



MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE COMPANY'S FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

YEAR ENDED

DECEMBER 31, 2015

SGX Resources Inc. - Management Discussion & Analysis

The following management discussion and analysis of the financial condition and results of operations of SGX Resources Inc. (the "Company") is prepared and reported as at December 31, 2015 and should be read in conjunction with the Company's audited financial statements and notes thereto for the year ending December 31, 2015. Additional information about the Company has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com.

The information provided herein is given as of February 15, 2017 unless otherwise indicated.

FORWARD LOOKING STATEMENT

This management discussion and analysis contains "forward-looking statements" which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of gold or other metal prices, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labour costs; future prices of gold or other metal prices; possible variations of mineral grade; accidents, hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and actual results of reclamation activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management discussion and analysis and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

BUSINESS ENVIRONMENT and OUTLOOK

Due to weak capital markets for junior mineral exploration companies, Management with the support of the Board of Directors has reduced operations to conserve capital. This involves the curtailment of exploration activities and the reduction of administrative overheads to an absolute minimum until such time that the capital markets are more supportive of junior exploration projects.

The Company will need to raise additional working capital, as it does not have sufficient working capital to fund its ongoing operations. In the current financial environment, there is a risk that the Company will be unable to raise sufficient funds, thus jeopardizing the Company's ability to continue as a going-concern.

Management believes that going forward, subject to economic conditions, finances and the availability of equity financing, the longer term prospects for the Corporation should remain positive. It is the intention of the Company to continue exploration activities on certain of its mineral properties going forward, as set forth in the technical report with respect to the Properties entitled "Technical Report on the Timmins Area Properties for SGX Resources Inc." dated January 15, 2010 prepared by John R. Boissoneault, B.Sc, P.Eng. and available on SEDAR at www.sedar.com. The Company also intends to undertake exploration of its other properties not covered by this report. When opportunities present themselves, the Company will seriously evaluate the acquisition of additional mineral properties in the Timmins, Ontario area.

OVERVIEW OF THE BUSINESS

The Company was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company did not commence active business operations until it acquired an interest in certain option agreements from San Gold Corporation ("San Gold") on December 4, 2009. The current business of the Company is exploration and development of its mineral properties.

MINERAL RESOURCES and MINERAL RESERVES

The Corporation has no known mineral reserves as defined by and compliant with the requirements of National Instrument 43-101.

MINING OPERATIONS

The Corporation has no mining operations.

OVERALL PERFORMANCE

Timmins South:

SGX Resources has undertaken an extensive diamond drilling program on the Timmins South or Sothman property since September of 2011 as a follow-up to geophysical targets with the objective of locating near surface gold deposits. This land package is located approximately 60 km to the south of Timmins, Ontario, between the Young-Davidson mine to the east and the Cote Lake deposit to the west. Geophysical anomaly drilling for vein-style gold targets intersected what is now known as the Edleston Zone with drill holes #SL-11-14 and #SL-11-16 in late 2011. This discovery is located in the north-west quadrant of SGX's claim group within the Sothman Township and has road access via Pine Street extending south from Timmins. The deposit dips moderately steeply to the south and strikes roughly at an azimuth of 100 degrees or east-southeast. More than 75 drill holes have been completed to date along 50 metre spaced sections, outlining a mineralized zone approximately 100 metres wide and over 600 metres long, drilled to a maximum depth of 250 metres while the zone continues to remain open in all directions. The favorable geological host rock package extends southwest and east for many kilometers in a horseshoe shape yielding many classic structural targets. SGX Resources has recently discovered a new high grade surface zone parallel and to the south of the Edleston Deposit as drilling moves eastward along strike including 6 metres of 68 grams per tonne. SGX Resources plans to continue to build on the size of the Edleston Deposit and to extend and explore the newly discovered high grade zone, as well as to continue determining mineral potential in the remainder of this property package.

Recent geophysical and geological work conducted by SGX has demonstrated that the Edleston Zone sits within the north limb of the host unit/horizon that stretches over 10 km to the east. This unit is broadly folded back toward the south and east immediately to the west of the deposit continuing under and near the contact with shallow sedimentary cover. Pronounced axial planes extend across the folded host unit. Regionally, this property appears to lie along the potential western extension of the Cadillac- Larder fault zone along which a number of major gold deposits are located. The host rock is an altered and sheared ultramafic that exhibits extensive silicification and contains quartz-carbonate in veins, veinlets and fracture fills. Mineralization is broadly distributed throughout the unit as pyrite in amounts of 3 to 5 per cent with trace chalcopyrite and occasional visible gold observed as well. Additional intercalated volcanic and meta sediment units lie to the north and south of the deposit, large felsic and mafic intrusive units are in contact with the northern volcanic rocks to the east beyond the SGX property boundaries. Along strike to the east of the Edleston zone by approximately 1.5 km lies the Sirola Zone, which exhibits similar geology and mineralization and contains some of the only outcropping in the region. The outcropping portion of this property consists of an altered reddish feldspar porphyry which lies in contact with mineralized ultramafic volcanic. These formations have a general strike of 100 degrees azimuth with a steep dip and are generally sheared and highly altered by carbonatization and silicification. Numerous trenches and test pits, believed to be from the early 1980's are also located on the property.

