

**ARROWSTAR RESOURCES LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2017

REPORT DATE  
May 25, 2017

This Management Discussion and Analysis (the “MDA”) provides relevant information on the operations and financial condition of Arrowstar Resources Ltd. (the “Company”) for the period ended March 31, 2017.

The Company’s activities are primarily directed towards acquisition and exploration of exploration and evaluation assets. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production, or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

The Company’s certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these consolidated financial statements together with other financial information included in these filings, The Board of Directors’ approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities. The Board’s review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

The MDA should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2016 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATIONS**

### **Nature of Business**

Arrowstar is a publicly traded mineral exploration company, whose common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AWS”. The Company’s principal business activity is the exploration and evaluation of mineral properties located in USA.

The head office and principal address of the Company is 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada. The registered and records offices of the Company are located at 2300 – 550 Burrard Street, Vancouver, BC, V6C 2B5, Canada.

### **Business Highlights**

The Company has completed a Part and Parcel Private Placement, Debt Settlement and Assignment Agreement to acquire the Tin Cup and FM (“Secret Pass”) concessions which are located 26 miles northwest of Kingman via Hwy 68 in Mohave County, Arizona in June 2016.

## Exploration Properties

### *Secret Pass*

Arrowstar has prepared a National Instrument 43-101 (“NI 43-101) compliant Technical Report for the Secret Pass Gold Project, Mohave County, Arizona. The purpose of the report is to demonstrate that the historical exploration data, drill core and RC drilling samples, geophysics, geochemical and metallurgical reports confirm that the project merits additional exploration work as set out in the budget to verify previously defined mineralization and to explore for additional mineralization and resources. The NI 43-101 has been filed on SEDAR. Phase One of the exploration was completed after 63 samples from diamond drill holes were independently assayed and found to have a good correlation with the historical data.

Phase two of the exploration process is to complete up to 10 diamond drill holes with an estimated depth of 2,200 metres across the Tin Cup area of interest. Approval for the drilling program was provided after a cultural survey was completed in September 2016 and a drill hole survey map of the hole positions provided to the Arizona State Lands Department Minerals Division in March 2017.

### Location

The Secret Pass Property is in the Black Mountains, Mohave County, Arizona, 18 miles (29 km) west of Kingman, Arizona. The Secret Pass property consists of a total of 84 unpatented lode mining claims (approximately 1,680 acres) and a State of Arizona Mineral Exploration Permit (524.88 acres), for a total of approximately 2,200 acres. The Mount Nutt Wilderness area is located to the east, west, and south of the permit and claim areas.

**FIGURE 1 GOOGLE PHOTO OF TIN CUP MINE AREA**



### **Tin Cup and FM Mine claim area near Secret Pass**

There are two principal areas of historical exploration, the Tin Cup zone and the FM zone, although shaft workings are evident in four other locations. Santa Fe Pacific Mining, Inc., a California based company that has subsequently closed, began land acquisition in the area in 1982 and explored the property through 1986. International Prospector Corporation had a number of reports written by Mr. R D Westervelt in June 1987. Fischer-Watt Gold Company, Inc. performed exploration on the property from 1987 through 1991. Santa Fe completed a geophysics program in 1992. In April 2011 Tosca Mining Company issued a NI 43-101 Technical Report, and subsequently relinquished the claim options it had from NJB Mining Inc.

### Exploration

Exploration and mining occurred during the late 1800s and early 1900s in the Oatman district and is now evidenced by scattered prospect pits and shallow exploration shafts. Mining during this period at the Tin Cup Mine reportedly (Lausen, Carl 1931, Arizona Bur. Mines Bull 131, Geol Ser 6, p126) produced several hundred tons of “ore” (IPC Report, Westervelt June 1987). In the late 1930s the mine was further developed as an open-pit producing an unknown tonnage with reported grades being economic for them. In 1985 the existing open pit measured roughly 120ft in diameter and 70ft deep, and has since been re-contoured and filled in.

