	<u>47,989</u>

The Company does not currently have any revenue generating assets or operations. The Company will require additional financial resources to explore, quantify and develop its mineral properties. The continued operations of the Company and the recoverability of the amounts reported for resource property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development programs, and upon future profitable production.

## CAPITAL RESOURCES

The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on capital requirements. The Company does not expect to receive any income from any of its properties within the foreseeable future. Should the Company decide to further develop any of its properties, the Company may fund its capital requirements by arranging further financings via private placements or other financial instruments deemed appropriate.

## TRANSACTIONS WITH RELATED PARTIES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

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

Summary of key management personnel compensation (includes officers and directors of the Company):

	December 31, 2016	December 31, 2015
	\$	\$
Consulting fees	22,500	9,535
Management fees	37,465	55,798
	<u>59,965</u>	<u>65,333</u>

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total \$99,020 (December 31, 2015 - \$63,000).

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings and related party loans to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in the Financial Statements.

### Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions. Receivables mainly consist of refundable GST from the Government of Canada and VAT from the Cypriot tax authorities.

### Currency Risk

The Company operates in Canada and the Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash, receivables, accounts payable and accrued liabilities, accounts payable to related party and exploration and evaluation funds received in advance are held in several currencies and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

## Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are classified as held for trading and trade on the stock market. The Company closely monitors its marketable securities stock price movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities amounting to \$41,478 are subject to fair value fluctuations. As at December 31, 2016, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, loss and comprehensive loss for the year ended December 31, 2016 would have been approximately \$4,148 higher/lower. Similarly, as at December 31, 2016, reported equity would have been approximately \$4,148 lower/higher as a result of a 10% decrease/increase in the fair value of the Company's marketable securities.

## Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- 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 based on level 1 inputs of the fair value hierarchy.

## Financial Assets

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

Stated in Canadian Dollars				
December 31, 2016				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	461,344	12,160	45,684	519,188
Accounts receivable	4,231	-	1,896	6,127
Marketable securities	41,478	-	-	41,478

  

Stated in Canadian Dollars				
December 31, 2015				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	115,767	12,552	58,112	186,431
Accounts receivable	851	-	6,498	7,349
Marketable securities	9,760	-	-	9,760

## **Financial Liabilities**

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were all held in Canadian dollars.

## **RISK AND UNCERTAINTIES**

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### **Early Stage**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company currently has no source of revenue and expects to obtain financing in the future primarily through further equity and/or debt financing, as well as possibly through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. While it has been successful in obtaining financing in the past, there is no guarantee that the Company will be successful now, or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its mineral properties.

### **Exploration and Development**

Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

The Company does not have any operating mines at present. All the Company's properties are in the exploration stage only, without a known body of commercial bodies of ore. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties and substantial additional work will be required in order to determine the presence of any such deposit.

Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages.

## **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

## **Global Financial Conditions**

Current global financial conditions have been subject to increased volatility. The Company is exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares could be adversely affected.

## **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation may provide restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for noncompliance.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

## **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future. The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- *Recoverability of exploration and evaluation assets:* Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

### *Critical accounting judgments*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- *Going concern of operations:* The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.
- *Determination of provisions for income taxes and the recognition of deferred income taxes:* In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position 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.

## **FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2016 and have not been applied in preparing these consolidated financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's consolidated financial statements for the year ending December 31, 2017 or later:

IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses. This standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 9 – Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Clarifications to IFRS 15 'Revenue from Contracts with Customers' issued. The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## **MANAGEMENT OF CAPITAL**

The Company's capital structure consists of items in equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. 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 the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

## OUTSTANDING SHARE DATA

The Company's authorized share capital is 100,000,000 common shares, without par value. As at the Report Date, there were 8,262,600 common shares outstanding.

As at the Report Date the following stock options were outstanding:

<b>Outstanding Options</b>		
<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
7,813	\$ 2.56	May 1, 2017

As at the Report Date the following warrants were outstanding:

<b>Outstanding Warrants</b>		
<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
5,000,000	\$ 0.20	December 30, 2021

## OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) including, but not limited to:

- the Company's audited consolidated financial statements for the year ended December 31, 2016.

This MD&A has been approved by the Board effective May 1, 2017.