

**MANAGEMENT DISCUSSION AND ANALYSIS**

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*Accompanying the December 31, 2018 Consolidated Financial Statements*

*This Management Discussion and Analysis (“MD&A”), prepared as of April 30, 2019, should be read in conjunction with the Company’s consolidated financial statements and the accompanying notes for the year ended December 31, 2018 and related notes thereto, which have been reported in Canadian dollars, and prepared in accordance with International Financial Reporting Standards (“IFRS”).*

This discussion relates to the operations of Transatlantic Mining Corp. (Transatlantic or the “Company”), its wholly-owned subsidiaries Archean Star Resources Australia Pty Ltd. (“ASA”), incorporated in Australia, and Transatlantic Idaho Corp., Transatlantic Contracting Corp., Transatlantic Montana Corp., Transatlantic Equipment Corp., and Alder Mountain Milling Corp., all incorporated in the USA during the period up to the date of this report, being April 30, 2019.

Additional information, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) and is available under the Company’s profile at [www.sedar.com](http://www.sedar.com).

**FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. Readers should be aware that the Company is under no obligation to publicly release the results of any revision to these forward-looking statements, which may not reflect circumstances, or occurrences of unanticipated events after the date of this document.

## CORPORATE OVERVIEW

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The Company was amalgamated under the *Business Corporations Act* (British Columbia) by Certificate of Amalgamation dated January 28, 2011.

On January 28, 2011, the Company was amalgamated under a Plan of Arrangement whereby the Gnaweeda Gold Project (“**Gnaweeda Project**”) was spun off from Kent Exploration Inc. (“**Kent**”) (now Bayhorse Silver Inc.), a TSX.V company, as a non-taxable dividend to its shareholders of record on January 25, 2011.

The Company is engaged in the review and acquisition of exploration of mineral property interests with a view to developing the assets into future economic mining activities. The Company’s registered and head office is located at Suite 800 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

The current activities summarized in the year for the Company are:

- Alder Mountain Project: Geological Modelling of the US Grant Vein
- Kearsarge Gold Project: Compiled Historical Drilling Results

**Big Vein Highlighted drillhole grades (\*\*):**

Hole # 70-1-94 5.9 metres (17.6 feet) at **31.15 g/t Au (1.0 Oz/t Au)** - True width **5.9 m**  
70-3-94 7.5 metres (22.6 feet) at **48.23 g/t Au (1.55 Oz/t Au)** - True width **6.0 m**  
\* KS-01 5.0 metres (15.0 feet) at **60.27 g/t Au (1.94 Oz/t Au)** - True width **4.3 m**

**Kearsarge Vein highlighted drillhole grades (\*\*):**

Hole # UGKS-9-94 3.3 metres (9.8 feet) at **35.26 g/t Au (1.13 Oz/t Au)** - True width **1.6 m**  
96-2 1.3 metres (4.0 feet) at **30.47 g/t Au (0.98 Oz/t Au)** - True width **1.3 m**  
\* KS-02 3.3 metres (10.0 feet) at **10.23 g/t Au (0.33 Oz/t Au)** - True width **2.7 m**

- Monitor Copper Gold Project: Drill and metallurgical sample planning
- Business Development: Review of additional Projects
- Finance: Advancing the finance for mine development and drilling

At the end of the year, the share structure for the Company was 83,639,916 common shares.

By the Arrangement Agreement (the “Arrangement”) dated March 12, 2010, effectively closing on January 28, 2011, the Company acquired a 100% interest of ASA, an Australian subsidiary of Kent Exploration Inc. (“Kent”) (now Bayhorse Silver Inc.), for the issuance of 15,313,295 common shares at fair value of \$0.15 to Kent’s shareholders on a basis of 4:1. As part of the Arrangement, Kent also agreed to receive 100,000 common shares of the Company to settle ASA’s shareholder loan in the amount of \$164,833.

The transaction has been accounted for using the purchase method of accounting as an acquisition of assets by the Company. The allocation of the purchase price is based on the assets acquired and liabilities assumed measured at the carrying values, which approximated their fair values, at the

date of the acquisition.

On July 4, 2014, the Company entered into an agreement with an arm's-length party to dispose of its Gnaweeda Gold Project, comprising interests in five tenements in Western Australia. As consideration for the property, the Company received a deposit of AUD\$5,000 and received a further AUD\$495,000 in the nine months ended September 30, 2015. The Company received a further AUD\$500,000 upon establishment of a Joint Ore Reserves Committee-compliant mineral resource of at least 150,000 ounces of gold on the 1st August 2016. The Company is further entitled to receive AUD\$250,000 for every consecutive 50,000 ounces of poured gold sourced from the property, capped at 200,000 ounces of poured gold for a total of AUD\$1,000,000. At December 31, 2014, the Company recognized a receivable of \$516,818 (AUD\$495,000 plus GST of AUD\$50,000) for the payment received after December 31, 2014. The Company realized a loss on sale of the property of \$3,191,290, which includes write off of related receivables of \$23,480 and prepaid expenses of \$8,565.

On December 29, 2014, the Company filed a draft valuation of its Gnaweeda Gold Project with the TSX.V with respect to the disposition of the property and obtained TSX.V approval on March 31, 2015.

