



(the “Company”)

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### Year End Report – December 31, 2018

#### **General**

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the audited financial statements of the Company for the year ended December 31, 2018. The following information, prepared as of March 27, 2019, should be read in conjunction with the December 31, 2018 financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relevant to the Company’s activities can be found on SEDAR at ([www.sedar.com](http://www.sedar.com)).

#### **Forward-looking Information**

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation (“Forward-looking Statements”). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to the Company’s plans for exploration of its properties; the sufficiency of the Company’s cash position; and its ability to raise equity capital or access debt facilities. Often, but not always, these Forward-looking Statements can be identified by the use of words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “forecasts”, “scheduled”, “targets”, “possible”, “strategy”, “potential”, “intends”, “advance”, “goal”, “objective”, “projects”, “budget”, “calculates” or statements that events, “will”, “may”, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration;
- fluctuations in commodity prices, foreign exchange rates, and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions;

as well as those factors referred to in the “Risks and Uncertainties” section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company’s properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matters;
- exploration activities proceeding on a basis consistent with the Company’s current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

### **Business of the Company**

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. Management is focusing its efforts towards actively seeking prospective projects for acquisition by the Company, as well as possible joint ventures or other transactions for the Company’s Rivier Property described below.

### **Rivier Property**

The Company has held a 100% interest in 16 Rivier claims for some years, and until late 2017, had an option to acquire an additional 100 Rivier claims. In April 2018, the Company entered into an agreement (the “Rivier and Sixty Mile Agreement”) with the owner (the “Rivier Owner”) of the 100 Rivier claims, to acquire such claims in consideration for transferring 63 of the Company’s Sixty Mile claims to the Rivier Owner, agreeing to make annual advance royalty payments of \$10,000 to the Rivier Owner commencing in April 2020, and granting to the Rivier Owner a 2% net smelter return royalty. As a result of the Rivier and Sixty Mile Agreement, the Rivier Property currently consists of 116 claims owned by the Company and which are in good standing until 2024.

The Rivier claims are located 90 kilometres southeast of Ross River, Yukon and are targets for lode gold mineralization of the Motherlode type. Geochemical results from soil sample programs identified three zones of anomalous gold values adjacent to a structurally controlled ultramafic body indicating the potential for significant gold mineralization. Each of the three zones includes at least one soil sample that contained over 2 grams per tonne gold.

*Qualified Person: Bruce Smith, M.Sc., M.Eng., a member of the Australian Institute of Geoscientists, is the Company’s Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A.*

### **Selected Financial Information**

The following table provides financial results for the years ended December 31, 2018, 2017 and 2016:

	<b>2018</b> <b>(\$)</b>	<b>2017</b> <b>(\$)</b>	<b>2016</b> <b>(\$)</b>
Exploration expenditures	25,789	7,602	260
General and administrative expenses	132,848	123,025	141,254
Net loss	162,701	80,627	219,288
Basic and diluted loss per share	0.01	0.01	0.01
Total assets	160,173	366,474	104,597
Total liabilities	163,030	225,230	133,476
Shareholders’ equity (deficiency)	(2,857)	141,244	(28,879)

## **Quarterly Information**

The following table provides quarterly information for the eight fiscal quarters ended December 31, 2018:

<b>Quarter Ended</b>	<b>Dec. 31, 2018 (\$)</b>	<b>Sep. 30, 2018 (\$)</b>	<b>Jun. 30, 2018 (\$)</b>	<b>Mar. 31, 2018 (\$)</b>	<b>Dec. 31, 2017 (\$)</b>	<b>Sep. 30, 2017 (\$)</b>	<b>Jun. 30, 2017 (\$)</b>	<b>Mar. 31, 2017 (\$)</b>
Exploration expenditures	7,788	-	18,001	-	7,602	-	-	-
General and administrative expenses	45,837	24,730	30,788	31,493	40,259	26,774	24,773	31,219
Net income (loss)	(53,625)	(28,791)	(48,792)	(31,493)	2,139	(26,774)	(24,773)	(31,219)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)

The net income for the quarter ended December 31, 2017 was a result of the reversal of impairment of exploration and evaluation properties of \$50,000. Exploration expenditures for the quarters presented were mostly related to the investigation of new property opportunities.

## **Results of Operations**

### *Quarter ended December 31, 2018*

The quarter ended December 31, 2018 had a net loss of \$53,625, compared to a net income of \$2,139 for the quarter ended December 31, 2017. The comparative quarter's net income is from a gain of \$50,000 from a recovery of a past mineral property impairment loss. The net loss for the current quarter consisted of \$7,788 in exploration expenditures and \$45,837 in general and administrative expenses compared to \$7,602 and \$40,259, respectively, for the comparative quarter. All general and administrative costs for the current quarter, except for salaries and benefits and shareholder communications, were either similar or lower than those for the comparative quarter. The salaries and benefits expense for the current quarter was higher due to the Company's portion of shared personnel costs increasing since the prior year.

### *Year ended December 31, 2018*

The net loss for the year ended December 31, 2018 was \$162,701 compared to \$80,627 for the year ended December 31, 2017, an increase of \$82,074. The net loss for the current year consisted of \$25,789 in exploration expenditures, \$132,848 in general and administrative expenses and a \$4,061 loss on debt settlement whereas the comparative year net loss consisted of \$7,602 in exploration costs and \$123,025 in general and administrative expenses that were partially offset by the gain of \$50,000 relating to a mineral property impairment reversal. The current year loss on debt settlement was the result of 162,450 common shares being issued to settle an amount of \$16,245 owing to the President of the Company whereby the fair value of the shares on the issuance date was greater than the carrying value of the debt as of the date of the debt settlement agreement. As in the quarterly comparison, general and administrative costs, except for salaries and benefits expense, were either similar or lower in the current year.