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Timmins North: Joint Venture with Shoreline Gold Inc. (formerly San Gold Corporation)

Activities at the Timmins North or Tully property, located approximately 25 km to the north of Timmins are focused on diamond drilling in order to expand on and further define the Tully gold deposit, first discovered in 1969 by McIntyre Mines. The Tully property has year round road access and is located immediately to the east of the Kidd Creek mine, and to the north of the Bell Creek milling facility. During the latter part of 2012 an internal study was undertaken focusing on the structural and geological setting in order to fully appreciate the potential for additional mineralization and its controls. What resulted is a different interpretation of vein geometry than past operators giving rise to a new exploration program consisting of steeply oriented drilling in order to intersect veining at perpendicular angles and to utilize drill footage more efficiently by intersecting numerous vein sets. In general terms, the Tully deposit is now interpreted to be a series of shallow dipping (extensional or ladder) stacked vein sets within a subvertical competent mafic tuff host that is bounded by ultramafic volcanic rocks to the south and sediments to the north. This host sequence of rocks all lie within the regional east-west Pipestone Fault corridor, a northern splay from the Porcupine-Destor Fault. Movement along this fault corridor gave rise to competence contrast in the tuff unit, allowing for dilation and the formation of extension fractures which became repositories for gold bearing hydrothermal fluids. The Tully deposit has been drilled over a 600 metre strike length to date, and to depths of over 200 metres, remaining open along strike and to depth. SGX Resources intends to continue its program of definition and exploration drilling along strike and to depth, focusing on high grade, near surface potential.

Other Properties:

Other strategic land positions are held in the west Timmins area and immediately west of Kirkland Lake, all near current and past production. The Company has also signed an exploration agreement with Mattagami First Nation. The Agreement recognizes the rights, obligations, and responsibilities held by each party in relation to ongoing exploration activities on claims held by the Company that are located in Mattagami traditional territory. The Agreement also identifies potential opportunities which may arise from exploration activities in these areas and provides methods for the Mattagami community to participate in these opportunities. This property was sold subsequent to the year end as described further below and the Company no longer has an interest in this property.

On December 21, 2011, the Company had completed the acquisition of five mineral claims (the "Salo Mineral Claims") located in the Porcupine Mining Division, District of Cochrane, Ontario from Randall Salo ("Salo"). The consideration paid by SGX to Salo for the Salo Mineral Claims is 100,000 common shares of SGX and \$10,000 in cash. We now own these claims outright. The Salo Mineral Claims are also subject to a 2% net smelter royalty in favor of Salo.

On December 21, 2011, the Company had completed the acquisition of four mineral claims (the "Bremner Mineral Claims") located in Sothman Township in the Porcupine Mining Division, District of Cochrane, Ontario from Daryl Bremner ("Bremner"). The consideration paid by SGX to Bremner for the Bremner Mineral Claims is 120,000 common shares of SGX and \$2,000 in cash. We now own these claims outright. The Bremner Mineral Claims are also subject to a 2% net smelter royalty in favor of Bremner.

As at April 10, 2012 the Company has completed the acquisition of three mineral claims (the "Mineral Claims") located in Hutt Township and Halliday Township in the Porcupine Mining Division, District of Cochrane, Ontario from Yvan Verroneau ("Verroneau"). We now own these claims outright with no NSR. The consideration paid by SGX to Verroneau for the Mineral Claims consisted of 17,778 common shares of SGX.

As at April 18, 2012 the Company announces that San Gold and SGX have completed their previously announced sale by San Gold to SGX of all of the interests of San Gold in its mineral properties in Tisdale Township, in the Timmins, Ontario mining camp (the "Transaction"). The consideration paid by SGX to San Gold was 8,060,000 common shares of SGX ("SGX Shares") at a deemed price of \$0.50 per SGX Share. These shares represent approximately 7.26% of the current issued and outstanding SGX Shares. The Transaction was completed pursuant to a purchase agreement between San Gold and SGX dated as of the date hereof. The Tisdale Township properties consist of a 31.5% ownership in 12 mineral claims known as the "Davidson-Tisdale Property" and a 100% interest in 13 mineral claims known as the "North Tisdale Property" as well as certain surface rights (collectively, the "Properties"). The remaining 68.5% of the Davidson-Tisdale Property is owned by Lexam VG Gold Inc. Laurion Mineral Exploration Inc. retains a 2% net smelter returns royalty on the North Tisdale Property, which is now an obligation of SGX. This property was sold subsequent to the year end as described further below and the Company no longer has an interest in this property.