During the year ended December 31, 2014 and pursuant to a resolution passed by shareholders, the Company changed its name from Archean Star Resources Inc. to Transatlantic Mining Corp.

The Company's shares trade on the TSX Venture Exchange ("TSX.V") under the symbol "TCO".

## **OVERALL PERFORMANCE / DISCUSSION OF OPERATIONS**

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The Company's business is the acquisition, financing, and exploration of prospective mineral properties in areas of low political risk, close to support facilities and with ready, all weather access to support future mine development in the district.

The Company has purchased the Alder Mountain (US Grant) Gold Project and title in Madison County in Montana in the USA effective August 28, 2017. It has also met expenditure commitments to acquire an 80% interest in a Mining Lease on the Monitor Copper Gold Project in the Coeur D'Alene Mining District, Idaho effective December 31, 2017 Whilst this milestone has been met subsequent expenditures will gain additional ownership or pro rata payment. The Company also extended the due diligence period 12 months effective January 1, 2018 at the prospective Kearsarge Gold Project 8 kilometres to the south of the Alder Mountain Gold Project and US Grant Processing facility.

### ***Monitor Property***

On February 5, 2013, as amended on March 12, 2015, the Company entered into an option and joint venture agreement with American Cordillera Mining Corporation ("AMCOR"), and Northern Adventures LLC ("NALLC") whereby it has the right to earn 80% of AMCOR's 100% leasehold interest in a Purchase Option Mining Lease Agreement between AMCOR and NALLC on the Monitor Property, located in Idaho, USA. In order for the Company to earn the 80% interest in the Monitor Property, subject to certain underlying royalties, the Company must:

- (i) pay US\$25,000 in cash (paid);

- (ii) incur property expenditures of US\$2,100,000 over three years (completed); and
- (iii) issue 400,000 common shares of the Company in stages, of which 100,000 common shares were issued upon TSXV acceptance (issued with a fair value of \$130,000), 100,000 common shares on the first anniversary (issued with a fair value of \$125,000), 100,000 common shares on the second anniversary (issued with a fair value of \$10,000) and the final 100,000 common shares on the third anniversary (issued with a fair value of \$75,000).

In exchange for the amendment, the Company paid additional consideration of 150,000 common shares (issued at a fair value of \$30,000) and US\$25,000 cash (paid).

The Company shall have the right to exercise a buyout clause and thereby purchase a 100% interest in the Property from NALLC, and thereby terminate the Purchase Option Mining Lease Agreement. Upon exercise of this buy-out option, AMCOR shall be obligated to contribute 20% of the cost of the acquisition of the property.

If the Company exercises the option, AMCOR shall receive a 20% carried interest until such time as the earlier of:

- (i) a NI 43-101 compliant Feasibility Study is done; and
- (ii) the Company has notified AMCOR in writing of its decision to proceed with mining of the property.

At this time, a joint venture shall automatically be deemed to be formed between the Company and AMCOR, where AMCOR will hold a 20% joint venture interest and the Company will hold an 80% joint venture interest in the Monitor claims.

During the year ended December 31, 2014, the Company paid a fine of \$50,641 to the US Department of Agriculture (“USDA”) to resolve a resource damage claim, which was recognized in comprehensive loss.

For the year ended December 31, 2016, AMCOR had agreed to the financial consideration for the 80% position of USD\$2,100,000 being met.

At December 31, 2018, the Company has a refundable performance bond of \$Nil (US\$21,164) (2017 - \$28,417) for security of drilling activity requirements for the property.

The Company has focused on getting the drill permits ready for new drill programs and metallurgical testing of mineralized rock coming from the St. Lawrence and Monitor properties. One possible option for treating mineralized materials is to send it to the US Grant processing facility which has an existing flotation circuit that has been upgraded by Transatlantic.

### ***St. Lawrence Property***

On June 25, 2015, the Company entered into a Lease Agreement for a parcel of land (the “St. Lawrence Property”) on the Montana/Idaho border. The term of the lease is for 25 years, with an option to renew for a further 25 years. As consideration, the Company must issue 130,000 common shares of the Company (issued with a fair value \$19,500) and a 1% net smelter returns (“NSR”) royalty from any production from the Monitor Property and St. Lawrence Property.

The Company is obligated to pay an annual maintenance fee of US\$10,000 upon the execution of the Lease Agreement (paid) and upon each anniversary date of the Lease Agreement. The landowner may terminate the Lease Agreement after seven years if the Company has not paid during that period NSR or equivalent cash payments totaling at least US\$150,000.

The landowner may also terminate the lease after three years if the Company has not incurred by that time at least US\$100,000 in expenditures on the St. Lawrence Property.

As of December 31, 2018, the Company has not made all required lease payments for 2018 but is in discussion with the landowner regarding the required payments and has not received any formal termination notice.

At December 31, 2018, the Company has a refundable performance bond of \$13,321 (US\$10,260) (2017 - \$13,776) for security of drilling activity requirements for the property.

### ***Alder Mountain Project***

On January 18, 2016, the Company entered into a Mining Lease and Option to Purchase Agreement to lease the U.S. Grant Mine located in the County of Madison, Montana, for an initial term of 4 months, commencing January 18, 2016 until May 17, 2016. The Company was obligated to pay a non-refundable rent of US\$50,000 prior to the initial term (paid) and may terminate the agreement within 3 days notice.