Santa Fe Pacific Mining, Inc. (“Santa Fe”) began land acquisition in the area in 1982 and completed reconnaissance geochemical sampling, geologic mapping, trenching, geophysics and drilling through 1986, with additional minor exploration in 1992. Their Geologist was Mr. Steinman who authored many reports that are in the archives of the Kingman Arizona Bureau of Land Management archives. Santa Fe’s reconnaissance work identified a major zone of imbricate faulting associated with the Frisco Mine fault and the Union Pass fault. Ed Huskinson Jr in his report lodged with the BLM in March, 1998 reports Santa Fe spent approximately US\$800,000 on exploration. Drilling between 1984 through 1986 totaled 27,595ft (8,411 meters) in 71 drill holes including 62 reverse circulation drill holes and 9 core holes within the Secret Pass project area (“Tin Cup and FM Zones”). Full details are provided in the NI 43-101 report.

Fischer-Watt Gold Company, Inc. (“Fischer-Watt”) explored the property from 1987 through 1991 in a joint venture with IPC International Prospector Corporation (“IPC”), a Vancouver company, and in 1991 in a joint venture with Axagon Resources, Ltd. (“Axagon”). During this period, Fischer-Watt drilled a total of 18,456ft (5,625 meters) in 55 drill holes including 52 reverse circulation drill holes and 3 core holes.

In 2002, Mr. F. L. “Bud” Hillemeier of La Cuesta International, Inc. (LCI) performed a rock-chip sampling program at the FM zone for Mr. Ed Huskinson, Jr, a property owner. His report was supported by information from Perry Durning also of LCI.

Three historic resource estimates have been made on behalf of Santa Fe and Fischer-Watt. The Company believes that these are reasonable efforts at resource estimation, none of these have been classified using present-day CIM Resource and reserves criteria and none have NI 43-101-compliant reporting as they were written prior to 2001.

Arrowstar has not carried out any drilling exploration on the Secret Pass property but it has reviewed a significant amount of data, samples and files, visited the property and examined the drill core. It has located the nine trenches on the site, and repatriated the drill core shed to working order. Detailed studies of drill core have been completed and an independent assay analysis of 63 pulps was completed.

### Regional Geology and Mineralization

The Black Mountains of western Arizona are located within the Basin and Range tectonic province. The dominant rocks are pre-Cambrian granitic to mafic intrusives and minor metamorphics which are overlain by Tertiary andesitic to rhyolitic flows, tuffs, and volcanoclastic sediments. Rhyolite dikes, sills, and plugs are common cutting both the underlying basement rocks and the overlying tertiary assemblage. The dominant structural feature is an imbricated system of shallow to steeply dipping faults trending north - northwesterly which has been traced northerly from the Oatman District, through the Secret Pass - Frisco Mine area, into the Van Deemen area some 40 miles to the north. Two major, generally low angle, detachment fault structures have been identified over this distance - the Union Pass fault system and the Frisco Mine fault system. Both systems are sinuous, with variable dips and splays and both are locally offset by later structures.

Westervelt (IPC Report, 1987) reports “numerous gold showings and prospects are directly associated with the Union Pass and Frisco Mine faults and some have reported limited production. The Van Deemen deposit is reportedly associated with a structure related to the Union Pass system. The Frisco Mine, situated some

4 miles north of the Tin cup prospect, is located directly on the Frisco Mine fault where a shallow-dipping rhyolite sill has been brecciated and re-cemented by gold-bearing quartz and chalcedony. This deposit was most recently worked during 1984 as a 200 ton per day open-pit heap leach operation.

The Secret Pass property is underlain by a north-northwest-trending core of Precambrian gneissic granitic rocks intruded by rhyolite dikes and flanked by Tertiary rhyolite and andesite flows. This central core is bounded to the northeast by the Union Pass fault and to the southwest by the Frisco Mine fault. At the property these two faults dip steeply, but both are part of regional and typically low-angle, structures.

Mineralization at the Tin Cup zone is associated with sericitized andesite containing fracture-filling and disseminated pyrite. The mineralized body is an irregular 100 ft-wide steeply northeast-dipping zone within the northwest-trending Frisco Mine fault. The dikes, which occur as lenses within the Frisco Mine fault system, are generally barren or only weakly mineralized. The mineralized zone has a strike length of up to 800ft and appears to have a shallow northwest plunge.

Gold is typically found with the pyrite grains. The gold ranges in size from 5 to 200 microns, with the majority in the coarser range. The shallow, oxidized mineralization occurs as native gold in limonite. Depth of surface oxidation is generally between 300ft and 400ft though locally can be highly variable as oxidation extends down the highly fractured structures.

