# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following Management's Discussion and Analysis ("**MD&A**") of Foran Mining Corporation ("**Foran**" or the "**Company**") is for the three months ended March 31, 2018 and covers information up to the date of this MD&A.

This MD&A is dated May 30, 2018.

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

This MD&A may contain forward-looking statements that reflect Management's current expectations with regards to future events. By their nature, these statements involve risk and uncertainties, many of which are beyond the Company's control. Actual results may differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All amounts are stated in Canadian dollars unless otherwise indicated. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com or on the Company's website at www.foranmining.com.

## NATURE OF BUSINESS

The Company was originally incorporated under the laws of British Columbia ("**BC**") on June 21, 1989, was continued into Saskatchewan on November 13, 2007 and was continued back into BC on May 28, 2014. The Company is a reporting issuer in BC, Alberta, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador. The Company's common shares are traded on the TSX Venture Exchange under the symbol "FOM". The Company's principal business activity is the acquisition, exploration and development of mineral properties with the objective of discovering mineral reserves and the development of an operating mine. The Company's flagship property is its 100% owned McIlvenna Bay Property in Saskatchewan, Canada, 65 kilometres ("**km**") west of Flin Flon, Manitoba.

To date the Company has not generated any revenues.

## HIGHLIGHTS AND KEY DEVELOPMENTS (to the date of this report)

From January to April 2018, Foran conducted a 15,206 metre ("**m**") drill program on the McIlvenna Bay deposit with a focus on infill and resource definition drilling in order to convert as much of the current inferred resource as possible into the indicated category to be used to update the existing resource estimate on its McIlvenna Bay deposit ("**Phase I Program**"). Foran accomplished the following:

- Approximately doubled the density of drilling at depth;
- Increased its confidence in the deep portion of the massive sulphide; and
- Identified new areas to potentially expand the size of the deposit.

**HIGHLIGHTS AND KEY DEVELOPMENTS** (to the date of this report) (continued)

A review of the deep drill-hole assay data indicates that grades from the 2018 massive sulphide intercepts matched or exceeded historic drill-hole grades at depth.

The Phase I Program was initiated as a result of to the execution of a Technical Services Agreement ("**Agreement**") with Glencore Canada Corporation ("**Glencore**"). The Agreement provides for Glencore to contribute technical expertise, guidance and advice towards the completion of a feasibility study ("**Feasibility Study**") on the McIlvenna Bay deposit. In consideration for this contribution, Glencore has been given an exclusive off-take contract to purchase or toll process all of the concentrate and/or other mineral products produced at prevailing market rates.

The Phase I Program and the resulting update of the resource estimate are critical components of the upcoming Feasibility Study. The Company increased the density of drilling at depth two-fold and encountered strong mineralization at the known margin of the deposit. The Phase I Program, which had to be undertaken during winter, has been completed and a second phase is planned for the summer.

Drilling from the Phase I Program confirmed the quality of the historic drilling done prior to current management's involvement. With this previous data, along with the new information gathered during the drill program, Glencore and Foran have started compiling and interpreting the drill results in order to upgrade the existing resource. The next phase of drilling, which is expected to be completed in summer 2018 is intended to supplement current drilling, and provide a clear picture of the potential of McIlvenna Bay to advance past feasibility.

Below is a summary of activities undertaken in 2018 to the date of this report:

- On January 22, 2018, the Company announced the commencement of the 10,000m Phase I Program. The program also included deepening a drill-hole ("**MR-17-09**") that was originally drilled from March to April 2017 to test a large geophysical anomaly ("**Target A**") that had been identified by a ground-based time-domain electromagnetic (TDEM) geophysical survey conducted in 2013 along strike from the Company's McIlvenna Bay deposit. An early spring break-up in 2017 forced the stoppage of MR-17-09 short of the interpreted depth of the Target A conductor;

- In January 2018, Management and Directors of the Company exercised stock options to acquire 905,000 common shares of the Company at a price of $0.59 per share for proceeds to the Company of $533,950, of which 800,000 shares were subsequently sold in a private transaction to an arms-length party for investment purposes;

- On February 8, 2018, the Company provided an update on its previously announced winter drill program. Nine infill drill-holes were completed and assays were sent for analysis. In addition, extension drilling on drill-hole MR-17-09 successfully intersected what is believed to be the upper edge of modelled Target A conductor plates. A wedged drill-hole has been planned to further test the target down dip below MR-17-09;

**HIGHLIGHTS AND KEY DEVELOPMENTS** (to the date of this report) (continued)

- On March 2, 2018, the Company announced the assay results of the first nine drill-holes from the Phase I Program. The results contained intervals at grades higher than the McIlvenna Bay deposit average. Drilling also confirmed the presence of high-grade zinc and elevated precious metals grades in the Hanging Wall lens, 200m above the currently defined resource;

- On April 12, 2018, and as a result of the favourably cold winter weather conditions, the Company announced the extension and increase of the Phase I Program. Due to the extended season, the Phase I program was expanded to anticipate the completion of 34 holes encompassing approximately 16,000m;

- On April 20 and 25, 2018, the Company announced the assay results of an additional five and four infill drill-holes, respectively, from the Phase I Program all with encouraging results;