The Company may extend the initial term for up to an additional 12 months to May 18, 2017 for rent of US\$25,000 per month. Such rent payments will be applied to the purchase price. If after the initial and extension term, the Company has not exercised its option to purchase, the agreement will terminate.

At any time during the initial and extension term, the Company may exercise its option to purchase the U.S. Grant Mine for a purchase price of US\$6,000,000. The purchase price shall be paid in installments, less rent payments noted above, as follows:

- US\$2,000,000 upon closing of the purchase;
- US\$2,000,000 one year after the date of closing of the purchase; and
- US\$2,000,000 two years after the date of closing.

On September 30, 2016, the Company signed a binding agreement with the owners of a neighboring claim that allows the Company access to recommission the Cornucopia shaft for use in ventilating the deepest reaches of U.S. Grant No. 3 level. In consideration of the right to construct the opening in the Cornucopia shaft and use the shaft for ventilation purposes, the Company shall pay the owner the sum of US\$30,000 in two payments of US\$15,000 on or before

October 10, 2016 (paid), and \$15,000 on or before October 10, 2017 (subject to renegotiation). Provided that the payments are made by the Company, the term of the agreement shall be for three years from October 2016, through October 2019. Upon expiration of the initial term, the parties may renew the contract upon their mutual consent.

On August 28, 2017, the Company received exchange approval to close its acquisition of the U.S. Grant Mine property in Montana. The remaining payments will be secured by a mortgage on the property in favour of the vendors. On August 28, 2017, the short and long-term portions have been discounted to US\$1,882,132 from US\$1,995,060 and US\$1,779,993 from US\$2,000,000, respectively, at a 6% discount rate and will be accreted up to the face values over the term of the debt.

On August 23, 2018, the Company's wholly-owned subsidiary, Transatlantic Montana Corp., has received a notice of default regarding its scheduled US\$2,000,000 mortgage payment recently due on the U.S. Grant property. The Company will work with the mortgage holder to restructure the remaining mortgage obligation and or new finance arrangements to meet the obligation going forward.

Should the Company pay the mortgage payment due from 2018, the Company will not be subject to any other interest or penalties under the agreement, with the exception of default proceeding costs of the mortgagor from February 2019 onwards. Should the Company not pay the mortgage payment due from 2018, the loss to the Company will be equal to the carrying cost of the project of \$7,736,583 less the carrying cost of the remaining mortgage payments due of \$5,456,800 (US\$4,000,000), or \$2,279,783. As at December 31, 2018, the outstanding balance was \$5,456,800 (US\$3,735,937) (2017 - \$4,686,733) of which \$2,728,400 (US\$2,000,000) (2017 - \$2,408,724) was due on August 28, 2018 and \$2,728,400 (US\$2,000,000) (2017 - \$2,278,009) is due on August 28, 2019. During the year ended December 31, 2018, the Company recorded accretion expense of \$342,146 (US\$264,063) (2017 - \$95,851 (US\$73,812)).

At December 31, 2018, the Company has refundable performance bonds of \$36,345 (USD\$27,439) (2017 - \$27,202) for security of drilling activity requirements for the property.

### ***Kearsarge Gold Project***

On May 4, 2017, the Company entered into an exclusive agreement to lease and purchase the Kearsarge claim group (KCG) in Madison country in the state of Montana. These claims are approximately 8 kilometres (four miles) from the U.S. Grant Mine and mill complex. The Company may extend the initial term for up to an additional 12 months to December 31, 2018 for rent of US\$40,000 (paid US\$30,000 as at December 31, 2018). The Company can then extend the agreement for a second renewal term to December 31, 2028 for rent of US\$8,333 per month. Such rent payments will be applied to the purchase price. At any time during the initial and extension term, the Company may exercise its option to purchase the KCG for a purchase price of US\$6,000,000, less rent payments and US\$60,000 paid to the claim owner for personal property.

At December 31, 2018, the Company has not made all required lease payments for 2018 but is in discussion with the landowner regarding the required payments.

At December 31, 2018, the Company has refundable performance bonds of \$Nil (2017 - \$Nil) for security of drilling activity requirements for the property.

Up to the date of this MD&A, all tenements are in good standing with the relevant statutory bodies.

	<b>December 31, 2018</b>
	<b>(\$)</b>
<b>Monitor Project</b>	
<i>Acquisition Costs</i>	491,925
<b>St. Lawrence Project</b>	
<i>Acquisition Costs</i>	63,199
<b>Alder Mountain Project</b>	
<i>Acquisition Costs</i>	7,142,587
<b>Kearsarge Gold Project</b>	
<i>Acquisition Costs</i>	38,872

Mineral property expenses for the year ended December 31, 2018 are as follows:

