

# **KINGSMEN RESOURCES LTD.**

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

This discussion and analysis of financial position and results of operation is prepared as at April 27, 2017 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015 of Kingsmen Resources Ltd. (the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### **Forward-Looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### **Company Overview**

The Company is a junior mineral exploration company primarily engaged in the acquisition and exploration of precious metals on mineral properties. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The La Trini Project is on a care and maintenance status and minimal costs are being incurred as necessary to retain ownership. The Company continues to conduct reviews and due diligence on prospective acquisitions.

The Company was incorporated on January 11, 2000 under the provisions of the Company Act (British Columbia). On July 6, 2015 the Company changed its name from Tumi Resources Limited to Kingsmen Resources Ltd. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "KNG". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

### **Share Consolidation**

On January 12, 2016 the Company completed a consolidation of its share capital on a one new for two old basis. The share and per share amounts have been adjusted within this MD&A to reflect the share consolidation.

## Exploration Project

### *La Trini, Mexico*

The La Trini mineral claims are located in the Hostotipaquillo mining district. The La Trini claims cover 880 acres, and the mineralization occurs over an area of 400m x 200m. Potential exists to extend the mineralized zone. Three separate drill programs have been undertaken on the project. Current resources, based on a NI43-101 compliant resource, are Indicated 1,661,359 t at 121.3 g/t Ag, 0.88 g/t Au, Inferred 192,880 t at 98.6 g/t Ag, 0.92 g/t Au, using a 30 g/t Ag cutoff. Presently the Company has no exploration work being conducted on the La Trini Project and has minimized its presence in Mexico. The Company maintains the La Trini claims in good standing and is reviewing options to advance the development of the La Trini claims, which may include a farm-out or outright sale.

The Qualified Person for the Company's projects is Mr. David Henstridge, a director of the Company, a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists.

### Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with IFRS.

	Years Ended December 31,		
	2016 \$	2015 \$	2014 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Expenses	(200,295)	(236,373)	(286,875)
Other items	9,897	7,154	(2,142,711)
Net loss	(190,398)	(229,219)	(2,429,586)
Other comprehensive income (loss)	Nil	7,950	(10,450)
Comprehensive loss	(190,398)	(221,269)	(2,440,036)
Basic and diluted loss per share	(0.02)	(0.02)	(0.28)
Dividends per share	Nil	Nil	Nil
<b>Statement of Financial Position:</b>			
Working capital	366,646	557,044	769,210
Total assets	385,802	578,246	793,425
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

Three Months Ended	Fiscal 2016				Fiscal 2015			
	Dec. 31 2016 \$	Sep. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$	Sep. 30 2015 \$	Jun. 30 2015 \$	Mar. 31 2015 \$
<b>Operations:</b>								
Revenues	Nil							
Expenses	(39,499)	(45,182)	(48,075)	(67,539)	(45,116)	(58,858)	(78,560)	(53,839)
Other items	9,140	1,112	1,078	(1,433)	(348)	4,170	611	2,721
Net loss	(30,359)	(44,070)	(46,997)	(68,972)	(45,464)	(54,688)	(77,949)	(51,118)
Other comprehensive income (loss)	Nil	7,950						
Comprehensive loss	(30,359)	(44,070)	(46,997)	(68,972)	(45,464)	(54,688)	(77,949)	(43,168)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)
Dividends per share	Nil							
<b>Statement of Financial Position:</b>								
Working capital	366,646	397,005	441,075	488,072	557,044	602,508	657,196	735,145
Total assets	385,802	420,310	451,270	510,886	578,246	621,593	672,740	765,866
Total long-term liabilities	Nil							

## **Results of Operations**

### ***Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015***

During the three months ended December 31, 2016 (“Q4/2016”) the Company reported a net loss of \$30,359 compared to a net loss of \$45,464 for the three months ended December 31, 2015 (“Q4/2015”), a decrease in loss of \$15,105. The decrease in loss in Q4/2016 is primarily attributed to:

- (i) a \$9,000 decrease in management fees to Mr. Emerson in his capacity as President, from \$24,000 during the Q4/2015 to \$15,000 during the Q4/2016; and
- (ii) a \$3,300 decrease in rent.