- On May 7, 2018, the Company announced the assay results of two additional drill-holes from the Phase I Program as well as announcing the completion of the Phase I Program. During the campaign, 28 holes were completed at McIlvenna Bay, while two holes were lost and an additional two holes were suspended due to spring breakup. The Phase I Program consisted of 15,206m of drilling, including 219m directed at completing MR-17-09 at Target A;

- On May 15, 2018, the Company completed a program of borehole EM surveys on holes from the Phase I Program. A total of 10 holes were surveyed during the program. The results of the program are currently being compiled and interpreted. A full report from the contractor on the work is pending;

- On May 16, 2018, the Company announced the assay result for four holes from the deeper section of the McIlvenna Bay deposit, containing in excess of 20m of continuous mineralization and significant precious and base metals grades;

- On May 22, 2018, the Company staked an additional Mineral Disposition totaling 506 hectares ("**ha**") which provides a connection between the McIlvenna Bay and Bigstone Properties; and

- On May 23, 2018, the Company announced assay results for the final four holes from the Phase I Program which included an intercept of over 9.6% Zn over 8.1m, again in the deeper section of the McIlvenna Bay deposit.

## OUTLOOK

### Moving McIlvenna Bay to Feasibility

On December 4, 2017, the Company announced the execution of the Technical Services Agreement with Glencore. Glencore will contribute its professional and technical services, assistance, guidance and advice in connection with the objective of completing the Feasibility Study. Management is anticipating that the Feasibility Study will be completed in Q2 or Q3 2019. Foran is responsible for all infill drilling on the McIlvenna Bay deposit, as well as the environmental and socio-economic parts of the Feasibility Study. In consideration, the Company has granted Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from the McIlvenna Bay project at prevailing market rates.

With respect to financing its winter drill program, on December 21 and 29, 2017, the Company completed two tranches of a non-brokered private placement which consisted of the Company issuing a total of 10,105,600 common shares on a flow-through basis ("**FT Shares**") at a price of $0.49 per FT Share for gross proceeds of $4,951,744. The proceeds are being used to incur qualified Canadian Exploration Expenses, within the meaning of the Income Tax Act (Canada).

From January to April 2018, Foran completed the Phase I Program of infill diamond drilling on the McIlvenna Bay deposit. A total of 15,215m of drilling was conducted in 32 holes. As noted in "*Highlights and Key Developments*" above, assay results from 28 holes have been released, as two holes were lost and two holes were suspended due to spring breakup. A phase II program is expected to continue in summer on higher ground that can be more readily accessed under summer conditions.

Glencore will be responsible for all engineering and technical aspects of the Feasibility Study which is to be delivered nine months from the date of receiving the final assays from the infill drilling program. Glencore has agreed to assist Foran with the procurement of project financing in order to complete the development and placing of the McIlvenna Bay project into commercial production. They may also provide technical services while the mine is in construction and ramping up to commercial production.

Glencore has made no statement or representation as to the economic viability of the McIlvenna Bay project.

For additional information on the Technical Services Agreement, see the Company's news release dated December 4, 2017 at www.foranmining.com or www.sedar.com.

### Results of the McIlvenna Bay Preliminary Economic Assessment

In November 2014, the Company announced the results of a positive PEA on the Company's flagship project, the 100% owned McIlvenna Bay deposit located within the Hanson Lake Volcanogenic Massive Sulphide ("**VMS**") Camp in east-central Saskatchewan, approximately 65km west of Flin Flon, Manitoba. The PEA estimated that the project had a pre-tax net present value using a seven percent discount rate ("**$NPV_{7\%}$**") of $381.7 million, a 21.9% internal rate of return ("**IRR**") and a 4.1 year payback; post-tax $NPV_{7\%}$ of $262.6 million, a 18.9% IRR and a 4.1 year payback. The PEA envisions an average throughput rate of 4,800 tonnes per day as a conventional underground operation with pre-production capital cost estimated at $248.8 million. Sustaining capital is estimated at $150.3 million. Based on the positive results of the PEA, and the execution of the Technical Services Agreement, Management is proceeding with the Feasibility Study.

**OUTLOOK** (continued)

**Results of the McIlvenna Bay Preliminary Economic Assessment** (continued)

The following tables summarize the Metal Price Sensitivity Analysis derived from the PEA:

| | -10% | Base Case | +10% |
|---|---|---|---|
| **Metal Price Sensitivity** | | | |
| Zinc (US$/lb.) | 0.95 | **1.06** | 1.17 |
| Copper (US$/lb.) | 2.77 | **3.08** | 3.39 |
| Lead (US$/lb.) | 0.84 | **0.93** | 1.02 |
| Gold (US$/oz.) | 1,114 | **1,238** | 1,362 |
| Silver (US$/oz.) | 15.30 | **17.00** | 18.70 |
| **Pre-tax** | | | |
| $NPV_{7\%}$ | $200.6M | **$381.7M** | $562.9M |
| IRR | 15.4% | **21.9%** | 27.6% |
| Payback | 5.4 years | **4.1 years** | 3.4 years |
| **Post-tax** | | | |
| $NPV_{7\%}$ | $129.4M | **$262.6M** | $394.5M |
| IRR | 13.3% | **13.3%** | 24.0% |
| Payback | 5.4 years | **5.4 years** | 3.5 years |

| | -10% | Base Case | +10% |
|---|---|---|---|
| **Exchange Rate Sensitivity** | | | |
| CDN$:US$ | 0.98 | **0.89** | 0.80 |
| **Pre-tax** | | | |
| $NPV_{7\%}$ | $251.3M | **$381.7M** | $541.1M |
| IRR | 17.2% | **21.9%** | 26.9% |
| Payback | 4.9 years | **4.1 years** | 3.5 years |
| **Post-tax** | | | |
| $NPV_{7\%}$ | $166.9M | **$262.6M** | $378.7M |
| IRR | 14.9% | **13.3%** | 23.4% |
| Payback | 4.9 years | **5.4 years** | 3.5 years |

For additional information on the McIlvenna Bay deposit PEA, see the Company's news release dated November 12, 2014 and the Company's PEA report entitled "Preliminary Economic Assessment Technical Report McIlvenna Bay Project, Saskatchewan, Canada" revised January 21, 2015 at www.foranmining.com or www.sedar.com.