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As at June 1, 2012 the Company has entered into an option agreement (the "Option Agreement") with James E. Croxall (the "Optionor") dated as of June 1, 2012 (the "Effective Date"). Pursuant to the Option Agreement, the Optionor has provided SGX with an option to acquire a 100% undivided interest in seven mineral claims (the "Properties") held by the Optionor in Zavitz Township, Porcupine Mining District in the Timmins, Ontario area. Pursuant to the terms of the Option Agreement, SGX has the option to earn a 100% undivided interest in the Properties by making the following aggregate cash payments and issuing the following aggregate numbers of common shares of SGX ("Common Shares") to the Optionor: (i) \$10,000 cash and 30,000 Common Shares on the date of execution of the Option Agreement, which has been done; (ii) \$15,000 cash and 30,000 common shares on or before the date that is one year following the Effective Date; (iii) \$25,000 cash and 40,000 Common Shares on or before the second anniversary of the Effective Date; and (iv) \$50,000 cash and 150,000 Common Shares on or before the third anniversary of the Effective Date. In addition, SGX must incur at least \$200,000 in exploration expenditures on the Properties on or before the third anniversary of the Effective Date. Upon transfer of a 100% undivided interest in the Properties from the Optionor to SGX, the Optionor shall be entitled to an aggregate 2% net smelter returns royalty on the Properties. SGX shall be entitled to purchase half of such royalty (1%) from the Optionor for \$1,000,000 in cash, subject to an adjustment based on the change in the Consumer Price Index from the Effective Date until the time of such purchase. Subsequent to the quarter end, the Company ended further work and returned the property to the Optionor.

As at July 9, 2012 – Dale Ginn, President and CEO of SGX Resources Inc., was pleased to announce that SGX has entered into an option agreement with each of Randall Salo, Michael Tremblay and Jacques Robert dated as of today. Pursuant to the Option Agreement, the Optionors have provided SGX with an option to acquire a 100% undivided interest in eight mineral claims held by the Optionors in Zavitz Township and Hincks Township in the Porcupine and Larder Lake Mining Districts in the Timmins, Ontario area.

August 21, 2012 – Dale Ginn, President and CEO of SGX Resources Inc. ("SGX"), was pleased to announce that SGX has entered into an option agreement (the "Option Agreement") with each of Shoreacres Explorations Ltd., 2090720 Ontario Inc. and 2229667 Ontario Inc. (collectively, the "Optionors") dated as of today. Pursuant to the Option Agreement, the Optionors have provided SGX with an option to acquire a 100% undivided interest in eight leased mineral claims (the "Properties") held by the Optionors in Grenfell Township in the Larder Lake Mining District in the Kirkland Lake, Ontario area.

Pursuant to the terms of the Option Agreement, SGX has the option to earn a 100% undivided interest in the Properties by making the following aggregate cash payments and issuing the following aggregate numbers of common shares of SGX ("Common Shares") to the Optionors: (i) \$25,000 cash and 100,000 Common Shares on or about the date that the TSX Venture Exchange accepts the terms of the Option Agreement (the "Effective Date"); (ii) \$25,000 cash and 100,000 common shares on or before the first anniversary of the Effective Date; (iii) \$25,000 cash and 100,000 Common Shares on or before the second anniversary of the Effective Date; (iv) \$37,500 cash and 150,000 Common Shares on or before the third anniversary of the Effective Date; and (v) \$62,500 cash and 250,000 Common Shares on or before the fourth anniversary of the Effective Date. There is no specific work commitment required by SGX pursuant to the Option Agreement.

Upon transfer of a 100% undivided interest in the Properties from the Optionors to SGX, the Optionors shall be entitled to an aggregate 1% net smelter returns royalty on the Properties. This is in addition to the existing 2% net smelter returns royalty on the Property. SGX shall be entitled to purchase half of such royalty (1%) from the holder for \$1,000,000 in cash.

On May 31, 2013, the Company had completed the acquisition of one mining claim (the Clayton Larche Claim) located in the Porcupine Division in the District of Cochrane, Ontario from Clayton Larche. The consideration paid by SGX to Clayton Larche for the Clayton Larche claim is \$10,000.00 in cash, for outright ownership of claim. The Clayton Larche claim is also subject to a 2% net smelter royalty in favor of Larche. SGX shall be entitled to purchase half of such royalty (1%) from the holder for \$1,000,000.00 in cash.

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On May 29, 2014, the Company has completed all cash payments and share issuances required pursuant to the option agreement (the "Option Agreement") dated May 17, 2010 between the Company and Shoreacres Exploration Limited ("Shoreacres") to earn its 100% interest in leased claim 114 (the "Mineral Property") located in Sothman Township in the Timmins, Ontario area. In accordance with the terms of the Option Agreement, Shoreacres will transfer ownership of the Mineral Property to the Company within 30 days. Shoreacres shall retain a 2% net smelter returns royalty on the Mineral Property in accordance with the terms of the Option Agreement.

