

PROSPER GOLD CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2016

1.1 DATE

This management's discussion and analysis ("MD&A") of the financial condition and operating results of Prosper Gold Corp. ("Prosper Gold" or the "Company") for the year ended October 31, 2016 is derived from, and should be read in conjunction with, Prosper Gold's audited financial statements for the year ended October 31, 2016, as publicly filed on Sedar at www.sedar.com.

The Company prepared the audited financial statements and note disclosures for the year ended October 31, 2016 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's audited financial statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise stated.

Cautionary Note to Investors Concerning Forward-looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, and the economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of specific risks associated with the operations of the Company are set out under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

All forward-looking statements have been made subject to risk factors set out starting on page 16 of this MD&A.

This MD&A has been prepared using information as of January 23, 2017 and approved by the Board on January 23, 2017.

1.2 BUSINESS OVERVIEW

Prosper Gold is an exploration and development company focused on acquiring and advancing mineral prospects in British Columbia and Ontario.

The Company is focused on the Star Porphyry Copper Gold Project in northwestern BC and the Ashley Gold Project in East Central Ontario.

PROJECTS

ASHLEY GOLD PROJECT

In February 2016, the Company entered into two definitive agreements to acquire options to earn a 100% interest in the high grade Ashley Gold Mine and a 90% interest in the extensive land position surrounding the Ashley Gold Mine and Young Davidson Mine Area in the Cadillac Larder Lake Fault Area in Ontario.

On February 22, 2016, the Company entered into a definitive agreement (the “Ashley Option Agreement”) with Randall W. Salo, Jacques E. Robert, David M. Lefort and Andrew D. McLellan (collectively, the “Optionors”), whereby the Optionors have granted the Company the option to acquire a 100% interest in the Ashley Gold Mine and surrounding claims in central Ontario (the “Property”). The Ashley Option Agreement calls for the Company to make cash payments totaling \$700,000, the issuance of 1,700,000 Prosper Gold shares and work expenditures totaling \$250,000 over 3 years in order for the Company to earn a 100% interest in the Property, subject to a 3% NSR, 2% of which can be repurchased by the Company upon payment of \$2,500,000 to the Optionors.

On February 25, 2016, the Company entered into a definitive agreement (the “Alexandria Option Agreement”) with Alexandria Minerals Corporation (“Alexandria”), whereby Alexandria has granted the Company an option to acquire a 90% interest in the Wydee and Matachewan claims in central Ontario (collectively, the “Properties”) which cover approximately 30 km of strike of the Cadillac fault system, extending west and east of the Young Davidson Gold Mine. The Alexandria Option Agreement on the Properties calls for the Company to issue up to 750,000 Prosper Gold shares and for work expenditures totaling \$5,000,000 over 5 years in order for the Company to earn a 75% interest in the Properties. Upon the Company acquiring a 75% interest in a Property, the Company and Alexandria will enter into a joint venture for the exploration and development of the Property. The Company may earn a further 15% interest in a Property upon completion of a National Instrument 43-101 resource calculation of 1.5M oz Au.

On April 20, 2016, the Company entered into a purchase agreement (the “Purchase Agreement”) with JCML Resources Inc. (“JCML”), whereby the Company agreed to acquire 13 mineral claims surrounding the Ashley Gold Mine for \$50,000 and 100,000 Prosper Gold shares. The transaction was approved by the Exchange on May 2, 2016 and the Company issued the 100,000 common shares at a price of \$0.26 per share and paid \$50,000 for the acquisition.

2016 TECHNICAL PROGRAM

Airborne Survey: CGG Multi-Physics conducted a comprehensive program of airborne geophysical surveys at both the Ashley Gold and Matachewan Projects.

Using a variety of proprietary world leading technologies, CGG deployed their HeliFalcon® Airborne Gravity Gradiometer, Dighem® Frequency Domain Electromagnetics, and Midas® Ultra High Resolution Gradient Magnetic systems combined with Radiometrics; as well as Quantec Geoscience's ground based MT stations. This multi-parameter approach provided Prosper Gold with a detailed property scale geophysical coverage over a 98 square kilometer area to assist in drill target selection.

Airborne surveys were completed in early August and preliminary magnetic, resistivity and gravity results were received. Interpretation of the airborne results has been scrutinized and used in drill targeting for structural definition and stratigraphic refinement. Magnetic and resistivity data from the airborne survey reveal a powerful WNW trending fabric thought to reflect the northwest continuity of the Cadillac Larder Lake break.