	<b>For the Year Ended December 31, 2018</b>				
	<b>Alder Mountain Project (\$)</b>	<b>Monitor Property (\$)</b>	<b>St. Lawrence Property (\$)</b>	<b>Kearsarge Gold Project (\$)</b>	<b>Total (\$)</b>
Assays and analysis	18,400	-	-	12,915	31,315
Consultants	131,413	72,722	20,891	14,121	239,147
General and administrative field cost	50,795	7,434	614	987	59,830
Geologists, geophysical contractors, geotechnical	3,421	-	-	-	3,421
Land lease	7,289	-	-	-	7,289
Management fees	144,000	72,000	18,000	-	234,000
Meals and entertainment	1,155	4,804	1,113	2,098	9,170
Professional fees	109,698	38,849	11,289	3,553	163,389
Repairs and maintenance	22,597	-	-	-	22,597
Salaries and wages	4,003	6,220	-	-	10,223
Supplies	1,748	538	71	71	2,428
Utilities	11,605	-	-	-	11,605
Travel, accommodation and fuel	17,120	19,845	2,437	3,100	42,502
<b>Total</b>	<b>523,244</b>	<b>222,412</b>	<b>54,415</b>	<b>36,845</b>	<b>836,916</b>

### **Summary of Alder Mountain Project Activities**

The project is best described currently as an exploration and mine development project with the current surface drilling supporting the geological model for gold mineral extraction. The mine is being reviewed for startup from the Sherman portal with final costings being determined off the trial mining and estimates for utilizing modern underground mobile mining equipment. This is part of the working capital raise being sought at the year end.

The US Grant Mine is permit ready and is one of the two opportunities to advance mine development and large bulk mining parcels. Finance considerations are being assessed on this proposition.

The Company continues to review other propositions that can add value to the processing facility and that compliments its activities in the region with its own operating expertise.

### Location

The mine is located in the historical mining district of Virginia City, Montana, USA. This is an area with a history of alluvial (plus 2.5 Million Ounces Au) and underground gold mining and there are still a number of mines operating within the proximity of US Grant ranging from large open pit operations to smaller scale underground operations. The processing facility can and is a strategic asset for this region.

### Sherman Mine Development

The mine has a plan in place to develop to the vein drilled by the Company with a new underground mining access, the Sherman Decline. This will be undertaken with the Company's own heavy equipment and contract labour going forward when financing completed. The Sherman decline will be utilized to access the yet unmined Sherman vein, an offset and extension of the U.S. Grant vein. The decline can be driven rapidly with modern trackless gear to enable subsequent development of the Sherman vein to obtain a bulk sample in the order of plus 40,000 tons initially. The portal development is complete, 165 metres (540 feet) of a 3.6-metre-by-3.6-metre (12 feet by 12 feet) ramp is planned to access the first sublevel of the vein mineralization. After the secondary escape way and initial vein exploration are completed, the mining of this mineralized zone can continue to the extent of the current and known drilling.

The following plan outlines the Sherman mine development with the short access of 150 metres to the mineralized vein. This new mine start up is within 1 kilometre of the US Grant processing facility.



Further drilling has now been planned for the extension of the unmined Sherman vein and testing the historically mined gold bearing El Fleeda vein approximately 150m to the north of this infrastructure.

## Summary of Kearsarge Gold Project

The Kearsarge has more historical holes drilled outside the Kennecott “Historical Resource estimate” of 600,000 ounces in 1995. The Kearsarge Claim Group contains over 700 acres and 33 claims of private patented land. The project is 8 (5 miles) kilometres from the US Grant Mine. The following summary drill results indicate the initial area of focus is highly mineralized and now compiled for additional studies:

- **Big Vein Highlighted drillhole grades (\*\*):**

Hole # 70-1-94 5.9 metres (17.6 feet) at 31.15 g/t Au (1.0 Oz/t Au) - True width 5.9 m

70-3-94 7.5 metres (22.6 feet) at 48.23 g/t Au (1.55 Oz/t Au) - True width 6.0 m

\* KS-01 5.0 metres (15.0 feet) at 60.27 g/t Au (1.94 Oz/t Au) - True width 4.3 m

- **Kearsarge Vein Highlighted drillhole grades (\*\*):**

Hole # UGKS-9-94 3.3 metres (9.8 feet) at 35.26 g/t Au (1.13 Oz/t Au) - True width 1.6 m

96-2 1.3 metres (4.0 feet) at 30.47 g/t Au (0.98 Oz/t Au) - True width 1.3 m

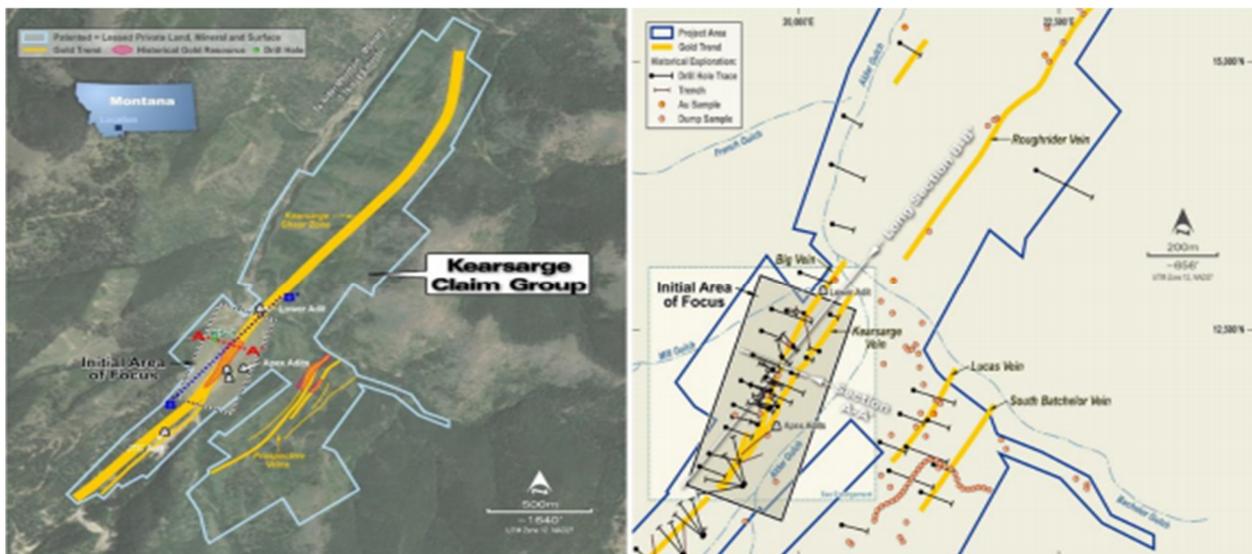
\* KS-02 3.3 metres (10.0 feet) at 10.23 g/t Au (0.33 Oz/t Au) - True width 2.7 m