During the year ended December 31, 2015, the Company did not undertake any exploration work on its properties (2014 - undertook \$136,695 of exploration work on certain of its properties). All of the properties of the Company are located in and around the Timmins, Ontario area. A summary of the properties of the Company and the exploration activities of the Company on such properties during the year is set forth below.

THE BIG MARSH PROPERTY (Bristol - Carscallen) - Own Outright

The Big Marsh Property consists of ten claims consisting of 90 units in the east central part of Carscallen Township extending from Big Marsh Lake to the eastern boundary of the Carscallen Township, the total area being 1,440 hectares. All of the claims are contiguous, forming a relatively equidimensional block approximately 4.0 kilometres wide. The Big Marsh Property is located approximately 25km to the west-southwest of the core of Timmins, Ontario.

Claim Status

CLAIM#	UNITS	HECTARES	RECORDING DATE	DUE DATE
4212529	12	192	Oct. 11, 2006	Oct. 11, 2019
4211013	16	256	Jun. 19, 2006	Jun. 19, 2019
4213856	4	64	Feb. 7, 2007	Feb. 7, 2019
4202663	16	256	Oct. 10, 2006	Oct. 10, 2019
4210999	4	64	Oct. 16, 2006	Oct. 16, 2019
4204384	14	224	Aug. 11, 2006	Aug. 11, 2019
3019638	6	96	May 7, 2007	May 7, 2019
4202665	4	64	Oct. 11, 2006	Oct. 11, 2019
4213854	5	80	Feb. 7, 2007	Feb. 7, 2019
4213855	9	144	Feb. 7, 2007	Feb. 7, 2019
Total 10 Claims	90	1440		

All of the above claims are registered in the names of Larry Noel Gervais, John Der Weduwen and 1571925 Ontario Ltd., and are currently under option to the Company.

THE GUNTHER LAKE PROPERTY - Own Outright

The Gunther Lake Property consists of a single claim consisting of 12 units or 192 hectares in the central part of Carscallen Township to the west of Big Marsh Lake. The Gunther Lake Property forms a rectangular block 1.6 kilometres from north to south and 1.2 kilometres from east to west which is detached from the claim block of the Big Marsh Property by 800 metres and touches the eastern edge of Gunther Lake.

Claim Status

CLAIM#	UNITS	HECTARES	RECORDING DATE	DUE DATE
4213799	12	192	Feb. 20, 2007	Feb. 20, 2019

The above claim is registered in the names of Larry Noel Gervais and John Der Weduwen and currently under option to the Company. There is a net smelter royalty between the above and SAN GOLD which came into effect February 9, 2016.

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THE BRISTOL WEST PROPERTY - Own Outright

The Bristol West Property contains four claims consisting of 25 units (400 hectares) along the western edge of Bristol Township. It is contiguous with the Big Marsh Property to the west but has been given a different name to facilitate reference and description. The Bristol West Property's dimensions are 3.0 kilometres from north to south and 1.6 kilometres from east to west.

Claim Status

CLAIM#	UNITS	HECTARES	RECORDING DATE	DUE DATE
3019639	11	176	7-May-07	7-May-17
3019640	2	32	7-May-07	7-May-17
4202662	9	144	Oct. 10, 2006	Oct. 10, 2017
Total 3 Claims	22	352		

The Company had sufficient assessment work to cover the requirements for the 2015 Assessment. The above claims are registered in the names of 1571925 Ontario Ltd., Larry Noel Gervais, John Der Weduwen, and are under option to the Company. There is a net smelter royalty between 1571925 Ontario Ltd., Larry Noel Gervais and SAN GOLD which came into effect February 9, 2016 for 3019639 and 3019640. There is a net smelter royalty between 1571925 Ontario Ltd., Larry Noel Gervais John Der Weduwen and SAN GOLD which came into effect February 9, 2016 for 4202662.

THE WEST OGDEN PROPERTY - Own Outright

The West Ogden Property consists of two large irregular claims consisting of 24 units or 384 hectares in the northwest corner of Ogden Township. The aforesaid claims are contiguous forming a rough square approximately 2.5 kilometres across interrupted in the west and center by patented claims which are not part of the West Ogden Property. The West Ogden Property is located approximately 10km southwest of Timmins, Ontario.

Claim Status

CLAIM#	UNITS	HECTARES	RECORDING DATE	DUE DATE
4218023	13	208	15-Jun-07	15-Jun-19
4218028	11	176	15-Jun-07	15-Jun-19
Total 2 Claims	24	384		

The above claims are registered in the name of Odyssey Explorations Ltd., and are under option to the Company.