Soil Geochemical Survey: Four soil grids were completed covering areas where gold vein mineralization is known at surface, where preserved syenite intrusives are exposed, and where thorough OGS till sampling in 1997 returned anomalous gold-in-till targets with high gold grain counts.

The soil grids cover the Ashley Mine, Garvey and Garvey west vein systems, and extend south to cover the Galer Fault. A second grid covers the Argyle, Sunisloe and McGill showings, an area thought to be underlain by syenite. Grid three covers the Argyle Lake, Ezra, and McCallum gold vein showings within a syenite plug. The Powell Lake area is the focus for the largest soil grid with about 3300 samples covering a 15 square km area.

Soils from the B-horizon were collected from 5,800 locations in three grids with 50m sample spacing on lines 100 m apart. Analytical results have been received for all. The new soil results reveal a strong gold-tellurium-bismuth-in-soil anomaly over the Ashley Mine which extends northward and defines a new untested, north trending, multi-element soil anomaly 1750 m long and 300 to 800 m wide.

Drilling: Drilling commenced at the Ashley Gold Project during the first week of September, 2016. Drill targeting focuses on the known vein systems, namely the Ashley, Garvey, Garvey South and Ashley West. It also aims to test connections between them and to test other possible gold bearing structures identified from the geophysical survey and from topography. Targeting for drilling involved geological and structural data compilation, supplemented with results from the geophysical and geochemical surveys carried out this summer and with analysis of high resolution aerial imagery. The first phase of drilling was completed successfully and assays are pending. The second phase of drilling will continue in March 2017.

THE STAR

The Star Project is an alkalic porphyry copper-gold prospect in northwest BC, approximately 105 km west-southwest of Dease Lake and 50 km northwest of Telegraph Creek on NTS Map Sheet 104J/4. The Property consists of 19 contiguous mineral tenures totaling approximately 6,830 hectares which are 49% owned by Firesteel Resources Inc. (“Firesteel”) subject to a 2% net smelter royalty (“NSR”). Prosper Gold holds a 51% majority interest in the Star Project joint venture pursuant to the Joint Venture Agreement dated September 2, 2016 between the Company and Firesteel Resources Inc.

1.3 SELECTED ANNUAL FINANCIAL INFORMATION

The Company’s financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company’s significant accounting policies are disclosed in note 3 to the Company’s audited financial statements for the year ended October 31, 2016. The Company’s functional and reporting currency is the Canadian dollar.

Statement of Financial Position Selected Information	October 31, 2016	October 31, 2015	October 31, 2014
Total current assets	\$ 1,562,023	\$ 379,259	\$ 653,757
Total non-current assets	916,435	642,105	414,407
Total assets	\$ 2,478,458	\$ 1,021,364	\$ 1,068,164
Total current liabilities	\$ 317,860	\$ 19,400	\$ 148,225
Total equity	2,160,598	1,001,964	919,939
Total liabilities and shareholders’ equity	\$ 2,478,458	\$ 1,021,364	\$ 1,068,164

Total current assets is comprised of cash, amounts receivable and prepaid expenses and deposit. The total current assets have increase due to increase in cash from gross proceeds of private placements and exercise of warrants during the year totalling \$3,006,155 offset by option payments, exploration expenditures for the Ashley Gold Project, cash share issue costs for private placements paid and operating costs for the year. The amounts receivable increase is due to the increase in GST receivable due to be recovered as the result of increased tax credit accumulated for exploration expenditures during the last quarter of the fiscal year. The increase in prepaid expenses and deposit is due to the prepaid finders fees paid on October 31, 2016 in anticipation of closing the private placement on November 1, 2016 private placement. There were minimal exploration activities and no funds raised in the 2015 fiscal year. The total current assets have decreased in 2015 due to a \$200,000 option payment paid to Firesteel for the acquisition of the

51% interest in the Star Property during the year. Total non-current assets consist of reclamation deposit, furniture and computer equipment and the acquisition costs of mineral property. The increase during 2016 is due to the purchase of equipment for the Ashley Gold Project and the option payments and related expenses paid for the acquisition of the Ashley Gold Project. The increase in total non-current assets in 2015 is due to the \$200,000 property option payment to Firesteel.

Total current liabilities increased in 2016 is due to the increase in vendor payable for the Company's drilling activities at the Ashley Gold Project. Current liabilities decreased in 2015 compared to 2014 due to the decrease in exploration activities for the 2015 season.