The Company plans to commence an initial phase of drilling to advance further activities on the Kearsarge Gold Project.

During the collation of geological information, the Company will drill to validate geological and technical features with new sample information testing for economic consideration. The Kearsarge and Big Vein are in close proximity to surface with demonstrated historical drilling indicating high-grade mineralization.

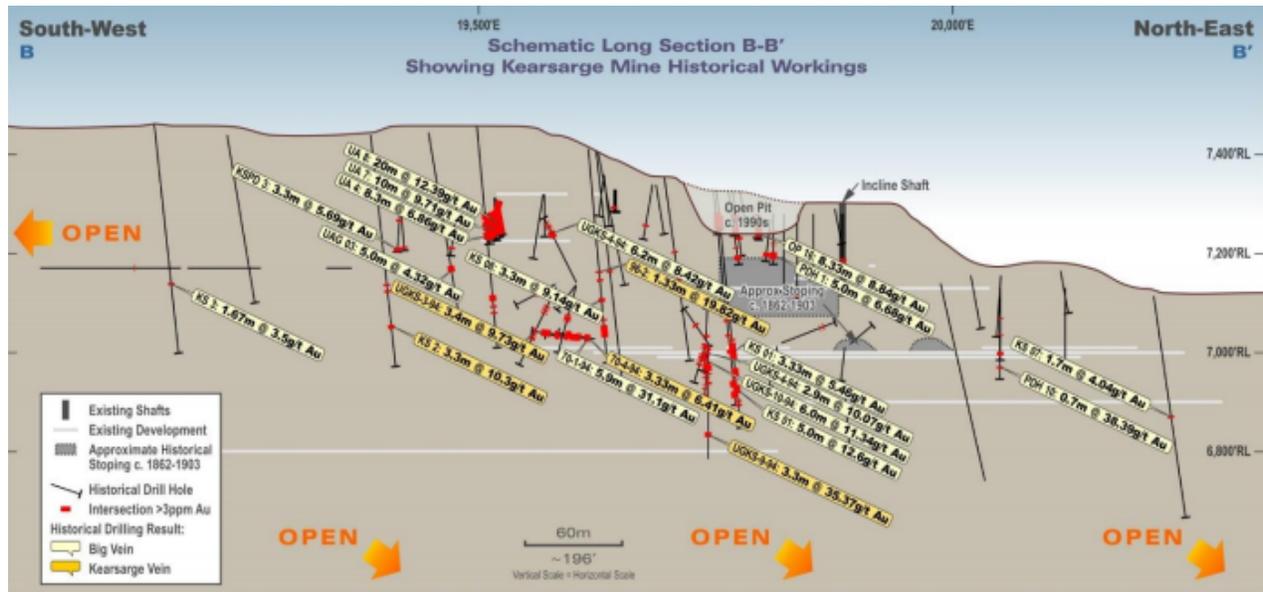
The initial phase of planned drilling will be short during the winter months, with a second stage planned for the early spring of 2019 as the activity toward a new mineral resource estimate progress.

The following diagram highlights the plan view and initial area of focus for compiled drilling within a large shear zone and exploration opportunity outside this focus area.



**Plan View of the Kearsarge highlighting drilling and initial area of focus**

Mineralization appears to be open both along strike and down dip with more technical information been sourced from different libraries and personal discussions with previous operators. The following long section indicates large exploration opportunity for adding additional ounces down dip, along strike, along with additional veining outside the initial area of focus.



**Summary Pierce Points on the Kearsarge and Big Veins along initial area of focus**

*The Company is not treating the historical estimate as a current mineral resource or reserve and will develop the plan to evaluate the information in the oncoming period. Transatlantic is of the belief that with further evaluation and studies this could be added to Transatlantic’s extended future in the district.*

On October 18, 2018, the Company has received a permit to advance further activities on the Kearsarge Gold Project on which it has an exclusive option to purchase with the ability to explore further with a new bond established. Drill planning is now well progressed for implementation in next quarter subject to weather conditions.