THE SHOREACRES PROPERTY - Own Outright

The Shoreacres Property consists of a single leased claim consisting of 14 units located in Sothman Township in the Timmins, Ontario area.

Claim Status

LEASE#	UNITS	HECTARES	RECORDING DATE	Expiry Date	TOWNSHIP/AREA
CLM114	14	278.448	29-May-14	31-Dec-28	Sothman
Total 1 Claims	14 Units	278.448 Hectares			

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THE TIMMINS SOUTH PROPERTY (Croxall) - Own Outright

The Timmins South Property consists of Thirty-Six claims consisting of 333 units located in Sothman, Semple Halliday, and Nursey Township in Ontario.

Claim Status

CLAIM#	UNITS	RECORDING DATE	DUE DATE	TOWNSHIP/AREA
1149934	9	30-May-03	30-May-18	Sothman
1149935	8	9-Jul-03	9-Jul-18	Semple
1149936	4	20-May-03	20-May-18	Sothman
1149937	16	7-May-03	7-May-18	Sothman
1149938	10	7-May-03	7-May-18	Sothman
1149939	2	20-May-03	20-May-18	Sothman
1191895	16	18-Feb-02	18-Feb-18	Semple
1227898	15	31-May-05	31-May-18	Semple
1247541	9	15-Apr-03	15-Apr-18	Sothman
1247542	8	15-Apr-03	15-Apr-18	Sothman
1247543	2	15-Apr-03	15-Apr-18	Sothman
3005882	6	4-Mar-04	4-Mar-18	Semple
3005884	16	4-Mar-04	4-Mar-18	Sothman
3005885	6	4-Mar-04	4-Mar-18	Sothman
3005886	3	4-Mar-04	4-Mar-18	Sothman
3005887	11	4-Mar-04	4-Mar-18	Sothman
3005888	1	4-Mar-04	4-Mar-18	Sothman
3016396	8	3-Jul-03	3-Jul-18	Sothman
3016397	8	3-Jul-03	3-Jul-18	Sothman
4202189	9	2-Mar-09	2-Mar-18	Halliday
4203285	8	4-Jul-05	4-Jul-18	Semple
4210938	6	Mar. 2, 2009	Mar. 2, 2018	Halliday
4212409	6	Feb. 23, 2007	Feb. 23, 2018	Nursey
4212410	1	Feb. 23, 2007	Feb. 23, 2019	Sothman
4212411	16	Feb. 23, 2007	Feb. 23, 2018	Sothman
4224481	16	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224482	12	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224483	16	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224484	4	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224485	16	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224486	13	Aug. 28, 2007	Aug. 28, 2018	Sothman
4224487	10	Aug. 28, 2007	Aug. 28, 2018	Halliday
4250777	8	Apr. 29, 2010	Apr. 29, 2020	Sothman
30001053	9	Feb. 18, 2003	Feb. 18, 2018	Semple
34 claims	308			

The above claims are registered in the names of Croxall, Kangas, Miller, Bryant and SGX Resources Inc. and are under option with the company

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THE TULLY CENTRAL PROPERTY - Own Outright

The Tully Property consists of three claims consisting of 23 units designated as P4243871; P4243872; P4243873 in the Tully Township. This project will hence forth be referred to as the Timmins North Project in Company documents and reports and in press releases.

Claim Status

CLAIM#	UNITS	RECORDING DATE	DUE DATE	TOWNSHIP/AREA
4243871	12	Jan. 29, 2009	Jan. 29, 2018	Tully
4243872	6	Jan. 29, 2009	Jan. 29, 2018	Tully
4243873	5	Jan. 29, 2009	Jan. 29, 2018	Tully
3 Claims	23			

The above claims are registered in the name of SGX Resources Inc. located in Tully Township, Porcupine Mining Division, and District of Cochrane, Ontario.

THE NIGHTHAWK PROPERTY - Own Outright

The Nighthawk Property consists of two claims consisting of 8 units located in the Township of German and 4 units in the Township of Matheson.

Claim Status

CLAIM#	UNITS	RECORDING DATE	DUE DATE	TOWNSHIP/AREA
4255976	4	Sept. 14, 2010	Sept. 14, 2018	Matheson

The above claims are registered in the names of Robert and Allaire and SGX Resources Inc.

THE TULLY TOWNSHIP PROPERTY/TIMMINS NORTH

The Tully Mineral Claims consists of 50% interest in eighteen claims comprising of 22 units in the Tully Township area located in Tully Township, Porcupine Mining Division, and District of Cochrane, Ontario.