Total equity consists of share capital, reserves and deficit. The increase in share capital for 2016 is due to the shares issued for the private placements and warrants exercised during the year. The reserves have also increased due to the recording of the fair value of stock options grants during the year to directors, officers and employees and the vesting of stock options from stock options granted in the previous years. The reserve increased due to the fair value of warrants issued for finders' fee for the private placements during the year. The increase in equity in 2015 is due to the fair value of common shares issued for the 51% interest in the Star Property, the increase in reserve is from recording the fair value of share-based payments that vested during the year offset by the net loss for the year.

Statement of Comprehensive Loss – Selected Information	Years ended		
	October 31, 2016	October 31, 2015	October 31, 2014
Expenses			
Exploration and property investigation expenditures (recovery)	\$ 1,265,895	\$ (368,445)	\$ 2,776,483
General administration	505,634	312,942	895,263
Share-based payments	126,024	229,045	521,526
	1,897,553	173,542	4,193,272
Other income and loss			
Finance income	(1,035)	(2,522)	(8,997)
Loss on disposal of equipment	4,087	-	-
Deferred income tax recovery	-	-	(87,500)
Net loss and comprehensive loss	\$ 1,900,605	\$ 171,020	\$ 4,096,775
Basic and diluted loss per share	\$ 0.053	\$ 0.005	\$ 0.150

During the 2016 fiscal year, the Company began exploration work on the Ashley Gold Property that started in June 2016. The Company also recovered costs of \$72,000 from the rental of equipment and sale of camp supplies to an unrelated party. The Company also received \$34,020 for the recovery of exploration expenditures from the British Columbia Mining and Exploration Tax Credit ("BCMETS"). During the 2015 fiscal year, the Company did not conduct a drilling program which resulted in a decrease in exploration expenditures. The recovery of the exploration

expenditures consists of the recovery of the BCMETC of \$545,880 received and the expenditures of \$179,935 incurred for the soil geochemical and magnetometer surveys over the target areas. Finance income decreased in the 2016 and 2015 fiscal years as no interest was paid by the bank on the Company's bank balance due to the decrease in balance and the change in the bank policy for interest paid on bank deposit balances starting in the 2015 fiscal year.

The Company granted stock options in May and September 2016 to directors, an officer and an employee during the year. Share-based payment expense decreased in 2016 due to the decrease in the fair value amounts recorded starting in the third quarter and a reduction of the amounts that were recorded from final vesting of the options granted in previous years. Share-based payments for 2015 decreased from prior year due to no stock options granted in 2015. In fiscal 2014 and 2013, the Company granted stock options to employees, directors and consultants. The share-based payments consist of the accrual of the fair value of the stock options granted in accordance to the vesting terms. Stock options were granted at the end of August 2013 and additional stock options were granted throughout the first three quarters of 2014.

The deferred income tax recovery recorded in 2014 is due to the fulfillment of the Company's obligation to pass on the tax deductions for the renouncement of the flow-through shares during the 2014 fiscal year.

1.4 SUMMARY OF QUARTERLY INFORMATION

The following is selected financial information for the Company's most recent eight quarters ended October 31, 2016:

Quarter ended		Total revenue	Net income (loss) and comprehensive loss	Net earnings (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q4/16	October 31, 2016	-	(963,024)	(0.022)	2,478,458
Q3/16	July 31, 2016	-	(827,464)	(0.023)	2,450,430
Q2/16	April 30, 2016	-	(114,011)	(0.003)	1,523,243
Q1/16	January 31, 2016	-	3,894	0.0001	1,034,255
Q4/15	October 31, 2015	-	(99,864)	(0.003)	1,021,364
Q3/15	July 31, 2015	-	49,449	0.002 & 0.001	1,115,418
Q2/15	April 30, 2015	-	220,012	0.007 & 0.005	1,322,003
Q1/15	January 31, 2015	-	(340,617)	(0.01)	953,279

During the quarter ended April 30, 2015, the Company received \$545,880 of BCMETC and the amount has been offset against exploration expenditures. This resulted in the Company's net income of \$220,012 for the three months ended April 30, 2015 and net earnings per share of \$0.01.

During the period ended April 30, 2015, the Company also paid \$200,000 and issued 200,000 common shares at \$0.12 per common share to Firesteel to acquire the 51% earned interest in the Star Property.

During the quarter ended July 31, 2015, the Company reversed accrued management fees of \$307,738 to conserve cash as approved by the Board resulting in a decrease of \$395,321 in management fee expenses for the year ended October 31, 2015.