*Chris Pfahl is the Qualified Person responsible for having reviewed and approved the technical information contained in this release. Chris is the Principal and Owner of Silver Valley Engineering.*

*Dr. Aslam Awan is the Qualified Person responsible for having reviewed and approved the technical information contained in this release for exploration drilling.*

**Summary of Monitor Project Activities**

The current and planned drill permits will be set up for the following summer work programs. This project has permits required for the exploration drilling and mining of a 10,000 ton mineralized bulk sample.

Access to the mine will be reviewed in the Summer of 2019

## Business Development

The Company has reviewed and ranked many projects and is focused on gold and copper development projects as a future high margin mining opportunities as a path to faster returns on mining startups.

## SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2018 \$	Year Ended December 31, 2017 \$	Year Ended December 31, 2016 \$
Revenue	-	-	-
General & Administrative and Other Expenses	1,704,368	1,408,989	2,429,637
Exploration Expenses	836,916	1,578,336	4,026,980
Net loss and Comprehensive Loss	2,541,284	2,987,325	6,456,617
Net Loss per Share - basic and diluted	0.04	0.09	0.43
Total Assets	8,636,078	8,871,379	2,001,058

## SUMMARY OF QUARTERLY RESULTS

A summary of financial results for the eight most recently completed quarters ending December 31, 2018:

	Revenue (\$)	General & Administrative and Other Expenses (Recovery) (\$)	Exploration Expenses (Recovery) (\$)	Net Loss and Comprehensive Loss (\$)	Loss per Share (\$)
Dec-31-2018	-	847,084	305,305	1,152,389	0.02
Sep-30-2018	-	(144,413)	377,675	233,262	0.00
Jun-30-2018	-	537,628	107,536	645,164	0.01
Mar-31-2018	-	464,069	46,400	510,469	0.01
Dec-31-2017	-	370,517	(136,464)	234,053	0.00
Sep-30-2017	-	493,874	158,766	652,640	0.02
Jun-30-2017	-	302,534	449,563	752,097	0.03
Mar-31-2017	-	242,064	1,106,471	1,348,535	0.06

## Fiscal 2018

During the fourth quarter of 2018, the Company recorded a loss of \$1,152,389 compared to a loss of \$233,262 in the third quarter of 2018. The change is mainly due to the significant increase in general and administrative and other expenses in the current period.

During the third quarter of 2018, the Company recorded a loss of \$233,262 compared to a loss of

\$645,164 in the second quarter of 2018. The change is mainly due to the increase in exploration expenses and was offset by the significant decrease in general and administrative and other expenses in the current period.

During the second quarter of 2018, the Company recorded a loss of \$645,164 compared to a loss of \$510,469 in the first quarter of 2018. The change is mainly due to the increase of exploration expenses and general and administrative and other expenses in the second quarter of 2018.

During the first quarter of 2018, the Company recorded a loss of \$510,469 compared to a loss of \$234,053 in the fourth quarter of 2017. The change is mainly due to the increase of exploration expenses and general and administrative and other expenses in the first quarter of 2018.

### **Fiscal 2017**

During the fourth quarter of 2017, the Company recorded a loss of \$234,053 compared to a loss of \$652,640 in the third quarter of 2017. The change is mainly due to the decrease of exploration expenses and general and administrative and other expenses in the fourth quarter of 2017.

During the third quarter of 2017, the Company recorded a loss of \$652,640 compared to a loss of \$752,097 in the second quarter of 2017. The change is mainly due to the decrease of exploration expenses and was offset by the increase in general and administrative and other expenses in the third quarter of 2017.

During the second quarter of 2017, the Company recorded a loss of \$752,097 compared to a loss of \$1,348,535 in the first quarter of 2017. The change is mainly due to the significant decrease in exploration expenses and general and administrative and was offset by the increase other expenses in the second quarter of 2017.

During the first quarter of 2017, the Company recorded a loss of \$1,348,535 compared to a loss of \$2,000,546 in the fourth quarter of 2016. The change is mainly due to the decrease in exploration expenses and general and administrative and other expenses in the first quarter of 2017.

## **RESULTS OF OPERATIONS**

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### *Year ended December 31, 2018*

The Company has earned a revenue of \$Nil during the years ended December 31, 2018 and 2017. Exploration expenditures of \$836,916 were lower by \$741,420 than the \$1,578,336 incurred during the year ended December 31, 2017 due to decreased exploration activities.

General and administration expenses during the year ended December 31, 2018 totaled \$1,145,995 which were lower by \$536,371 than the \$1,682,366 in 2017. This is mainly due to the decreases in administrative costs of \$1,448 (2017 - \$2,490), corporate communications of \$1,856 (2017 - \$14,796), consulting fees of \$30,445 (2017 - \$349,035), management fees of \$184,124 (2017 - \$456,571), office expenses of \$58,744 (2017 - \$67,993), professional fees of \$18,753 (2017 - \$255,794), project investigation costs of \$2,965 (2017 - \$13,206), and travel expenses of \$2,110 (2017 - \$123,535). Partially offsetting these decreases were increases in accretion of \$342,146 (2017 - \$95,851), amortization of \$302,107 (2017 - \$255,779), filing fees of \$49,804 (2017 - \$26,224) and promotion expense of \$151,493 (2017 - \$21,092). Overall, expenses decreased during

the current year as a result of the reallocation of general and administration expenses to mineral property expenses during the current year.