**OUTLOOK** (continued)

Following the release of the PEA, metals prices declined and investors' interest in funding base metals projects waned. Foran Management became concerned that taking the McIlvenna Bay project to Feasibility by itself in this environment would place a large burden on its shareholder base to finance a feasibility study and would in turn be highly dilutionary to existing shareholders. Management spent time contacting various parties it deemed would be interested in partnering with Foran in taking the McIlvenna Bay project to Feasibility and would also have the financial capability, on a positive outcome to a feasibility study, of carrying the McIlvenna Bay project through construction to commercial production.

Foran underwent discussions with many parties during its search. In the spring of 2017, Management engaged Micon to conduct a technical review of the PEA. Micon also conducted a review of the resource model, the mine plan, metallurgical recoveries and options to improve on capital and operating efficiencies, taking into account changes in economic inputs since the PEA. Following the review, Micon prepared a list of potential trade-offs and development options. These trade-off studies included such items as mining the high-grade massive sulphides only, lower throughput rates and/or the potential for toll or contract processing. The review laid out options for development in terms of timing and costs, putting the Company in a better position to choose the most appropriate path forward to complete a preliminary feasibility study and/or subsequent feasibility studies on the McIlvenna Bay project. Micon did not prepare a 43-101 compliant report on its study.

As a result of the Company's search to find a partner with the vision to develop the McIlvenna Bay project, Foran and Glencore evaluated the possibility of Glencore using its technical expertise to assist the Company in completing a feasibility study on the McIlvenna Bay project in return for exclusive concentrate off-take rights.

On review of the terms of the Glencore Technical Services Agreement, Foran's Board of Directors (the "**Board**") felt that it offered the best route to advance the McIlvenna Bay project to feasibility. Management's long-term strategy is to develop and build a new base metal mine in the Hanson Lake Mining District. Management sees the Technical Services Agreement as potentially acting as a catalyst to get Foran to its stated objective of building a large tonnage McIlvenna Bay mine that can be the centre of gravity necessary to support the construction of a central mill and concentrator and allow the exploitation of numerous deposits and exploration targets identified in the Hanson Lake Mining District to date.

During its tenure, the current management team of Foran has held community meetings at the Peter Ballantyne Cree Nation ("**PBCN**") communities of Amisk Lake and Deschambault. Regular community meetings are an important part of the engagement process to keep communities abreast of activities as the McIlvenna Bay project progresses. Wherever possible, Foran will hire local PBCN members to assist in advancing the project. As McIlvenna Bay is advanced, communicating effectively and working with the communities affected by Foran's activities is one of its priorities.

**OUTLOOK** (continued)

Taking the McIlvenna Bay project to production will not come without challenges. Foran plans to leverage its strengths, notably its staff and the project location. Foran's experienced team members have track-records of taking projects to feasibility and production. The McIlvenna Bay project is the largest undeveloped VMS deposit in the prolific Flin Flon Mining Belt. It is close to infrastructure, a mining town and workforce, a concentrator and zinc plant. These attributes, along with a strong demand for zinc and copper, are critical success factors for the Company.

Management's long-term strategy is to develop and build a new base metal mine in the Hanson Lake Mining District. Foran plans to realize its strategy by moving the McIlvenna Bay project to a Feasibility Study, updating and potentially expanding historic deposits, testing known mineral occurrences and identifying new exploration targets on its large land holdings which could provide future mill feed for an operation at McIlvenna Bay.