### ***Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015***

During the year ended December 31, 2016 (“fiscal 2016”) the Company reported a loss of \$190,398 (\$0.02 per share), compared to a loss of \$229,219 (\$0.02 per share) for the year ended December 31, 2015 (“fiscal 2015”), a decrease in loss of \$38,821. Expenses decreased by \$36,078, from \$236,373 in fiscal 2015 to \$200,295 in fiscal 2016. Specific general and administrative expenses of note during fiscal 2016 are as follows:

- (i) during fiscal 2016 the Company paid Mr. Emerson compensation of \$87,000 (2015 - \$96,000) in his capacity as President;
- (ii) \$15,500 (2015 - \$20,400) was incurred for accounting and administrative services provided by Chase Management Ltd. (“Chase”) a private corporation owned by Mr. DeMare, the CFO of the Company, and \$4,583 (2015 - \$8,301) for services provided by an arms-length accountant for the Company’s Mexican operations;
- (iii) a decrease of \$5,355 in audit fees, from \$17,340 during fiscal 2015 to \$11,985 during fiscal 2016, reflecting the reduced scope of the audit of the 2015 year-end financial statements compared to the prior year;
- (iv) \$24,000 (2015 - \$24,101) for professional fees, comprising primarily of compensation to directors and officers of the Company. Specifics of officer and director compensation amounts have been disclosed in “Related Party Disclosure”;
- (v) during fiscal 2016 the Company paid \$4,119 (2015 - \$8,368) for concession taxes and maintenance costs on the La Trini Project. These activities have been recorded as general exploration expenses;
- (vi) incurred \$16,397 for regulatory and transfer agent fees during fiscal 2016 compared to \$13,415 incurred during fiscal 2015. The \$2,982 increase was due to additional services provided and filing fees incurred relating to the Company’s share consolidation conducted fiscal 2016; and
- (vii) during fiscal 2016 the Company incurred \$12,109 for legal services mainly related to filing and maintaining the La Trini claims in good standing and general corporate matters. During fiscal 2015 the Company incurred \$7,582 legal costs for legal services mainly related to research and preparation of draft proposals of prospective property acquisition terms, which were not consummated.

During fiscal 2016 the Company reported interest income of \$3,928 (2015 - \$7,178) generated from cash held on deposit in an interest-bearing chequing account. During fiscal 2016 the Company also received \$3,689 balance of the cash that was left in the Company’s Swedish subsidiary, TM Resources AB, when it was sold.

During fiscal 2015 the Company sold its remaining holdings in Tasman Metals Ltd. (“Tasman”) common shares for net proceeds of \$13,171 and realized a loss of \$2,279. The Company also recorded an “Other Comprehensive Income” (“OCI”) amount of \$7,950 for the reversal of previous OCI losses recognized pertaining to the sold Tasman common shares. With the sale of the Tasman common shares, the Company no longer holds any investments.

During fiscal 2015 the Company determined that the estimated salvage values of the remaining office and equipment were nominal and recorded a write-off of \$1,603.

No equity financings were conducted by the Company during fiscal 2016 or 2015.

## **Financial Condition / Capital Resources**

As at December 31, 2016 the Company working capital in the amount of \$366,646. Management considers that the Company has adequate resources to maintain its current levels of overhead and ongoing corporate expenses, conduct due diligence on potential mineral property acquisitions and perform care and maintenance costs on the La Trini

claims for the next twelve months. The Company is actively seeking other business opportunities. The Company recognizes that it may be required to obtain additional financing for continuing exploration activities. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

### **Contractual Commitments**

The Company has no contractual commitments.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company does not have any proposed transactions.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity IFRS 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 expenditures during the reporting period. Examples of significant estimates made by management include plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets and reclamation and rehabilitation provisions. Actual results may differ from those estimates. See also Note 3 of the audited consolidated financial statements for the years ended December 31, 2016 and 2015.

### **Changes in Accounting Principles**

There are no changes in accounting policies.

### **Related Party Disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

#### *(a) Key Management Personnel Disclosures*

During fiscal 2016 and 2015 the following amounts were incurred with respect to Mr. Emerson, the Chief Executive Officer (“CEO”) and Mr. Nick DeMare, the Chief Financial Officer (“CFO”) of the Company:

	<b>2016</b>	<b>2015</b>
	\$	\$
Management fees - Mr. Emerson	87,000	96,000
Professional fees - Mr. DeMare	<u>6,000</u>	<u>6,000</u>
	<u>93,000</u>	<u>102,000</u>

#### *(b) Other Related Parties Disclosures*

(i) During fiscal 2016 and 2015 the following amounts were incurred with respect to non-management directors of the Company, Messrs. David Henstridge, Harvey Lim and Rod Johnston as follows:

	2016 \$	2015 \$
Professional fees - Mr. Henstridge	6,000	6,000
Professional fees - Mr. Lim	6,000	6,000
Professional fees - Mr. Johnston	6,000	6,000
	<u>18,000</u>	<u>18,000</u>

As at December 31, 2016, \$6,500 (December 31, 2015 - \$12,500) remained unpaid.

- (ii) During fiscal 2016 the Company incurred a total of \$15,500 (2015 - \$20,400) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at December 31, 2016, \$1,300 (December 31, 2015 - \$2,400) remained unpaid.

### **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in Mexico and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at April 27, 2017, there were 8,894,376 outstanding common shares.