In addition, on May 14, 2015, the Company re-priced certain outstanding stock options to \$0.20. This re-pricing resulted in an increase of the fair value of the stock options held by directors, officers, employees and selected consultants.

During the quarter ended October 31, 2015, the Company recorded miscellaneous income from rental of equipment of \$2,500 which is included in the loss of \$99,864.

During the quarter ended January 31, 2016, the Company net income is a result of miscellaneous income from the sale of camp supplies and rental of equipment to a third party for \$72,000.

The increase in net loss for the quarter ended April 30, 2016 is due to the increase in promotion activities to attract investors for the Company's private placement which was closed on March 24, 2016.

The increase in total assets for the second quarter of 2016 is attributable to the proceeds raised by the Company's private placement.

The increase in net loss for the third quarter ended July 31, 2016 is due to the exploration activities in the Ashley Project in Ontario.

The increase in total assets at July 31, 2016 compared to April 30, 2016 is due to the completion of the first tranche of the Company's private placement for \$1,000,000 announced on June 13, 2016.

The increase in total assets in the last quarter compared to the third quarter is due to the cash received from closing of last tranche of the private placement on August 5, 2016 that was announced in June 2016. The offset of the increase of cash is due to the payment for expenditures in the exploration activities of the Ashley Mine Project.

The increase in the net loss is due to the increase in expenditures incurred from the implementation of the drilling program at the Ashley Gold Project.

1.5 RESULTS OF OPERATIONS

The Company recorded a net loss and comprehensive loss of \$1,900,605 and \$171,020 for the years ended October 31, 2016 and 2015 respectively. The increase in net loss in the current year is due to the Company's exploration activities on the Ashley Gold Project which began at the end of May 2016 as well as proceeds received from BCMETC during 2015. The Company also raise gross proceeds of \$3,006,155 from private placements and exercise of warrants during the year to fund the acquisition of the Ashley Gold Property option, the drilling program and general operating costs. For the year ended October 31, 2015, the Company did not complete a private placement.

The Company granted 721,104 stock options on May 31, 2016 and 800,000 stock options on September 2, 2016 and the fair value of the option expense to October 31, 2016 have been accrued and included in the share-based payment expense.

The following table provides a breakdown of exploration expenditures on the Ashley Gold Project incurred during the year ended October 31, 2016:

	Year ended October 31, 2016	Year ended October 31, 2015
Airborne survey	\$ 395,500	\$ -
Assay and analysis	193,460	-
Drilling	262,255	-
Field costs	348,711	-
Geological	114,368	-
Transportation and freight	9,842	-
Travel and accommodations	36,749	-
Total	\$ 1,360,885	\$ -

The Company began exploration on the Ashley Gold Project during at the May 2016. The airborne survey and soil sampling was completed in July and the drilling program began shortly after. Field costs include salaries paid to Geo-Techs, rental costs for accommodations for camp personnel, camp food and supplies and management fees paid to the camp manager. Geological costs include fees paid to geological consultants. Transportation and freight costs include the fuel costs for vehicles and courier charges to camp. Travel and accommodation costs include travel, meals and accommodation costs for management personnel to be on location.

The following table provides a breakdown of exploration expenditures on the Star Project incurred during the year ended October 31, 2016 and 2015:

	Year ended October 31, 2016	Year ended October 31, 2015
Assay and analysis	\$ -	\$ 12,434
Field costs	9,076	22,649
Geological	-	122,085
Transportation and freight	1,954	14,464
Travel and accommodations	-	8,303
Cost recovery	(72,000)	(2,500)
Tax credit received	(34,020)	(545,880)
Total	\$ (94,990)	\$ (368,445)

Overall, there are minimal exploration expenditures for the Star Property for the year ended October 31, 2016 and 2015 due to no drilling programs conducted during both periods. The expenditures for year ended October 31, 2016 are for repairs of field equipment and insurance and storage costs of camp equipment.

The following table provides a breakdown of general administration costs incurred during the year ended October 31, 2016 and 2015:

General administration costs:	Year ended October 31, 2016	Year ended October 31, 2015
General administrative	\$ 328,490	\$ 209,658
Management salaries and fees	141,660	58,929
Professional fees	17,055	21,819
Transfer agent, listing and filing fees	18,429	22,536
	\$ 505,634	\$ 312,942

General and administrative expenses include administrative salaries, advertising and promotion, amortization of equipment, courier and office expenses, insurance for directors and officers and commercial liability, annual general meeting, rental and travel and meals expenses.