*Three months ended December 31, 2018*

The Company has earned a revenue of \$Nil during the three months ended December 31, 2018 and 2017. Exploration expenditures of \$305,305 were higher by \$441,769 than the \$136,464 recovery during the three months ended December 31, 2017 due to increased exploration activities and reallocation of general and administration expenses to mineral property expenses in the current period.

General and administration expenses during the three months ended December 31, 2018 totaled \$504,054 which were lower by \$168,142 than the \$672,196 in the same period in 2017. This is mainly a result of the reallocation of general and administration expenses to mineral property expenses during the current period.

## **LIQUIDITY AND CAPITAL RESOURCES**

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As of December 31, 2018, the Company had working capital deficit of \$8,893,155 compared to a working capital deficit of \$6,012,472 as of the year ended December 31, 2017.

*Year ended December 31, 2018*

During the year ended December 31, 2018, net cash used in operating activities was \$471,711 (2017 - \$1,393,538) comprising of a net loss of \$2,541,284 (2017 - \$2,987,325), amortization of \$302,107 (2017 - \$255,779), accretion of \$342,146 (2017 - \$95,581), increase in receivables of \$19,088 (2017 - \$14,835), decrease in prepaid expenses of \$63,725 (2017 - \$21,035), and increase in accounts payable and accrued liabilities of \$1,043,935 (2017 - \$1,326,112).

Cash used in investing activities for the year ended December 31, 2018 was \$64,475 (2017 - \$2,470,233) comprising of an acquisition of equipment and mineral property of \$3,784 (2017 - \$323,478) and \$60,691 (2017 - \$2,146,755), respectively.

Cash provided by financing activities for the year ended December 31, 2018 was \$583,154 (2017 - \$3,839,105) comprising of net proceeds from private placements of \$588,501 (2017 - \$3,741,270), from shares to be issued of \$Nil (2017 - \$107,726) and repayment of loan of \$5,347 (2017 - \$9,891).

On October 29, 2018, the Company closed the third tranche of financing consisting of 6,178,750 units for proceeds of \$617,875. Each unit consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.15, exercisable for a period of three years. \$339,831 was allocated to the warrants using the residual method. The Company also paid cash finders fees of \$29,375 in connection with the third tranche of the financing.

On the same date, the Company closed a shares-for-debt offering, pursuant to which debt in total amount of \$1,526,416 was settled through the issuance of a total of 15,608,735 common shares. In addition, a total of 2,538,734 share purchase warrants were issued to certain creditors who are at arm's-length to the Company. The fair value of shares was estimated to be \$702,394 and the fair

value of warrants was estimated to be \$72,850. The Company recorded a gain on debt settlement of \$91,173 on the consolidated statement of comprehensive loss. Two of the creditors with whom debt was settled are directors of the Company, and, accordingly, the settlement with these individuals was a related party transaction. These directors settled through the issuance of 12,000,000 and 500,000 common shares at a fair value of \$540,000 and \$22,500, respectively. As a portion of the debt settled constituted the settlement of a loan from a shareholder, and the gain was charged to reserves.

On August 28, 2017, the Company closed the first tranche of financing consisting of 22,000,000 units at \$0.10 per unit for gross proceeds of \$2,200,000. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.15, exercisable for three years from the date of closing. \$330,000 was allocated to the warrants using the residual method. The Company also paid finders' fees of \$147,230 and issued 1,137,500 finders' warrants in connection with the placement. The Company allocated a fair value of \$60,322 to the finder's warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.34% and an expected volatility of 121%.

On September 6, 2017, the Company closed the second tranche of financing consisting of 18,155,910 units at \$0.10 per unit for gross proceeds of \$1,815,591. Each unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.15, exercisable for three years from the date of closing. \$363,118 was allocated to the warrants using the residual method. The Company also paid finders' fees of \$127,091 and issued 1,270,913 finders' warrants in connection with the placement. The Company allocated a fair value of \$62,764 to the finder's warrants using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.51% and an expected volatility of 122%.

During the year ended December 31, 2017, the Company received \$107,726 in share subscriptions toward future private placements.

The Company is in the mineral exploration and development business and is exposed to a number of risks and uncertainties inherent to the mineral resource industry. This activity is capital intensive at all stages and subject to fluctuations in metal prices, market sentiment, currencies, inflation and other risks. The Company currently has no source of material revenue, and relies primarily on equity financings to fund its exploration, development and administrative activities. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital. The current recessionary credit conditions have severely limited the Company's ability to raise financing through its usual methods and if these conditions persist they will materially decrease the Company's liquidity and capital resources.

The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders, and the ability of the Company to raise equity. While management has been successful in obtaining additional sources of finance in the past, there can be no assurance that it will be able to do so in the future.

## RELATED PARTY TRANSACTIONS

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The following table summarizes services provided by related parties:

	Year ended December 31, 2018 (\$)	Year ended December 31, 2017 (\$)
Management (a)	360,000	370,000
Consulting (b)	117,696	119,706
	<b>477,696</b>	<b>489,706</b>

- (a) The Company paid management fees of \$360,000 (2017 - \$370,000) to the CEO and former CEO of the Company.
- (b) The Company paid consulting fees of \$60,000 (2017 - \$60,000) and directors fees of \$57,696 (2017 - \$59,706) to directors of the Company.