At the FM zone, gold mineralization is also controlled by the Frisco Mine fault, but in this area the fault structures dip steeply to the southwest. Mineralization occurs exclusively within granite and younger rhyolitic rocks. Gold is associated with weak to moderate sericite alteration, weak quartz veining, local silicification, pyrite dissemination and trace calcite veining. Propylitic alteration forms a halo around the gold-bearing alteration assemblage. Depth of oxidation is variable but is generally 250ft to 350ft.

### Structural Geology and Mineralization

Westervelt reports (pg 9) that the Secret Pass property is underlain by a central north-northwest, trending core of Precambrian gneissic granitic rocks intruded by rhyolite dykes and flanked by Tertiary rhyolite and andesite flows. This central core is essentially an up-lifted horst which the bounding faults being the Union Pass and Frisco Mine faults which have been traced almost the entire length of the property. Whereas both these faults tend to be regional low-angle structures, i.e. both steepen abruptly about one-mile north of Secret Pass and coalesce about two miles to the south.

Gold mineralization occurs on the Secret Pass property within fault structures along intrusive contacts, and within discrete calcite-quartz veins. To date, areas of potential economic interest are restricted to the Tin Cup and FM areas which are located 1,500 feet apart along the major Frisco Mine fault structure.

### Data Modelling and Resources

In 2013 the drill core and other data obtained by MDA were provided to GEOVIA a Canadian software service provider of SURPAC that is a division of Dassault Systems on behalf of Highlands Geoscience and Gross Capital Partners. The data input and output files have not been located only the final pit designs and report which is not NI 43-101 compliant.

## Metallurgical Testing and Mineral Processing

In 1984 and 1985, Mountain States Research and Development (“MSRD”), Tucson, Arizona conducted metallurgical testing for Santa Fe (Steinpress, 1986). Early work used pulverized drill cuttings from both the FM and Tin Cup areas, and a second phase of work used only the pulverized drill cuttings from TC-10 mineralized intercepts. Investigations included metallic assaying, amalgamation testing, agitation leach testing, and gravity separation testing. The gravity concentrates were used for metallic minerals identification. The metallic assaying showed that a pronounced nugget effect caused a large variation in assay values above 0.5oz Au/ton. All of the metallurgical test work was preliminary, but gold was recoverable by all methods used that included cyanide leaching and gravity separation with various crush sizes.

Legend Metallurgical Laboratory (“Legend”), Reno, Nevada performed a column heap leach test for Fischer-Watt in 1988. The test was a 50-pound column heap-leach test performed on split HQ core. The column was run with ore crushed to minus-3/4in and agglomerated with cement, cyanide and water. Legend concluded that the overall extraction from this test was 73.1% of the total gold and that 84.2% of this was extracted in the first 13 days. Legend recommended testing the mineralized material without the initial agglomeration.

## Conclusions and Recommendations

The gold mineralization at the Secret Pass project is found associated with the Frisco Mine fault, a regional-scale fault system that, in the project area, has a nearly vertical dip. Past exploration, primarily on the Tin Cup and FM zones, includes 46,051ft of drilling in 126 holes, the majority of which was reverse circulation drilling. Geologic investigations show that the Secret Pass project shares some similarities with the uppermost levels of mineralization at the Oatman District, Arizona, 8 miles to the south.

Three historic resource estimates have been made (Steinpress, 1986, Coggin, 1988, and Hillemeier, 1990).

Although the Company believes that the work was completed by competent persons to the standards of the day, the Company’s QP has not done sufficient work to classify this historical estimate as current mineral resource or mineral reserve as defined in sections 1.2 and 1.3 of NI 43-101. The Company is not treating the historical estimates as a current mineral resource.

The Company conducted a review on the historic resource estimates and concluded that these estimates provide a reasonable portrayal of the Secret Pass mineralization. However, there were some concerns over the use of vertical RC drilling in targeting near-vertical mineralized structures by Santa Fe in 1984-87, and also there is the potential of down-hole contamination with reverse circulation drilling below the water table. Both of these issues create uncertainty in the historic estimates. Little data is available discussing these issues and the water table depth hasn’t been identified.

The NI 43-101 report concluded that the Secret Pass project is a property of merit deserving verification and recommends a two-phase program of exploration.

The Phase 1 program, with a budget of \$US200, 000 was completed as follows:

- A property-wide field examination, including sampling and geologic mapping of all currently known mineralized occurrences, was undertaken to identify the best targets for follow-up in Phase 2. The geochemical analyses included multiple elements, and low-level gold with high precision. For areas of anomalous gold results, additional samples should be taken to determine the extent of a halo of gold mineralization, however none was evident on the surface. Geologic mapping has focused on structure and alteration, especially sericitic alteration.