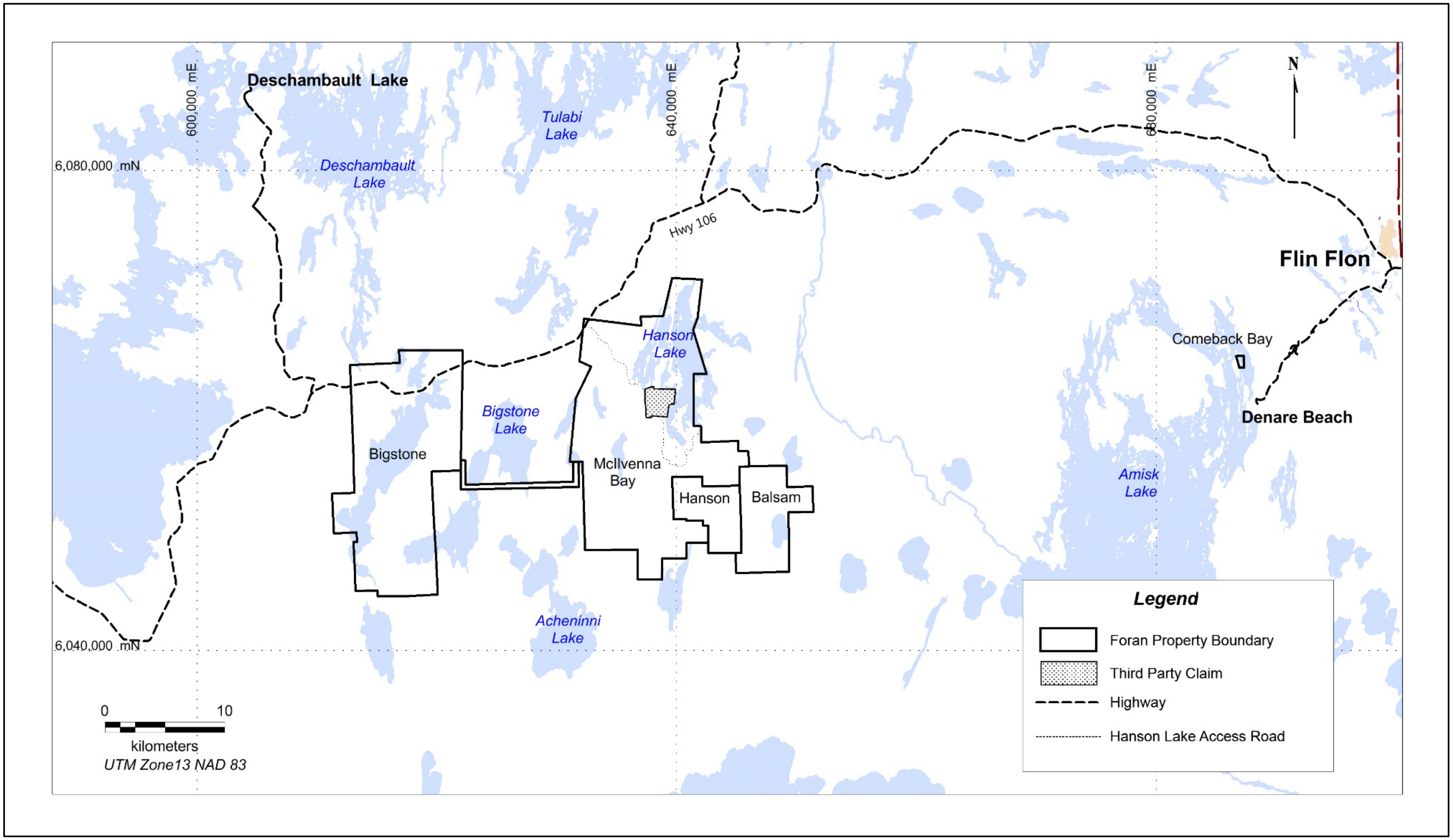
**QUALIFIED PERSON**

Mr. Roger March, P.Geo., VP Project Exploration for the Company and a Qualified Person within the meaning of National Instrument ("**NI**") 43-101, has reviewed the technical information in this MD&A.

## MINERAL PROPERTIES

### SASKATCHEWAN PROPERTIES

As of the date of this report, the Company has five properties in Saskatchewan comprising a total of 61 claims for 43,809 ha, located between 15 and 90km west of Flin Flon, Manitoba. The four westernmost properties are higher priority, consisting of the McIlvenna Bay Property which contains the McIlvenna Bay deposit, two properties contiguous to the McIlvenna Bay Property (Hanson and Balsam) and one non-contiguous property (Bigstone), all of which occur at the western limit of the Flin Flon Greenstone Belt. All four properties are underlain by prospective felsic volcanic stratigraphy that hosts variably significant VMS styles of alteration and mineralization. The easternmost property in Saskatchewan (Comeback Bay) is of lower priority having both precious and base metal VMS potential within the western limit of the Flin Flon Arc Assemblage (Birch Lake Belt).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Foran Property Boundary
Third Party Claim
Highway
Hanson Lake Access Road

## MINERAL PROPERTIES (continued)

### SASKATCHEWAN PROPERTIES (continued)

### 1) MCILVENNA BAY PROPERTY

The Company has a 100% interest in the McIlvenna Bay Property in east central Saskatchewan. The McIlvenna Bay Property consists of 38 claims covering a total of 20,954 ha. The McIlvenna Bay deposit is located on the McIlvenna Bay Property, approximately one km south of Hanson Lake, Saskatchewan, 375km northeast of Saskatoon, Saskatchewan and 65km west south-west of Flin Flon, Manitoba. The McIlvenna Bay deposit is linked to Flin Flon, Manitoba by 85km of highway followed by 18km of unsealed secondary road.

Some of the claims that make up the McIlvenna Bay Property are subject to a Net Tonnage Royalty of $0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation ("**Cameco**") and BHP Billiton ("**Billiton**") collectively hold a 1% Net Smelter Return ("**NSR**") royalty interest on McIlvenna Bay, which can be purchased by the Company at any time for $1,000,000.

The McIlvenna Bay deposit was discovered in 1988 and includes two distinct styles of VMS mineralization which include massive to semi-massive sulphides and copper stockwork. In November 2014, the Company announced the results of a positive PEA on the McIlvenna Bay deposit. The PEA was completed by JDS Energy & Mining Inc.