Claim Status

CLAIM#	UNITS	RECORDING DATE	Expiry Date	TOWNSHIP/AREA
57468	1	Patent	31/05/2034	Tully
57463	1	Patent	31/05/2034	Tully
57464	1	Patent	31/05/2034	Tully
57467	1	Patent	31/05/2034	Tully
57471	1	Patent	31/05/2034	Tully
57472	1	Patent	31/05/2034	Tully
57473	1	Patent	31/05/2034	Tully
57474	1	Patent	31/05/2034	Tully
57475	1	Patent	31/05/2034	Tully
57476	1	Patent	31/05/2034	Tully
57479	1	Patent	31/05/2034	Tully
57480	1	Patent	31/05/2034	Tully
57485	1	Patent	31/05/2034	Tully
57486	1	Patent	31/05/2034	Tully
102250	1	Patent	31/05/2034	Tully
102251	1	Patent	31/05/2034	Tully
3010236	4	June 14, 2003	June 14, 2018	Tully
3010237	2	June 14, 2003	June 14, 2018	Tully
Total 18 Claims	22			

The above claims are registered in the names of SGX Resources Inc. and Klondex Canada Inc. each holding a 50% share in the claims.

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Results of Operations for the year ended December 31, 2015

Analysis of the year ended December 31, 2015 compared to the year ended December 31, 2014

The Company reported a loss of \$403,730 for the year ended December 31, 2015 compared to a loss of \$7,572,422 for the year ended December 31, 2014. For the year ended December 31, 2014 the Company wrote down the carrying values of its mining claims by \$6,160,481 due to the ongoing difficulties in the junior exploration industry and the uncertainty in the equity capital markets upon which the Company depends to fund its ongoing exploration program. No write-downs were made in 2015.

The Company did not undertake any exploration activities during the year ended December 31, 2015 (2014 - undertook \$136,695 of exploration activities). For the year ended December 31, 2015 the Company incurred general and administrative expense of \$395,719 compared to \$1,273,335 in 2014. The decrease is reflective of lower expenses due to the Company's curtailment of exploration and supporting activities.

Analysis of the three months ended December 31, 2015 compared to the three months ended December 31, 2014

The Company reported a loss of \$388,650 for the three months ended December 31, 2015 compared to a loss of \$6,674,418 for the three months ended December 31, 2014. In the quarter ended December 31, 2014 The Company wrote down the carrying values of its mining claims by \$6,160,481 due to the ongoing difficulties in the junior exploration industry and the uncertainty in the equity capital markets upon which the Company depends to fund its ongoing exploration program. The Company undertook \$34,194 of exploration activities during the 4th quarter ended December 31, 2014 but had no exploration activities in 2015. For the quarter ended December 31, 2015 the Company incurred general and administrative expenses of \$255,295 (2014 - \$575,051). The decrease is due to the Company's curtailment of exploration and supporting activities along with the fact that in the fourth quarter of 2014 the Company accrued severance payments for certain former officers offset.

As the Company is in the exploration phase and its properties are in the early stage of exploration, none of its properties are in production. Therefore, mineral exploration expenditures are not capitalized and losses are incurred as a result of exploration expenditures and administrative expenses relating to the operation of the Company's business. Consequently the Company's net income is not a meaning full indicator of its performance of potential. The key performance driver for the Company is the acquisition, exploration, and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases the probability of finding and developing economic mineral deposits.

At this time the Company is not anticipating profit from operations in the near future. Until such time as the Company is able to realize profits from the production and marketing of commodities from its properties, the Company will report a deficit and will rely on its ability to obtain equity or debt financing to fund ongoing operations. Additional financing is required for new exploration and promotional initiatives. Due to the nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its obligations relating to its properties.

SUMMARY OF QUARTERLY RESULTS

The following are the results for the below noted quarters:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
General administrative expenses	255,295	25,833	54,101	60,490
Net income (loss)	(388,650)	(27,138)	74,096	(62,038)
Loss per share	(0.00)	(0.00)	0.00	(0.00)
	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Exploration expenditures	34,194	17,518	24,542	60,441
General administrative expenses	575,051	173,531	263,413	261,340
Net income (loss)	(6,674,418)	(231,790)	(344,985)	(321,229)
Loss per share	(0.06)	(0.00)	(0.00)	(0.00)

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The Company is in the exploration stage and therefore has no regular cash inflows. As at December 31, 2015, the Company had a working capital deficiency of \$2,198,465 (2014 – a working capital deficiency of \$1,941,974).

The pace of development of its properties will determine how quickly the Company expends its working capital and how long it will take before the Company requires additional working capital. The ability of the Company to access new working capital through additional financings could be adversely affected by many factors including a downturn in mineral prices, a general economic downturn, poor results from exploration programs on its properties and a variety of other factors.

FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, other receivables, trade payables and other payables.

(a) Risk management and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(i) Currency risk

The company does not hold any assets or liabilities denominated in a foreign currency.