- Detailed structural mapping and a geologic model study of the Tin Cup zone was completed, including a field review of the Oatman District to confirm or refute an Oatman-style mineral potential for the Secret Pass project. The resulting structural model as well as the property-wide structure was examined in the field and analyzed by a structural geologist.

Task	Duration	Cost US\$
<b>Permitting, environmental work</b>	<b>5 days at \$800 per day</b>	<b>4,000</b>
<b>Grading and road repairs on State ground</b>	<b>4 days at \$1,650</b>	<b>6,600</b>
Mapping, surface sampling, trench sampling,	30 days at \$400 per day	12,000
<b>Reconciliation of historical data, drill sections, input into database</b>	<b>30 days</b>	<b>10,000</b>
Acquisition of Surpac Data, GIS database, Modelling software, ArcGIS	30 days input and modelling	12,600
Trenching on Tin Cup, FM Zone – 320 Excavator, demobe and mob, fuel, operator	20 days at \$1,650 per day	33,000
<b>Assays, Metallurgical analysis of new and old samples to determine QC/QA</b>	<b>500 at \$35 per assay</b>	<b>17,500</b>
Geophysics Survey of FM and Tin Cup	Fixed quotation	35,000
<b>International airfares, 4WD hire accommodation ten days Kingman Arrowstar staff/geologist</b>		<b>10,000</b>
<b>Travel and Accommodation, Meals, field supplies, local staff/consultants</b>	<b>300 man days at \$175</b>	<b>52,500</b>
<b>Phase two planning, quotations, permitting, drill quotes, mine engineering</b>	<b>3 days at \$600 per day</b>	<b>1,800</b>
Contingency 10%		20,000
	Total	\$200,000

## Phase 1 Progress

The Company has completed Phase One of its Secret Pass exploration program. The items in bold in the budget were completed, and due to additional data those not highlighted were not required to be completed at this stage. US\$87,400 of budgeted work was completed for CAD\$116,157.

### Permitting, Environmental Work

The Cultural Resource Survey (“Survey”) has been completed on the Secret Pass project. The Survey has been submitted and approved by the Arizona State Land Department. The Survey allowed the Company to complete its permit to drill up to 10 holes for quality control of data and further resource estimate purposes.