For additional information on the McIlvenna Bay deposit PEA, see the Company's news release dated November 12, 2014 and the Company's PEA report entitled "Preliminary Economic Assessment Technical Report McIlvenna Bay Project, Saskatchewan, Canada" revised January 21, 2015 at www.foranmining.com or www.sedar.com.

**Technical Services Agreement**

As noted in "*Outlook*" on Page 2, in December 2017 the Company executed the Technical Services Agreement with Glencore. Glencore is contributing its professional and technical services, assistance, guidance and advice in connection with the objective of completing the Feasibility Study. In consideration, the Company has granted Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from the McIlvenna Bay project at prevailing market rates.

## MINERAL PROPERTIES (continued)

### SASKATCHEWAN PROPERTIES (continued)

### 1) MCILVENNA BAY PROPERTY (continued)

***Exploration Activities***

**2017**

The Company conducted a winter 2017 drill program that consisted of one deep drill-hole designed to test the Target A conductor that had been identified by a ground based time-domain electromagnetic (TDEM) geophysical survey conducted on the property in 2013 along strike from the McIlvenna Bay deposit. Hole MR-17-09 was drilled in an area of muskeg and swamp and an early onset of spring break up forced the suspension of the winter drill program at Target A. MR-17-09 was stopped short of the interpreted depth of the Target A electromagnetic conductor. A borehole electromagnetic survey was conducted to better identify the location and characteristics of the Target A anomaly.

**2018**

From January to April 2018, the Company completed the Phase I Program with a total of 15,206m drilled in 32 holes, including two holes that were lost and two holes that were suspended for spring breakup prior to completion. As part of the Phase I Program, the Company drilled 219m deepening drill-hole MR-17-09 at Target A.

On February 8, 2018, the Company announced that extension drilling on drill-hole MR-17-09 successfully intersected what is believed to be the upper edge of modelled Target A conductor plates. A wedged drill-hole is planned to further test the target down dip below MR-17-09.

Between February and May 2018, the Company released assay results from all 30 of the completed Phase I Program drill-holes, which contained many high-grade zinc and copper intervals. The drilling also confirmed the presence of high-grade zinc and elevated precious metals grades in the Hanging Wall lens approximately 200m above the currently defined resource.

Since 2011, the Company has been working to advance the McIlvenna Bay deposit through continued exploration, resource definition and environmental and engineering studies. This work culminated in the issuance of a PEA demonstrating the potential for a robust operation on the McIlvenna Bay Property and the decision to proceed with the Feasibility Study.

The Company continues to conduct exploration activities directed towards identifying additional resources on its Hanson Lake Mining District landholdings surrounding the McIlvenna Bay deposit.

**SASKATCHEWAN PROPERTIES** (continued)

**1) MCILVENNA BAY PROPERTY** (continued)

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the McIlvenna Bay Property in good standing.

**2) BIGSTONE**

The Company has a 100% interest in the Bigstone Property, which is comprised of 13 claims totalling 16,218 ha oriented north-south to cover roughly 20km of prospective volcanic stratigraphy.

The Bigstone Property hosts a deposit (the "**Bigstone Deposit**") with an historic mineral resource estimate prepared by past operators in 1990. The Company is not treating the historic estimates as current as a Qualified Person within the meaning of NI 43-101 has not completed sufficient work to classify the historic estimate as current; additional work, including re-surveying, re-logging and drill core QA/QC would be required to verify and upgrade the historic estimate to current.

For additional information on the Bigstone Deposit, see the Company's website at www.foranmining.com under the Properties/Bigstone link.

In October 2014, the Company completed an agreement with Teck Resources Limited ("**Teck**") whereby certain back-in rights held by Teck on the Company's Bigstone, Balsam and Hanson properties were extinguished in exchange for 1,000,000 common shares of the Company, 1,000,000 share purchase warrants, and certain future sale participation rights. The warrants expired unexercised on October 14, 2016.

In the event the Company sells or options any of the Bigstone, Balsam and Hanson Properties prior to September 30, 2018, the Company will pay Teck in-kind an amount equal to 10% of the proceeds.

Some of the claims that make up the Bigstone Property are subject to a 2% NSR royalty.

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the Bigstone Property in good standing.

**3) BALSAM**

The Company has a 100% interest in the Balsam Property, which is comprised of seven claims totalling 4,034 ha contiguous with the McIlvenna Bay and Hanson Properties. Balsam claims cover the southeast strike extension of McIlvenna Bay stratigraphy and host a number of significant VMS occurrences including high-grade copper mineralization discovered in the Thunder Zone in 2013, as well as the Balsam Zone, where an historic mineral resource estimate has been outlined. Further drilling, sampling and geological interpretation will be required to upgrade the historic resource to current.

**SASKATCHEWAN PROPERTIES** (continued)

**3) BALSAM** (continued)

In October 2014, the Company completed an agreement with Teck whereby certain back-in rights held by Teck on the Company's Bigstone, Balsam and Hanson Properties were extinguished (see 'Bigstone' above).

Some of the claims that make up the Balsam Property are subject to a 2% NSR royalty.

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the Balsam Property in good standing.

**4) HANSON**

The Company has a 100% interest in the Hanson Property, which is comprised of two claims totalling 2,552 ha contiguous with the McIlvenna Bay Property to the north and west and the Balsam Property to the east. A number of VMS targets are known from past exploration.

In October 2014, the Company completed an agreement with Teck whereby certain back-in rights held by Teck on the Company's Bigstone, Balsam and Hanson Properties were extinguished (see 'Bigstone' above).