As of December 31, 2018, \$2,137,168 (2017 - \$2,916,254) is due to related parties for the services above, which is included in accounts payable and accrued liabilities. Amounts due to/from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2018, the Company settled amounts due to related parties through the issuance of 12,500,000 common shares at a fair value of \$562,500.

## FINANCIAL INSTRUMENTS

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The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**Credit risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The risk associated with its receivables is minimal.

**Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial

obligations as they fall due. Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Liquidity risk is assessed as high.

**Currency risk:** Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. The Company is exposed to currency exchange rate risk to the extent of its activities in Australia and the United States. The Company's currency risk is presently limited to approximately \$211,758 of net exposure denominated in Australian dollars and approximately \$6,204,730 of net exposure denominated in U.S. dollars. Based on this exposure as at December 31, 2018, a 5% change in the Australian dollar to Canadian dollar exchange rate would impact the Company's net loss by \$10,588 and by \$310,237 for a 5% change in the US dollar to Canadian dollar. Management believes the foreign exchange risk derived from currency conversions from the Australian and U.S. operations is not significant and does not hedge its foreign exchange risk.

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

**Industry risk:** The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests.

Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

**Interest rate risk:** Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not significant as the Company's assets and liabilities do not bear any interest.

**Capital management:** The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents. The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage and early production development so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed restrictions on capital. There were no changes in the Company's approach to capital management during the year.

## SHARE CAPITAL

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The Company's authorized share capital consists of an unlimited number of common shares without par value. As of December 31, 2018, and at the date of this report, the total number of common shares issued and outstanding is 83,639,916\*.

As of December 31, 2018, and at the date of this report, the total number stock options issued and outstanding is 1,150,000.

As of December 31, 2018, and at the date of this report, the total number of share purchase warrants issued and outstanding is 53,323,808.

\*Does not include the 2,000,000 shares issued in error. The Company is in the process of having the shares returned for cancellation in cooperation with the other party.

## CHANGES IN ACCOUNTING POLICIES

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As of January 1, 2018, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The adoption of these standards did not have a material impact on the consolidated results, financial position or accounting policies of the Company. Significant standards adopted include the following:

### **IFRS 9, Financial Instruments (“IFRS 9”)**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. For financial liabilities, the standard retains most of the IAS 39 requirements.

### **IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)**

The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

### *Accounting standards issued but not effective*

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ending December 31, 2018, and have not been applied in preparing these consolidated interim financial statements. The Company considers the following standard the most significant and is not a complete list of new pronouncements that may impact the consolidated financial statements.

## **IFRS 16 Leases (“IFRS 16”)**

IFRS 16 will replace IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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The Company has no off-balance sheet arrangements.

## **LITIGATION**

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The Company may from time to time be subject to litigation. At December 31, 2018, the Company has accrued for what it believes is a reasonable amount with respect to any litigation claims.

## **MANAGEMENT CHANGES**

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On March 2, 2015, the Company announced that Steve Hodgson has joined the Board of Directors as an independent director. On November 7, 2016, Steve Hodgson resigned as an independent director.

On January 22, 2016, the Company announced that Michael Hulmes has joined the Board of Directors.

On November 7, 2016, the Company announced the appointment of Ray Parry to the Board of Directors as an independent director.

On January 20, 2017, Rob Tindall resigned as director and Chief Executive Officer of the Company.

## **SUBSEQUENT EVENT**

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On March 11, 2019, the Company’s new winter drilling has confirmed that gold mineralization continues strong below the Kearsarge Mine at the Kearsarge Gold Project on which the Company has acquired an exclusive option to purchase. Hole KSRC\_18\_03 hole intersects significant mineralization, 20 metres at 8.64 g/t Au below the lowest level in concert with previous mine development and drillhole intersections and within 40 m (120 feet) from surface on the northern end of the “Initial Area of focus “.

## **Highlights**

New drill assay results on the Kearsarge vein:

- Hole KSRC\_18\_03 -- 20 metres (65 feet) at 8.64 g/t Au (0.252 ounce per tonne Au) -- true width 11.9 m;
- Includes 3.3 m (10 feet) at 24.1 g/t Au;
- Previous big vein highlighted drill hole grades:
  - Hole No. 70-1-94 -- 5.9 metres (17.6 feet) at 31.15 g/t Au (1.0 oz/t Au) -- true width

- 5.9 m;
- 70-3-94 -- 7.5 metres (22.6 feet) at 48.23 g/t Au (1.55 oz/t Au) -- true width 6.0 m;
- \* KS-01 -- 5.0 metres (15.0 feet) at 60.27 g/t Au (1.94 oz/t Au) -- true width 4.3 m;
- Previous Kearsarge vein highlighted drill hole grades:
  - Hole No. UGKS-9-94 -- 3.3 metres (9.8 feet) at 35.26 g/t Au (1.13 oz/t Au) -- true width 1.6 m;
  - 96-2 -- 1.3 metres (4.0 feet) at 30.47 g/t Au (0.98 oz/t Au) -- true width 1.3 m;
  - \* KS-02 -- 3.3 metres (10.0 feet) at 10.23 g/t Au (0.33 oz/t Au) -- true width 2.7 m.