### Quality Control on Pulp Samples

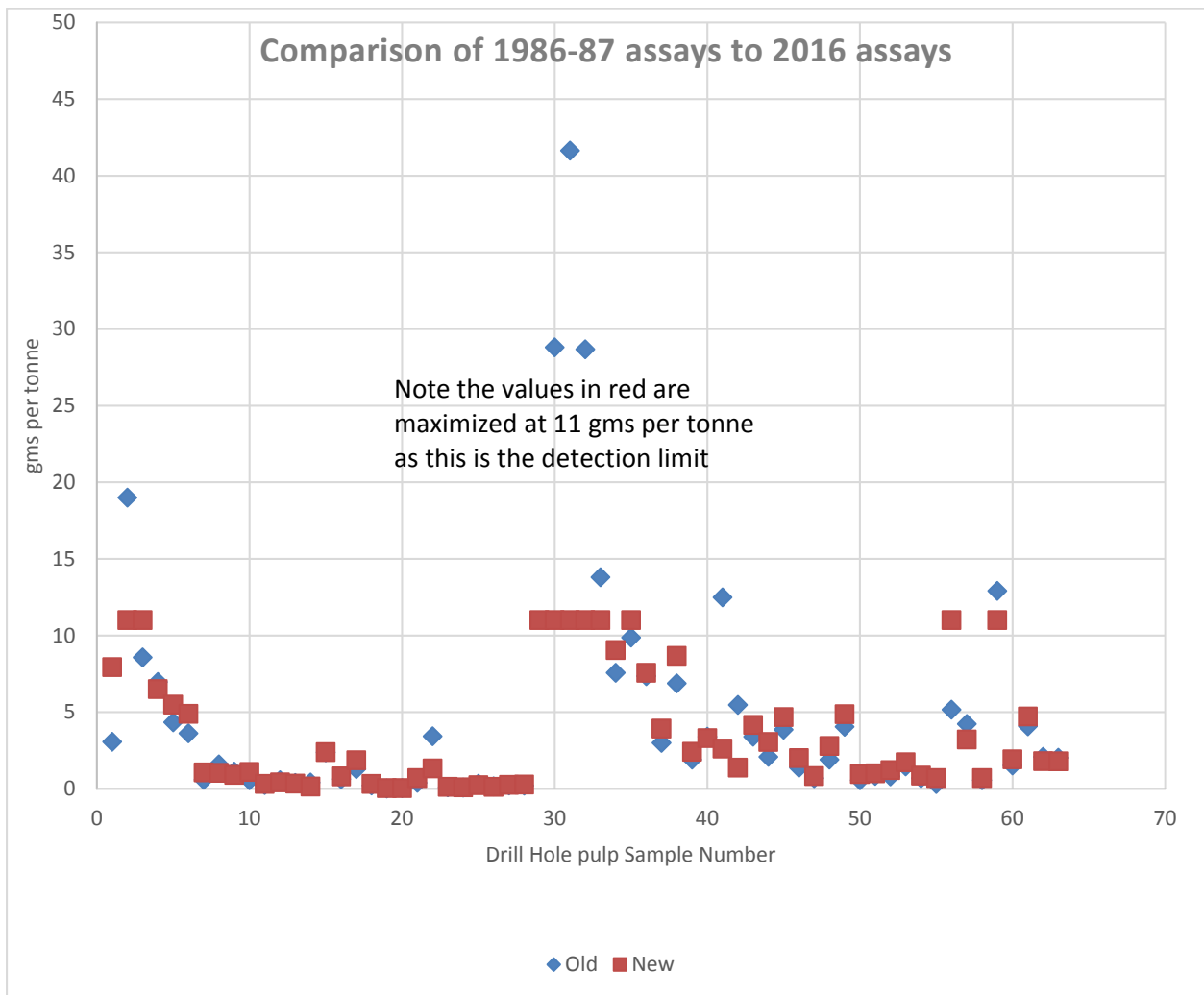
The Company received the laboratory results on 63 pulp samples taken from reverse circulation and diamond core drill cuttings in the Tin Cup concessions.

From 1984-1991 a total of 126 drill holes totaling 14,036m were completed on the Tin Cup property. Pulp samples from five holes were selected and re-assayed for quality control purposes to determine the reliability of the historic drill data and determine if it would be necessary to twin and re-assay the previous drill holes.

The 63 re-assayed pulp samples had a correlation to the original results of more than 90% after outliers were removed. As a result of these positive results it was determined that the drill data from the previous 125 drill holes is reliable within the sampling error range and as such, twinning the drill holes and re-assaying will serve no useful purpose.

Pulp sampling highlights:

- The original sample analyses produced by Union, CMS and MSRD laboratories in 1985-1988 were correlated 63% without any normalization for sampling error, and were analyzed using ICP by fire assay fusion. After outliers were removed, the correlation was more than 90%.
- Thirty-three other elements were assayed by aqua regis then ICP with highs of Manganese, and low values (<120ppm) Arsenic, Copper, Platinum, Palladium, Iron and Silver.
- The sampling was done by Bureau Veritas Commodities Canada Ltd (“Bureau Veritas”), Vancouver, using ICP and fire assay, with preparation of the pulp samples to ensure they were homogenous. The holes sampled were TC1, TC3, TC10, TC30, and TC32.
- The samples analyzed for Gold were:  
 Number greater than 11 gms per tonne – 10/63  
 Number greater than 4 gms per tonne – 21/63



Four samples were significant outliers to the population in percentage terms, and these were:

Hole	Sample depth - feet	1987 gms/tonne	Assay	2016 Assay gms/tonne
TC1	70-75	3.068		7.938
TC3	90-95	0.015		0.044
TC30	495-500	0.311		0.696
TC32	60-65	5.16		>11.00

#### Quality Control

The sampling of Secret Pass drill core and reverse circulation cuttings was supervised by Bud Hillemeier CP, who was responsible for all aspects of the original work. Phil Thomas BSc Geol MBM MAIG MAIMVA (CMV) was responsible for identification and packaging of the pulp samples. The on-site personnel at the project pulled sampled pulps from on-site storage and then security sealed and shipped them to Bureau Veritas Laboratories in Vancouver, British Columbia for analysis. Bureau Veritas' quality control system complies with the requirements for the International Standards ISO 9001:2008. Analytical accuracy and precision were monitored by the analysis of six reagent blanks, four insertions of standard reference material, and six duplicate samples.