During the year ended October 31, 2016, the Company incurred total general and administrative expenses of \$328,490 which include \$136,750 of advertising and promotion expenses due to management's effort to promote the Company for the private placements. The Company also incurred \$65,972 in office rent and \$48,272 in administrative salaries and the remainder of \$81,583 include expenses for the Company's Annual General Meeting, Directors' and Officers' insurance, travel and meals and other general office expenses.

Management salaries and fees consist of salary to the Chief Operating Office starting in June 2016 and management fees to the Chief Executive Officer and Chief Financial Officer. The management salaries and fees for the year ended October 31, 2015 were lower due to management's decision to suspend payment of management fees to conserve cash.

Professional fees consist of audit fees and legal fees.

1.6 LIQUIDITY

The Company's main source of funding has been the issuance of equity securities for cash through private placements. The Company's continuing operations is dependent on the ability of the Company to obtain the necessary financing to continue to explore the Ashley Project and the Star Project and any future projects, the existence of economically recoverable mineral reserves from each project and the proceeds of dispositions of its mineral interests.

During the year ended October 31, 2016, cash flow used by operating activities was \$1,683,969 mainly due to exploration costs for the Ashley Gold Project, promotion costs incurred connected with the Company's private placements and general and administrative costs including salaries, offset by proceeds received from the rental of equipment and the sale of camp supplies. It is expected that the Company will continue to incur a burn rate of \$250,000 per month for the upcoming months with the Company's drilling program in effect until camp closure in the middle of December for the season.

At October 31, 2016, the Company had cash of \$1,280,910 which will be sufficient to meet current liabilities of \$317,860 due within one year. The working capital of the Company at October 31, 2016 is \$1,244,163.

Additional debt or equity financing will be required to fund additional exploration programs. The Company has a reasonable expectation that additional funds will be available to meet ongoing and future exploration costs. However, there can be no assurance that the Company will continue to obtain additional financial resources, or on terms suitable to the Company.

Recently, general market conditions for junior resource companies have deteriorated and have resulted in depressed equity prices for resource companies, despite fluctuations in commodity prices. Although the Company was able to successfully complete the two private placements for the current year, the deterioration in market conditions could potentially increase the cost of obtaining capital or limit the availability of funds in the future. Accordingly, management is actively monitoring the effects of the current economic and financing conditions on the Company and reviewing discretionary spending, capital projects and operating expenditures, and implementing appropriate cash management strategies.

1.7 CAPITAL RESOURCES

At October 31, 2016, there were no externally imposed capital requirements to which the Company is subject and with which the Company has not complied.

On March 24, 2016, the Company completed the Private Placement of 3,500,000 Units at a price of \$0.15 per Unit for gross proceeds of \$525,000. Each Unit consisted of one common share and one transferable common share purchase warrant (a “Warrant”) with each Warrant exercisable by the holder into one common share of the Company at a price of \$0.25 per share for a period of 36 months from the closing date. In the event that Prosper Gold’s common shares trade at a closing price on the TSX Venture Exchange (the “Exchange”) of greater than \$0.40 per common share for a period of 20 consecutive trading days at any time after the closing date of the Private Placement, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof, and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

In connection with the Private Placement, finder’s fee totaling \$13,500 in cash were paid and 90,000 common share purchase warrants (“Finder Warrant”) were issued. Each Finder Warrant is non-transferable and exercisable for one common share for a period of 36 months following closing at an exercise price equal to \$0.25. The Finder Warrants contain the same Acceleration Provision as the Warrant comprising the Unit.

All securities issued pursuant to this Private Placement are subject to a four month and one day hold period in accordance with applicable securities laws.

The net proceeds from the Offering will be used to fund exploration activities for 2016 and for working capital and general corporate purposes.

On June 13, 2016, Prosper Gold announced a non-brokered private placement financing of up to \$2,000,000 (the “Private Placement”), through the issuance of up to 2,000,000 units of the Company (the “Units”) at a price of \$0.25 per Unit and up to 5,000,000 flow-through units (the “Flow-Through Units”) at an issue price of \$0.30 per Flow-Through Unit.