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the Hanson claims in good standing.

**5) COMEBACK BAY**

The Comeback Bay Property is comprised of one claim totalling 52 ha which is located 15km southwest of Flin Flon.

The Comeback Bay claim is subject to a joint venture agreement in which the Company owns a 65% interest and Coronation Mines Ltd. (a subsidiary of Cobalt Solutions Inc.) owns the remaining 35%. This claim is subject to a 2.5% NSR royalty and a 10% NPI.

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the remaining Comeback Bay claim in good standing.

**MANITOBA PROPERTY**

**REED LAKE**

The Company has a 100% interest in the Reed Lake Property, which is comprised of a single claim totaling 195 ha located 105km east of Flin Flon and 21km southwest of Snow Lake.

Reed Lake is subject to a 1% NSR royalty. Geologically, the claim occurs within the Snow Lake arc assemblage at the eastern limit of the Flin Flon Greenstone Belt. Historic drilling has intersected altered and weakly mineralized felsic to intermediate volcanic rocks equivalent to those hosting the HudBay Minerals Inc.'s Lalor deposit, situated 15km to the northeast.

***2018 Expenditure Requirements***

There are no expenditures required in 2018 to keep the Reed Lake claims in good standing.

## OVERALL PERFORMANCE

**FINANCIAL CONDITION**

The net assets of the Company increased from $31,236,971 at December 31, 2017 to $31,866,748 at March 31, 2018, an increase of $629,777. The most significant assets at March 31, 2018 were exploration and evaluation assets of $30,470,340 (December 31, 2017: $26,769,793) and cash and cash equivalents of $3,952,409 (December 31, 2017: $5,299,680).

The $3,700,547 increase in exploration and evaluation assets was a result of the Company capitalizing exploration costs on its McIlvenna Bay Property pursuant to the Phase I Program it completed from January to April 2018. The most significant capitalized exploration costs consisted of drilling of $2,431,451, fuel of $264,783, consulting of $251,605 and salaries and benefits of $209,309.

The $1,347,271 decrease in cash and cash equivalents was primarily attributed to the Phase I Program.

The Company's liabilities at March 31, 2018 consisted of accounts payable and accrued liabilities of $2,651,980 (December 31, 2017: $137,487), a flow-through share premium liability of $201,913 (December 31, 2017: $757,920) and deferred share units of $702,270 (December 31, 2017: $512,275).

## OVERALL PERFORMANCE (continued)

### FINANCIAL CONDITION (continued)

The $2,514,493 increase in accounts payable and accrued liabilities is a result of the winter 2018 drill program.

The $556,007 decrease in flow-through share premium liability is a result of qualifying expenditures the Company incurred with respect to the winter 2018 drill program. Under IFRS, when a Company issues FT shares, the Company allocates the flow-through share into i) share capital, and ii) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability called flow-through share premium liability. In December 2017, the Company completed a private placement which consisted of the Company issuing a total of 10,105,600 common shares on a flow-through basis ("**FT Shares**") at a price of $0.49 per FT Share for gross proceeds of $4,951,744. The Company's share price at the time of the private placement was $0.415 which resulted in a premium of $757,920. Upon incurring qualifying exploration expenditures, the Company derecognizes the liability and recognizes a flow-through share premium reversal in income. As a result of the Company incurring $3,632,735 of qualifying expenditures during the three months ended March 31, 2018, the flow-through share premium liability was reduced by $556,007.

The Company has a deferred share unit plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Awards are initially charged to operations using the market value of the Company's common shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units. At each period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to operations as a revaluation of deferred share units. Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of separation.

Effective December 1, 2014, the Company entered into an agreement with its Executive Chairman whereby the Executive Chairman will be compensated for his services with DSUs on a monthly basis, to a maximum of $8,000 per month. Effective January 1, 2016, the Chairman agreed to reduce his monthly DSU allocation by approximately 50%. Effective January 2018, the Company's Board passed a resolution to increase the Executive Chairman's compensation back to a maximum of $8,000 per month. At March 31, 2018, an amount of $567,106 (December 31, 2017: $417,611) was owed to the Executive Chairman. The number of outstanding DSUs owed to the Executive Chairman at March 31, 2018 was 1,050,197 (December 31, 2017: 1,006,291).

Effective January 1, 2015, the Company began compensating its independent directors with DSUs on a quarterly basis in an amount of $4,000 per director. Effective October 1, 2015, the Board passed a resolution to suspend the DSU arrangement with its independent directors. Effective October 1, 2017, the Board passed another resolution to reinstate each independent director's compensation to $4,000 per quarter. At March 31, 2018 an amount of $135,164 (December 31, 2017: $94,664) was owed to the independent directors. The number of outstanding DSUs owed to independent directors at March 31, 2018 was 250,297 (December 31, 2017: 94,664).

## **OVERALL PERFORMANCE** (continued)

### RESULTS OF OPERATIONS

**Three months ended March 31, 2018**

The Company recorded a net loss of $240,405 for the three months ended March 31, 2018 (2017: $103,807). Expenses before other items were $656,533 (2017: $352,052) with the most significant being share-based payments expense of $309,152 (2017: $142,971), salaries and benefits of $125,016 (2017: $82,898) and investor relations expenses of $75,515 (2017: $26,939). Other items for the three months ended March 31, 2018 were other income of $556,007 (2017: $Nil), an unrealized loss of $153,995 (2017: $8,969) on the revaluation of deferred share units and interest income of $14,116 (2017: $186).