#### Phase 2 - Drill Hole QA/QC

With the successful completion of Phase 1 the Company is preparing for Phase 2 drilling which will be a 10 hole drill program that has already been permitted. Quotations have been received from a number of companies and also quotations for geological work associated with the analysis of the drilling results.

#### Qualified Person

Phillip Thomas, BSc Geol, MBusM, MAIG, MAIMVA, (CMV), a Qualified Person as defined under NI 43-101 regulations, has reviewed the technical information that forms the basis for the mineral property disclosure in this MDA, and has approved the disclosure herein. Mr. Thomas is not independent of the Company as he is an Officer and a shareholder.

#### **SUMMARY OF QUARTERLY RESULTS**

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended March 31, 2017.

Quarter Ended Amounts in 000's	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun 30, 2015
Net gain (loss)	\$(42)	\$(90)	\$(71)	\$276	(\$24)	(\$55)	(\$83)	(\$89)
Gain (loss) per share – basic and diluted	(0.00)	(0.00)	(0.01)	0.02	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	321	315	357	454	13	30	37	84
Working capital	(283)	(242)	(113)	12	(912)	(888)	(832)	(750)



General and administrative expenses remained consistent from period to period. During the period ended June 30, 2016 the Company recorded a gain of \$276,626 because of debt settlement on accounts payable of \$565,899 and recorded share based compensation of \$154,272. Total assets in the quarter ended June 20, 2016 increased because of an increase in expenditures in exploration and assets. Working capital during the quarter ended June 30, 2016 increases substantially due to the financing that was completed of \$345,000 and the debt settlement on accounts payable of \$698,245.

## **Financial Results of Operations**

### ***Three Months ended March 31, 2017 compared to three months ended March 31, 2016***

The Company's general and administrative costs were \$43,065 (2016 - \$26,386), and reviews of the major items are as follows:

- Consulting fees of \$14,231 (2016 - \$Nil) consisted of CFO fees of \$10,500 (2016 - \$Nil), and other of \$3,731 (2016 - \$);
- Insurance of \$7,051 (2016 - \$2,604), increased as a result of insurance requirements on the Secret Pass property agreement;
- Professional fees of \$9,541 (2016 - \$14,709) and consisting of accounting and audit of \$3,562 (2016 - \$2,815) and legal of \$5,979 (2016 - \$11,894); and
- Regulatory fees of \$6,942 (2016 - \$6,264), was consistent with prior years.

The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current properties, none of which are possible to predict with any accuracy. There are no general trends regarding the Company's quarterly results, and the Company's business of mineral exploration is not seasonal, except to the extent that explorations work on certain properties may be restricted to certain portions of the year if prevailing weather conditions make such work prohibitively expensive or practically impossible to complete at other times. Quarterly results can vary significantly depending on whether the Company has granted any stock options or paid any employee bonuses and these are factors that account for material variations in the Company's quarterly net losses, none of which are predictable. General operating costs other than the specific items noted above tend to be quite similar from period to period. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company has a working capital deficit of \$283,849 (December 31, 2016 – \$242,184).

As a result of economic conditions, globally, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its fiscal 2017 operating overhead and acquisition and exploration expenditures through a private placement.

The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. There can be no assurance that such funds will be available on favorable terms, or at all.

On May 13, 2016, the Company received TSX Venture Exchange approval on the settlement of \$698,245, on debt owed to creditors, by issuing 4,060,000 common shares of the Company at \$0.045. The Company also settled \$51,145 on debt owed to creditors by paying cash of \$4,500.

On June 21, 2016, the Company issued 6,900,000 units at a price of \$0.05 per unit for gross proceeds of \$345,000. Each unit consists of one common share and one transferrable share purchase warrant with each Warrant entitling the holder to purchase an additional common share for a period of two (2) years at a price of \$0.085 per share in the first year of exercise and \$0.12 per share in the second year of exercise.

The Company entered into loan agreements with Panopus PLC (“Panopus”), a company controlled by Phil Thomas, CEO and director of the Company. The loans are summarized as follows:

- On January 3, 2017, Panopus extended a USD\$7,500 unsecured loan to the Company repayable within six months. On maturity, the Company is required to repay the principal plus interest of US\$563.
- On January 27, 2017, Panopus extended a \$20,000 unsecured loan to the Company repayable within six months. On maturity, the Company is required to repay the principal plus interest of \$1,500.
- On March 29, 2017, Panopus extended a non-interest bearing \$17,000 unsecured loan to the Company repayable within six months. On maturity, the Company is required to repay the principal plus interest of \$1,275.