Each Unit consisted of one common share and one transferable common share purchase warrant (a “Warrant”) with each Warrant exercisable by the holder into one common share of the Company at a price of \$0.35 per share for a period of 36 months from the closing date. In the event that Prosper Gold’s common shares trade at a closing price on the Exchange of greater than \$0.60 per common share for a period of 20 consecutive trading days at any time after the closing date of the Private Placement, Prosper Gold may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by Prosper Gold (the “Acceleration Trigger”).

Each Flow-Through Unit consisted of one common share of the Company that qualifies as a “flow-through share” for the purposes of the *Income Tax Act* (Canada) (a “FT Share”) and one-half of one non-transferable non-flow through common share purchase warrant (each whole warrant, a “NFT Warrant”). Each NFT Warrant entitles the holder thereof to purchase one additional common share of the Company (a “NFT Warrant Share”) at an exercise price of \$0.45 per NFT Warrant Share for a period of 36 months from the Closing Date. The NFT Warrant terms will contain the same Acceleration Trigger provision as described above.

All securities issued pursuant to this Private Placement are subject to a four month and one day hold period in accordance with applicable securities laws. The net proceeds from the non-flow-through portion of the Private Placement will be used to fund exploration activities for 2016 and for working capital and general corporate purposes. The gross proceeds from the flow-through portion of the Private Placement will be used to fund exploration activities for 2016.

On June 27, 2016, the Company increased the non-brokered Private Placement previously announced on June 13, 2016 from \$2,000,000 to up to \$2,500,000. The Private Placement increased from up to 2,000,000 units to up to 4,000,000 units of the Company at an issue price of \$0.25 per Unit and up to 5,000,000 flow-through units at an issue price of \$0.30 per Flow-Through Unit.

On July 6, 2016, the Company closed the first tranche of the private placement of 4,000,000 non-flow-through units for gross proceeds of \$1,000,000. The Company incurred share issue costs totaling \$50,053 which consisted of \$33,346 paid for broker fees, legal fees and filing fees. In addition, the Company issued 73,500 broker warrants with a fair value of \$16,596.

On August 5, 2016, the Company closed the final tranche of the flow-through private placement for gross proceeds of \$1,478,655 for 4,928,850 units issued. In connection with the flow-through

private placement, the Company incurred \$84,671 in cash share issue costs and issued 230,750 broker warrants at \$0.35 with an expiry date of 3 years from the closing date and a calculated fair value of \$42,850.

Subsequent to the year end, the Company closed the private placement for 4,772,357 flow-through units at \$0.35 for gross proceeds of \$1,670,325. The Company incurred \$141,936 in cash share issue costs and issued 286,341 compensation warrants with an exercise price of \$0.55 and an expiry of 3 years from the closing date of November 1, 2016. The fair value of the warrant is \$42,833.

The Company's capital consists of items in shareholders' equity of \$2,160,598 as at October 31, 2016 compared to \$1,001,964 as at October 31, 2015. The increase is due to the net proceeds of \$2,770,100 from the private placements and exercise of warrants, the market value of shares issued for mineral property and options of \$96,000 and the recording of the fair value of share based payments for stock options of \$126,024 offset by the net loss of \$1,900,605 for the year ended October 31, 2016.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

None.

1.9 TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties consist of its key management personnel, including its directors and entities controlled by key management personnel. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

- a) Key management compensation expense was \$266,229 and share-based payments totaled \$104,569 for the year ended October 31, 2016.
- b) During the period year ended October 31, 2016, the Company paid \$17,916 for rental of office and equipment and services to a company owned by a director and officer.
- c) At October 31, 2016, accounts payable and accrued liabilities include \$66,003 due to a company owned by a director and officer of the Company and \$24,538 due to officers of the Company.

1.10 PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or dispositions before the board of directors for consideration.

1.11 CRITICAL ACCOUNTING ESTIMATES

Refer to Note 4 of the financial statements.

1.12 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the year ended October 31, 2016 for the Company.

The following is a summary of accounting standards that are effective in future periods that may have an impact on the Company:

Accounting standards effective November 1, 2017

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the impact of the amendments to IAS 7 on the Company's financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Company is currently assessing the impact of the amendments to IAS 12 on the Company's financial statements.

Accounting standard effective November 1, 2018

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption will continue to be permitted.

The Company is currently assessing the impact of the application of IFRS 9 on the Company's financial statements.

Accounting standard effective November 1, 2019

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

The Company is currently assessing the impact of the application of IFRS 16 on the Company's financial statements.