The Company applies the fair value method of accounting for all awards of stock options by using the Black-Scholes Option Pricing Model. Variations in share-based payments expense is based on a number of factors including, but not limited to, the size and occurrence of grants during a particular period, the Company's share price at the time of an option grant and the timing of recording share-based payments expense based on vesting schedules. Share-based payments expense was $166,181 higher for the three months ended March 31, 2018. During the three months ended March 31, 2018, the Company granted 1,945,000 stock options (2017: 1,685,000) with a weighted average exercise price of $0.57 (2017: $0.40). The difference in exercise price was the most significant factor contributing to the higher share-based payments expense.

The increase of $42,118 in salaries and benefits was primarily a result of the Company's management team increasing its work weeks during the three months ended March 31, 2018 as compared to March 31, 2017.

The increase of $48,576 in investor relations expenses was a result of the Company becoming busier due to the Technical Services Agreement, the December 2017 private placement and the winter 2018 drill program. The majority of investor relations expenses for the three months ended March 31, 2018 were conferences of $31,861, advertising of $17,408 and marketing of $17,086.

Other income of $556,007 was a result of the Company incurring $3,632,735 of qualifying expenditures (see "*Financial Condition*" on page 13) during the three months ended March 31, 2018, reducing the flow-through share premium liability.

The majority of the unrealized loss of $153,995 on the revaluation of deferred share units was a result of the Company's stock increasing from $0.415 per share at December 31, 2017 to $0.54 per share at March 31, 2018.

## CASH FLOWS

### Three months ended March 31, 2018

Cash and cash equivalents decreased by $1,347,271 during the three months ended March 31, 2018, from $5,299,680 at December 31, 2017 to $3,952,409 at March 31, 2018. The decrease was a result of cash of $769,867 used in operating activities and cash of $1,111,354 used in investing activities, partially offset by cash of $533,950 provided by financing activities.

The cash of $769,867 used in operating activities consisted of the net loss of $240,405, non-cash items of $40,502 and a net change in non-cash working capital items of $488,960.

The cash of $1,111,354 used in investing activities consisted of exploration and evaluation asset expenditures of $1,107,200 relating to the Company's winter 2018 drill program and the purchase of equipment of $4,154.

The cash provided by financing activities consisted of the receipt of $533,950 pursuant to the exercise of 905,000 stock options at a price of $0.59 per share.

## SUMMARY OF QUARTERLY RESULTS

| | Q1, 2018 | Q4, 2017 | Q3, 2017 | Q2, 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net loss for the period | (240,405) | (418,528) | (171,390) | (246,214) |
| Basic and diluted loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

| | Q1, 2017 | Q4, 2016 | Q3, 2016 | Q2, 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net loss for the period | (103,807) | (240,019) | (173,542) | (304,774) |
| Basic and diluted loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

Over the last eight quarters, the Company's net loss has ranged from $103,807 in Q1, 2017 to $418,528 in Q4, 2017.

The majority of the loss of $240,405 in Q1, 2018 consisted of expenses of $656,533 and a loss of $153,995 on the revaluation of deferred share units, partially offset by other income of $556,007 and interest income of $14,116. See "*Results of Operations*" on page 14 for further details.

**SUMMARY OF QUARTERLY RESULTS** (continued)

The following table provides a breakdown of the expenses, before Other Items, that contributed to the quarterly net losses:

| | Q1, 2018 | Q4, 2017 | Q3, 2017 | Q2, 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Share-based payments expense | 309,152 | 50,207 | 50,207 | 49,662 |
| Salaries and benefits | 125,016 | 79,331 | 78,715 | 82,750 |
| Other expenses | 222,365 | 126,697 | 76,172 | 124,875 |
| Total expenses for the period | 656,533 | 256,235 | 205,094 | 257,287 |

| | Q1, 2017 | Q4, 2016 | Q3, 2016 | Q2, 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Share-based payments expense | 142,971 | 21,807 | 21,808 | 21,570 |
| Salaries and benefits | 82,898 | 58,381 | 62,115 | 66,005 |
| Other expenses | 126,183 | 73,534 | 88,219 | 117,693 |
| Total expenses for the period | 352,052 | 153,722 | 172,142 | 205,268 |

Together, share-based payments expense and salaries and benefits comprised a significant portion (between 43% in Q2, 2016 and 66% in Q1, 2018) of the expenses which contributed to the net loss for each of the quarters from Q2, 2016 to Q1, 2018.

The share-based payments expense was the fair value of the stock options that vested in each respective quarter. The Company granted 1,945,000 stock options with an exercise price of $0.57 per share in Q1, 2018 which contributed to the large share-based payments expense of $309,152 in Q1, 2018, as one-third of the stock options vested immediately.

Salaries and benefits in Q1, 2018 were higher than previous quarters as a result of the Company's management team working full work weeks.

Other expenses include items such as amortization, directors' fees, investor relations costs, office and administration, professional fees and travel and accommodation.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. Operational activities have been funded through private placements. At March 31, 2018, the Company had working capital of $1,643,393 (December 31, 2017: $4,488,141). While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties raise significant doubt about the Company's ability to continue as a going concern.