The Company has no long-term debt obligations.

## SHARE CAPITAL

(a) As of the date of the MDA the Company has 22,924,921 issued and outstanding common shares. The authorized share capital is unlimited no par value common shares.

(b) As at the date of the MDA the Company has 1,300,000 incentive stock options outstanding.

(c) As at the date of the MDA the Company has 9,380,500 outstanding share purchase warrants.

## RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2017, the Company entered the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in

connection therewith:

<b>Name</b>	<b>Relationship</b>	<b>Purpose of transaction</b>	<b>Three Months Ended</b>
Promaid Services Ltd.	Personal services company controlled by the CFO and Director of the Company	Consulting	\$ 10,500

Accounts payable and accrued liabilities and due to related parties as at March 31, 2017 included \$116,850 (December 31, 2016 - \$69,081) owed to directors and companies controlled by a director or officer.

During the period ended March 31, 2017, there no stock options granted to related parties.

#### OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements except those disclosed in Business Highlights.

#### INVESTOR RELATIONS

The Company currently does not currently engage any party for investor relation services.

#### PROPOSED TRANSACTIONS

The Company has no proposed transactions.

#### UPCOMING ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards are not yet effective as of March 31, 2017, see note 2 of the December 31, 2016 consolidated financial statements for details.

#### RISKS AND UNCERTAINTIES

The Company's principal activity is resource property exploration and development. Companies in this industry are subject to many and varied kinds of risks, but not limited to, environmental, mineral prices, political, and economic.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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 fair value of cash and marketable securities are measured at Level 1 of the fair value hierarchy. The carrying value of receivables, exploration and evaluation advances, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

#### *Liquidity risk*

As of March 31, 2017, the Company had cash balance of \$8,578 (December 31, 2016 - \$1,226) to settle current liabilities of \$297,747 (December 31, 2016 - \$249,647). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Amounts exposed to market risk include marketable securities of \$3,500 (December 31, 2016 - \$2,100).

### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars. The Company has minimal balances denominated in USD, and is therefore minimally exposed to foreign currency risk.

### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

## CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

## FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in preliminary economic analyses or prefeasibility studies also may be deemed to be forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining that mineralization, if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or

which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company's exploration programs;
- the Company's estimates of the quality and quantity of the resources and reserves at its mineral properties;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of result thereof;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and
- the Company's expectation that it will be able to add additional mineral projects of merit to its existing property portfolio.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to raise the necessary capital to be able to continue in business and to implement its business strategies, to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, and other risks identified herein under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of commodities;
- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration;
- conditions in the financial markets generally;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource/reserve estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;

- the nature and location of the Company’s mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs; and
- the ongoing relations of the Company with its regulators.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. The current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

## **MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that all relevant information required to be disclosed in the Company’s reports filed or submitted as part of the Company’s continuous disclosure requirements is gathered and reported to senior management, including the Company’s Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure and such information can be recorded, processed, summarized and reported within the time periods specified by applicable regulatory authorities.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as at March 31, 2017 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2017, the disclosure controls and procedures were effective. However, Management and the Board of Directors recognize that no matter how well designed the Company’s control systems are, such controls can only provide reasonable assurance, not absolute assurance, of detecting, preventing and deterring errors.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have not been any changes in the Company’s internal control over financial reporting or any other factors during the period ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## **DISCLOSURE OF MANAGEMENT COMPENSATION**

In accordance with the requirements of Section 19.5 of TSXV Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period:

1. During the three months ended March 31, 2017, the Company did not enter into any standard compensation arrangements made directly or indirectly with any directors or officers of the Company, for their services as directors or officers, or in any other capacity, with the Company or any of its subsidiaries except as disclosed under “Related Parties Transactions”.
2. During the three months ended March 31, 2017, directors and officers of the Company were paid (or accrued) for their services as directors and officers or in any other capacity by the Company

and its subsidiaries as noted above under “Relate Parties Transactions”.

3. During the three months ended March 31, 2017, the Company did not enter any arrangement relating to severance payments to be paid to directors and officers of the Company and its subsidiaries.

#### APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.

Additional information on the Company available through the following source: [www.sedar.com](http://www.sedar.com).