## **Liquidity and Capital Resources**

The Company is in the exploration stage and therefore has no cash flow from operations. The Company no longer has option agreements relating to the Rivier Property that had cash and share payments scheduled to be paid and received, although for as long as the Company owns the Rivier Property, the Company has a commitment to make annual advance royalty payments of \$10,000 to the former property owner commencing in April 2020.

As at December 31, 2018, current assets were \$97,012 of which \$92,267 was cash and \$3,376 was the fair value of equity investments (formerly called available-for-sale investments). Current liabilities were \$163,030, resulting in a working capital deficiency of \$66,018. The current liabilities balance includes \$145,530 owing to related parties, of which the majority has been accrued since 2015. The Company's last private placement to raise funds was in 2015 for \$250,000. Issued in this private placement were 5,000,000 share purchase warrants with an exercise price of \$0.05 per share, of which all were exercised during the 2017 fiscal year for proceeds of \$250,000. During the year ended December 31, 2018, the Company received proceeds of \$50,000 upon the sale of its Scarlet East and Face properties. Current funds are being used for new project investigations and for general working capital purposes.

The Company has primarily funded its operations through the issuance of equity financing. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and future exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be

able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

### **Financial Instruments and Risk Management**

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### **General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

##### **(a) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

##### *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

##### *Equity Price Risk*

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the equity investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a \$337 increase or decrease in comprehensive loss.

##### **(b) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset-based commercial paper.

##### **(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2018, the Company had cash of \$92,267 (2017: \$245,217) available to apply against short-term business requirements and current liabilities of \$163,030 (2017: \$225,230). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

### Related Party Transactions

The Company had transactions during the periods ended December 31, 2018 and 2017 with related parties who consisted of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the years ended December 31, 2018 and 2017, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General and administrative expenses:				
Office and administration	\$ 6,338	\$ 6,712	\$ 28,340	\$ 28,823
Salaries and benefits	7,229	3,785	25,970	13,220
Transfer agent and regulatory fees	45	198	1,898	3,094
Travel and accommodation	969	217	1,634	859
	<b>\$ 14,581</b>	<b>\$ 10,912</b>	<b>\$ 57,842</b>	<b>\$ 45,996</b>

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

Deposits as of December 31, 2018 consist of \$61,000 (2017: \$61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group that was effective July 1, 2012. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Amounts due to related parties as of December 31, 2018 consist of \$4,373 (2017: \$112,255) due to Gold Group, \$139,650 (2017: \$95,550) due to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees, and \$1,507 (2017: \$Nil) due to the President of the Company for expenses. The balance due to Gold Group is collateralized by a deposit and the balance due to Mill Street is unsecured, non-interest bearing and due on demand.

### **Key management compensation**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation, other than those included in salaries and benefits above, comprises:

	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Geological fees	\$ -	\$ -	\$ 9,000	\$ -
Management fees	10,500	10,500	42,000	42,000
Salaries and benefits	1,833	688	5,042	2,587
	<b>\$ 12,333</b>	<b>\$ 11,188</b>	<b>\$ 56,042</b>	<b>\$ 44,587</b>

### Other Data

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### Share Position and Outstanding Warrants and Options

As at March 27, 2019, the Company had 20,261,308 common shares issued and outstanding and the following incentive stock options are currently outstanding:

<b>STOCK OPTIONS</b>		
<b>No. of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
245,000	\$0.75	July 19, 2022

### Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited financial statements for the year ended December 31, 2018. The following outlines the new accounting standard adopted by the Company effective January 1, 2018:

#### *IFRS 9 Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”), which replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's financial statements. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for equity investments as an adjustment to opening components of equity as at January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

<b>January 1, 2018</b>		
	<b>IAS 39</b>	<b>IFRS 9</b>
<b>Financial Asset</b>		
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Receivables	Amortized cost	Amortized cost
Equity investments	Fair value through other comprehensive income ("FVTOCI")	FVTOCI
<b>January 1, 2018</b>		
	<b>IAS 39</b>	<b>IFRS 9</b>
<b>Financial Liability</b>		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company's equity investments consist of equity securities. For equity securities not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity securities as financial assets at FVOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified \$56,749 of impairment losses recognized in prior years on equity securities which continue to be held by the Company as at January 1, 2018 from opening deficit to accumulated other comprehensive income. As a result of adopting IFRS 9, the net change in fair value of the equity securities,

including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to profit or loss in the Statements of Loss and Comprehensive Loss.

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash and receivables and financial liabilities.

### **Future Accounting Changes**

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

#### *IFRS 16 Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

The Company does not anticipate the adoption of IFRS 16 to have a significant impact on its financial statements.

#### *IFRS 17 Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its financial statements.

### **Risks and Uncertainties**

#### *Mineral Property Exploration and Mining Risks*

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

#### *Joint Venture Funding Risk*

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

#### *Commodity Price Risk*

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

#### *Financing and Share Price Fluctuation Risks*

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

#### *Political and Regulatory Risks*

The Company is currently operating in Canada which has a stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates.

#### *Insured and Uninsured Risks*

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

#### *Environmental and Social Risks*

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are considered low in Canada, the principal country of operation of the Company, but a change in social expectations could add new layers of risk to the viability of exploration and development properties.

#### *Competition*

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.