The Company has no bank debt or banking credit facilities in place.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## CONTRACTUAL OBLIGATIONS

As a result of the issuance of flow-through shares on December 21 and 29, 2017, the Company has a commitment to incur $4,951,744 in qualifying Canadian exploration expenditures on or before December 31, 2018. As at March 31, 2018, the Company had approximately $1,319,000 remaining to be incurred.

In May 2018, the Company renewed its office lease agreement for a three-year term expiring June 30, 2021. The estimated future minimum lease payments are approximately $335,000.

## RELATED PARTY TRANSACTIONS

*Key Management compensation*

Key Management personnel at the Company are the Directors and Officers of the Company.

**RELATED PARTY TRANSACTIONS** (continued)

The remuneration of key Management personnel was as follows:

| | | Three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| Short-term benefits | 1 | 205,419 | 139,442 |
| Share-based payments | 2 | 321,405 | 170,755 |
| Directors' fees | 3 | 12,000 | - |
| Total | | 538,824 | 310,197 |

[1] Short-term benefits consisted exclusively of salaries, health benefits and DSUs for key management personnel, some of which have been capitalized to exploration and evaluation assets.

[2] Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

[3] Directors' fees consisted exclusively of DSUs awarded to the independent directors for the quarter ended March 31, 2018.

a) During the three months ended March 31, 2018, the Company was charged $2,138 (2017: $3,150) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss. At March 31, 2018, accounts payable and accrued liabilities included an amount of $2,138 (December 31, 2017: $8,363) for this expense.

b) At March 31, 2018, the Company owed a total of 1,300,494 DSUs (December 31, 2017: 1,234,388) fair valued at $702,270 (December 31, 2017: $512,275) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

**PROPOSED TRANSACTIONS**

As of the date of this report, there were no proposed transactions.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by Management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

*Share-based payments*

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by Management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

*Recovery of deferred tax assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*The going concern assumption*

The assessment of whether the going concern assumption is appropriate requires Management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

*Impairment*

The assessment of any impairment of plant and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Judgment is required in assessing the appropriate level of cash generating units to be tested for such impairment.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES** (continued)

*Decommissioning liabilities*

In the event that decommissioning liabilities are required to be recognized, such liabilities would be stated at the fair value of estimated future costs. Such estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the consolidated financial statements for the year ended December 31, 2017.

## FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 10 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2018.

## OTHER MD&A REQUIREMENTS

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

General and administration expenses for the three months ended March 31 were as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Depreciation | 16,178 | 19,189 |
| Directors' fees | 12,000 | - |
| Investor relations | 75,515 | 26,939 |
| Office and administration | 50,459 | 37,871 |
| Professional fees | 44,471 | 19,049 |
| Salaries and benefits | 125,016 | 82,898 |
| Share-based payments expense | 309,152 | 142,971 |
| Transfer agent, regulatory and filing fees | 19,672 | 12,995 |
| Travel and accomodation | 4,070 | 10,140 |
| | 656,533 | 352,052 |

## DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value.

As at the date of this report, there were 110,833,051 common shares issued and outstanding.

As at the date of this report, there were 8,915,000 stock options outstanding.

**RISKS AND UNCERTAINTIES**

The principal risk faced in the advanced exploration stage is the ability to raise the funds required to further assess the viability of a mineral deposit. This phase requires high expenditures to determine if a deposit may be profitable to mine. The Company does not operate any producing properties and as such, is dependent on the ability to raise funds. Although the Company believes it has sufficient access to financial markets to support its intended work plan, failure to do so would result in future work being suspended. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties raise significant doubt about the Company's ability to continue as a going concern.

Financial assets and liabilities consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and deferred share units. It is Management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial assets and liabilities.

The Company's activities involve the application for permits from Provincial authorities and such activities are governed by various laws and regulations that cover the protection of the environment, land use, exploration, development, co-ordination of operations and infrastructure with third parties engaged in other activities on the lands, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Canada provides restrictions and prohibitions on spills and various substances produced in association with certain exploration activities which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of activities require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of higher standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. There can be no absolute assurance, however, that all permits which the Company may require for exploration activities and land use will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations will not have an adverse effect on any exploration projects that the Company may undertake.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations within the Company will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to property, and possible environmental damage. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruption, impaired access to site, legal or regulatory changes, flooding, explosions, cave-ins, landslides, weather conditions and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. The Company's exploration activities will be subject to the availability of third party contractors and equipment. There are also physical risks to the exploration personnel. If any of the Company's properties are found to have commercial quantities of mineralization, the Company could be subject to additional risks respecting any development and production activities.

**RISKS AND UNCERTAINTIES** (continued)

All of the properties in which the Company has an interest are in the exploration stage and are currently without reserves. Development of these mineral properties will only follow upon obtaining satisfactory exploration results, receipt of positive engineering studies, access to adequate funding, community support and all necessary permits, licenses and approvals. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and the infrastructure at any site chosen for mining. The Company has not completed a feasibility study on any of its properties and there is no assurance that these mineral exploration and development activities will result in any discoveries of commercial mineral deposits. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond the Company's control.

Factors beyond the control of the Company may affect the market price of minerals produced and the marketability of any ore or minerals discovered at and extracted from the Company's properties. Metal prices are subject to significant fluctuation and are affected by numerous factors beyond the Company's control including international economic, financial and political events, global or regional supply and demand patterns and speculative activities. The effect of these factors on the Company's operations cannot accurately be predicted.