1.13 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable other than GST receivable, deposit, reclamation deposit and accounts payable and accrued liabilities. The Company's cash, amounts receivable other than GST receivable and deposit are classified as loans and receivables. The Company's reclamation deposit is classified as held-to-maturity. The Company's accounts payable and accrued liabilities are classified as other financial liabilities. The fair values of the Company's cash, amounts receivable other than GST receivable, deposit and

accounts payable and accrued liabilities approximate the carrying amounts due to the short-term maturities of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Company considers its exposure to credit risk to be low as its cash, deposit and its reclamation deposit are held with a large financial institution with a strong credit rating.

The Company manages liquidity risk by maintaining adequate cash and managing its capital. At October 31, 2016, the Company had accounts payable and accrued liabilities of \$317,860 due within one year, and cash of \$1,280,910.

Floating interest earned on the Company's cash balances are considered to be at market interest rate. The deposit earns no interest and was held as a deposit for the Company's corporate credit card and the reclamation deposit earns interest at 0.50%. Assuming that all variables remain constant, a change representing a 1% increase or decrease in interest rate would not have a significant effect for the Company.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At October 31, 2016, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

1.14 OTHER MD&A REQUIREMENTS

a) Disclosure of Outstanding Share Data

	Number Outstanding
At the date of this MD&A	
Common Shares	48,922,249
Stock Options	4,792,104
Warrants	16,121,194

b) Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that

judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

1.15 RISK FACTORS

The risk factors associated with the principal business of the Company are discussed below. Due to the nature of the Company's business and the present stage of exploration of the Property, an investment in the securities of the Company is highly speculative and subject to a number of risks. Briefly, these include the highly speculative nature of the resources industry characterized by the requirement for large capital investments from an early stage and a very small probability of finding economic mineral deposits. In addition to the general risks of mining, there are country-specific risks, including currency, political, social, permitting and legal risk. An investor should carefully consider the risks described below and the other information that the Company provides on its website or files on Sedar before investing in the Company's common shares, and should not consider an investment in the Company unless the investor is capable of sustaining an economic loss of the entire investment. The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A.

Ongoing Need for Financing

As the Company has limited financial resources, its ability to continue acquisition, exploration and development activities may be reliant on its continued attractiveness to equity and/or debt investors. The Company has incurred operating losses as it continues to expend funds to explore and develop the Star Project and any other properties it may acquire. Even if its financial resources are sufficient to fund its exploration and development programs, which will allow the Company to arrive at conclusions regarding commercial viability of the resources and reserves in the Property, there is no guarantee that the Company will be able to develop them in a profitable manner. The Company's ability to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company, and failure to raise such capital could result in the Company forfeiting its interest in the Property, missing certain acquisition opportunities or going out of business.

Volatile Stock Price

The price of the Company shares is expected to be highly volatile and will be drastically affected by the success of exploration and test results. The Company cannot predict the results of its

exploration activities expected to take place in the future. The results of these tests will inevitably affect the Company's decisions related to further exploration and/or production at any of the Property or other properties that the Company may explore in the future and will likely trigger major changes in the trading price of the Company shares.

Exploration, Development and Production Risks

There are inherent risks and speculation due to the expected nature of the Company's involvement in the evaluation, acquisition, exploration and if warranted, development and production of metals. Mineral exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in discoveries of commercial grade and/or quantities. While the Company have or will develop a limited number of specific identified exploration or development prospects within the Property, management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. The Company has no history of earnings and will have no producing resource properties to begin with.

Uninsurable Risks from Operations

The Company's involvement in the exploration for and development of natural resource properties may result in the Company becoming subject to liability for certain risks, and in particular unexpected or unusual geological operating conditions including rock bursts, cave ins, fires, floods, earthquakes, pollution, blow-outs, property damage, personal injury or other hazards. Although the Company will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, operations or prospects.

No assurance can be given that insurance to cover the risks to which the Company's activities will be subject will be available at all or at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of the disposal of waste products occurring from production) is not generally available to the Company or to other

companies within the industry. The payment of such liabilities would reduce the funds available to the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter in to interim compliance measures pending completion of the required remedy.

Prices, Market Conditions and Marketing of Mineral Resources

The Company's ability to fund its exploration and development activities, and possible future profitability, will be directly related to the demand for the mineral resources found on its properties and their related market prices. Mineral prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company.

The Company must also successfully sell its mineral resources to prospective buyers. The marketability and price of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. These factors include market fluctuations, the proximity and capacity of natural resource markets, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of natural resources and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders. The Company has limited experience in the marketing of mineral resources.