(ii) Price risk

The company is exposed to price risk with respect to commodity prices. As the company is not a producing entity, this risk does not currently affect earnings, however, the risk could affect the completion of future equity transactions. The company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the entity. The company is exposed to credit risk on cash, trade receivables and other receivables. Cash is held with an established Canadian financial institution and the company's other receivables are from Canadian government entities, from which management believes the risk of loss to be remote. The company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management's opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As at December 31, 2015, the company had a working capital deficiency in the amount of \$2,198,465.

(v) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's promissory note agreement fixes interest at 5% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. Changes in future interest rates could however affect the carrying value of the debt and result in a non-cash adjustment to earnings.

(b) Fair values, carrying amounts and changes in fair value

The fair values of the company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for

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those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy in Canadian generally accepted accounting principles.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

At December 31, 2015 and 2014, the company's financial instruments was comprised solely of its cash, which was classified as Level 1.

(c) Collateral

The carrying value of financial assets the company has pledged as collateral as at December 31, 2015 and 2014 is \$Nil.

RISK FACTORS

The business of the Company is subject to a number of risks and uncertainties that may impact the business of the Company. A summary of the risk factors that may affect the Company is set forth below.

COMPETITION FOR MINERAL DEPOSITS

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the exploration of search for and the acquisition of attractive mineral properties. As a result of this competition, much of which is with entities with greater financial resources than the Company, the Company may not be able to obtain funding for its exploration projects, obtain and maintain the necessary resources to carry out such exploration or acquire attractive properties in the future on terms it considers acceptable. The Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investment and other capital.

RESOURCE EXPLORATION AND DEVELOPMENT INVOLVES A HIGH DEGREE OF RISK

Resource exploration and development is a speculative business and involves a high degree of risk. There is no known body of commercial ore on any of the properties of the Company. There is no certainty that any expenditure made by the Company in the exploration of any of its properties or otherwise will result in discoveries of commercial quantities of minerals. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company.

LAG TIME BETWEEN DISCOVERY AND PRODUCTION OF MINERAL RESOURCES

The Company is unable to predict the amount of time which may elapse between the date when any new mineral resource may be discovered and the date when production, if any, will commence from any such discovery.

INFRASTRUCTURE REQUIREMENTS

Exploration and development of mineral properties depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial conditions and results of operations.

TITLE TO THE COMPANY'S PROPERTIES OR INTEREST MAY BE DISPUTED

Title to and the area of resource concessions may be disputed. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

SURFACE ACCESS RIGHTS

The Company does not have surface access rights to all of its mineral properties and will be required to obtain all necessary permits prior to carrying out any exploration activities on certain of its properties. Accordingly, the Company may be unable to access certain of its properties and related mineral exploration claims to carry out its proposed exploration activities.

ABORIGINAL LAND CLAIMS AND ABORIGINAL RIGHTS

The mineral properties of the Company may in the future be the subject of aboriginal peoples' land claims or aboriginal rights claims. The legal basis of an aboriginal land claim and aboriginal rights is a matter of considerable legal complexity and the impact of the assertion of such a claim, or the possible effect of a settlement of such claim upon the Company cannot be predicted with any degree of certainty at this time.

ADDITIONAL FUNDS FOR FUTURE EXPLORATION AND DEVELOPMENT, DILUTION

As a mineral exploration company, the Company does not generate cash flow from its activities and it must rely primarily on issuances of its securities or the borrowing of funds to finance its operations. The exploration and development of its properties will require substantial funds beyond those it has and there is no assurance that such additional funds will be available to the Company on commercially reasonable terms or in sufficient amounts to allow the Company to continue to pursue its objectives. The inability of the Company to raise further funds whether through additional equity issuances or by other means, could result in delays or the indefinite postponement of planned exploration and/or development activities or, in certain circumstances, the loss of some or all of its property interests or cessation of all mineral exploration and/or development activities.

RISKS ASSOCIATED WITH THE COMPANY'S ACTIVITIES MAY NOT BE INSURABLE

The Company's business is subject to a number of risks and hazards and no assurance can be given that insurance will cover the risks to which the Company's activities will be subject or will be available at all or at commercially reasonable premiums.

THE COMPANY HAS NO HISTORY OF OPERATIONS, EARNINGS OR DIVIDENDS

The Company was incorporated on December 5, 2008 and has no history of earnings or of a return on investment, and there is no assurance that it will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends.

STATUTORY AND REGULATORY COMPLIANCE IS COMPLEX AND MAY RESULT IN DELAY OR CURTAILMENT OF THE COMPANY'S OPERATIONS

The current and future operations of the Company and any parties which may carry out exploration, development and mining activities on properties in which the Company holds an interest will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company will apply for all necessary permits for the exploration work it intends to conduct, however such permits are, as a practical matter, subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining or maintaining such permits.

THE COMPANY DEPENDS ON KEY MANAGEMENT AND EMPLOYEES

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. There can be no assurance that the Company will be successful in attracting, training and retaining qualified personnel.

SHORTAGE OF SUPPLIES

The Company may be adversely affected by shortages of critical supplies or equipment required to operate the business of the Company. Any shortage of critical supplies or equipment will affect the timeliness of the development of the Company and its business.

ESTIMATES OF MINERAL RESOURCES

There are numerous uncertainties inherent in estimating ore reserves and mineral resources. The accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Fluctuations in precious or base metal prices, results of drilling or metallurgical testing, subsequent to the date of any estimate may require revision of such estimate. In addition, there can be no assurance that precious or base

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metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

ENVIRONMENTAL FACTORS

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The Company's operations are subject to environmental regulations promulgated by various government agencies from time to time. Violation of existing or future environmental rules may result in various fines and penalties.

CONFLICT OF INTEREST

Certain directors and officers of the Company were also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing, and exploiting natural resource properties. In particular, during the 2015 fiscal year many of the directors and officers of the Company were also directors and/or officers of San Gold. Such associations may give rise to conflicts of interest from time to time, including with respect to the obligations of the Company and San Gold pursuant to the Option Purchase Agreement. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company.

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

RELATED PARTIES TRANSACTIONS

Due to related parties includes \$870,552 (December 31, 2014 - \$870,552) due to Klondex Canada Ltd. (formerly San Gold Corporation) for exploration expenditures incurred on behalf of the Company. Klondex Canada Ltd also holds a \$100,000 promissory note from the Company. The promissory note bears interest at 5% and is due on demand. The promissory note is secured against the Companies 50% interest in certain mining claims. The promissory note payable includes \$7,162 (December 31, 2014 - \$1,942 of accrued interest due to Klondex Canada Ltd. Klondex Canada Ltd. owns and exercises control over approximately 32% of the issued and outstanding Common Shares and exerts significant influence over the Company.

Included in due to related parties includes \$20,000 (December 31, 2014 - \$20,000) due to Wynnex Ltd. for advances to the Company that are unsecured, non-interest bearing and have no set terms of repayment. Wynnex is related as the owner is a director of the Company. Also, included in due to related parties is \$21,000 (December 31, 2014 - \$21,000) payable to a director for director's fees and \$7,380 (December 31, 2014 - \$7,380) payable to directors for expenses incurred on behalf of the Company.

Advance payable of \$51,000 (December 31, 2014 - \$nil) is due to a director of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total salaries and severance for the year ended December 31, 2015 are \$209,042 (2014 - \$417,003) and \$NIL (2014 - \$400,000), respectively. Included in due to related parties are amounts owed to key management personnel for \$879,604 (December 31, 2014 - \$660,144).

The Company paid \$nil to a spouse of a member of key management for services during the year ended December 31, 2015 (2014 - \$27,740).

The Company purchased \$nil of promotional merchandise from IceTime Sports Inc. during the year ended December 31, 2015 (2014 - \$5,259). IceTime Sports Inc. is a related party as a director of the Company exerts significant influence over IceTime Sports Inc.

FUTURE CHANGES in ACCOUNTING POLICIES

New accounting pronouncements

In fiscal 2015, there have been no new or amended accounting pronouncements that have had a material impact on the Company's financial statements.

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Future accounting pronouncements

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard and amendments on its financial statements.

IFRS 11, "Joint Arrangements" (IFRS 11) was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

IFRS 16, "Leases" replaces IAS17 "Leases" and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. The standard is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 16 on its financial statements.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As the Company has had no significant revenue from operations since inception (December 5, 2008), the following is a breakdown of the material costs incurred by the Company:

	Three months Ended December 31, 2015	Twelve Months Ended December 31, 2015
Exploration and Development Costs	\$ ---	\$ ---
General and Administrative Expenses	\$ 255,295	\$395,719

DISCLOSURE OF OUTSTANDING SHARE DATA

a) Authorized:

The Company is authorized to issue an unlimited number of common shares with each common share entitled to one vote.

b) Common shares issued:

	Number of Shares	Stated Capital
Balance, December 31, 2013	127,493,169	\$27,192,486
Private placement	6,351,000	317,550
Share issue costs	1,350,000	(10,371)
Issued for mining claims	---	67,500
Balance, December 31, 2014 and 2015	135,194,169	\$27,567,165

SUBSEQUENT EVENTS:

On January 10, 2017, at an annual and special meeting of shareholders requisitioned by Klondex Canada Ltd., a significant shareholder in the Company, a new Board of Directors was elected and new management was subsequently appointed (see press release dated January 11, 2017)

OTHER REQUIREMENTS:

Additional information relating to the Company is available on SEDAR at www.sedar.com.

APPROVAL

Management is responsible for all information contained in this report. The audited consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the financial statements for year ended December 31, 2015 in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Board of Directors has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

Bruce Reid
President & CEO

February 15, 2017