Mineral Resource Estimates

The Company's future cash flows and earnings will be highly dependent upon the Company discovering and developing mineral resources from its properties. Any mineralization figures or descriptions presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are and will be based on descriptions and estimates made by the Company's personnel and independent consultants. These descriptions and estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. The Technical Report states that no mineral resource or mineral reserve estimates have been completed for the Property. There can be no assurance that future estimates will be accurate, or reserves, resource or other mineralization figures will be accurate. There can be no assurance that the Company's future exploration and development efforts will result in the discovery of commercial accumulations of natural or mineral resources that the Company can develop at economically feasible costs.

Regulatory Matters

The exploration, development or mining operations carried on by the Company will be subject to government, legislation, policies and controls relating to prospecting, development, production,

environmental protection, mining taxes and labour standards. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the natural resources industry are beyond the control of the Company and could reduce demand for mineral resources, increase the Company's costs and have a material adverse impact on the Company. Before proceeding with a project, the participants in the project must obtain all required regulatory approvals. Failure to obtain regulatory approvals, or failure to obtain them on a timely basis, could result in delays and abandonment or restructuring of the projects undertaken by the Company and increased costs, all of which could have a material adverse effect on the Company. In addition, the profitability of any mining prospect is affected by the markets for metals which are influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing companies, the political environment and changes in industry investment patterns.

Competition

The Company may actively compete for acquisitions, leases, licences, concessions, claims, skilled industry personnel, equipment and other related interests with a substantial number of other companies, many of which have significantly greater history of operating and financial resources than the Company. The Company's ability to successfully bid on and acquire additional property rights, to participate in opportunities and to identify and enter into commercial arrangements with other parties could be adversely affected by the intensely competitive nature of the mining industry.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers, including those engaged in the business of acquiring, developing and exploiting mineral resource properties. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Title to Properties, Investments in Properties

There can be no certainty that an unforeseen defect in the chain of title in the Company's mineral properties will not arise to defeat the claim of the Company which could result in a reduction of any future revenue received by the Company. The possibility exists that title to the Property, or other properties of the Company, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims or

concessions. No assurances can be given that there are not title defects or other interests conflicting with the mining claims and interests subject to the Options, and the Property may be subject to prior unregistered liens, agreements or transfers, native land claims or other undetected title defects. As well, the Company may be required by its exploration and production contracts to make regular ongoing investments on its properties and perform minimum exploration work in order to maintain its exploration and production contracts and to be eligible for further extensions. If the Company is unable to meet those minimum requirements, it may impede the extension of its contracts. The Company's properties will have been acquired from third parties and the terms for exploration and investment requirements pursuant to the contracts governing its interest in each property may vary significantly.

There is uncertainty related to unsettled aboriginal rights and title in BC and this may adversely impact the Company's operations and profit.

Native land claims in BC remain the subject of active debate and litigation. There can be no guarantee that the unsettled nature of land claims in BC will not create delays in project approval on the Property or unexpected interruptions in project progress, or result in additional costs to advance the project.

Licensing and Permitting Delays

On February 20, 2014, the Company received a Multi-Year Area Based ("MYAB" Notice of Work permit from the British Columbia government authorizing a five year exploration program at the Star Property. The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out the exploration and development of its projects in a timely manner or at all.

Environmental Legislation

All phases of the mineral resource business present environmental risks and hazards and are subject to environmental laws and regulation pursuant to a variety of governmental authorities. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. The legislation also requires that facility sites and mines be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of tailings or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws, today or in the future, will not result in a curtailment of production or a material increase in the costs of

productions, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties, such as the Company, engaged in natural resource exploration and development activities may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of natural resource companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or a reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any “key man” insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Significant Capital Requirements

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The discovery of mineral deposits is dependent upon a number of factors. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which relate to particular attributes of the deposit, such as size, grade and proximity to infrastructure, and some of which are more general factors, such as metal prices and government regulations. Most of these factors are beyond the Company's control. In addition, because of these

risks, there is no certainty that the expenditures to be made by the Company on the exploration of the Property or other properties that it may acquire, as described herein, will result in the discovery of commercial quantities of ore.

Dilution to Existing Shareholders

The Company may be required to complete additional equity financings raised in the future. The Company may be required to issue securities on less than favorable terms in order to raise sufficient capital to fund its business plan in a timely manner. Any future transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to shareholders of the Company.

Dividends

To date, Prosper Gold has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on the Company shares will be made by the board of directors.