



## **MARITIME RESOURCES CORP.**

Management's Discussion & Analysis

For the Six Months Ended  
June 30, 2017  
(the "Period")

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### **Cautionary Notices**

*The Company's financial statements for the six months ended June 30, 2017, and this accompanying Management's Discussion and Analysis ("MD&A") contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecasted or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "Risks and Uncertainties Related to the Company's Business" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "Risks and Uncertainties Related to the Company's Business" and to those that may be discussed as part of particular forward-looking statements. 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. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals, title to properties, and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A 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.*

### **Introduction**

The management's discussion and analysis ("MD&A" or "Report") of Maritime Resources Corp. (the "Company" or "Maritime") has been prepared by management in accordance with the requirements under National Instrument 51-102 as at August 22, 2017 (the "Report Date"), and provides comparative analysis of the Company's financial results for the Period. The following information should be read in conjunction with the Company's audited financial statement for the year ended December 31, 2016 and the Company's condensed interim financial statement for the period ended June 30, 2017 together with the notes thereto (collectively, the "Financial Statements"). Unless otherwise indicated, all dollar amounts in this document are in Canadian dollars.

The Financial Statements, together with this MD&A, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as potential future performance, and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward-looking statements, and the Company cautions investors that any forward looking statements by the Company are not guarantees of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A. Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

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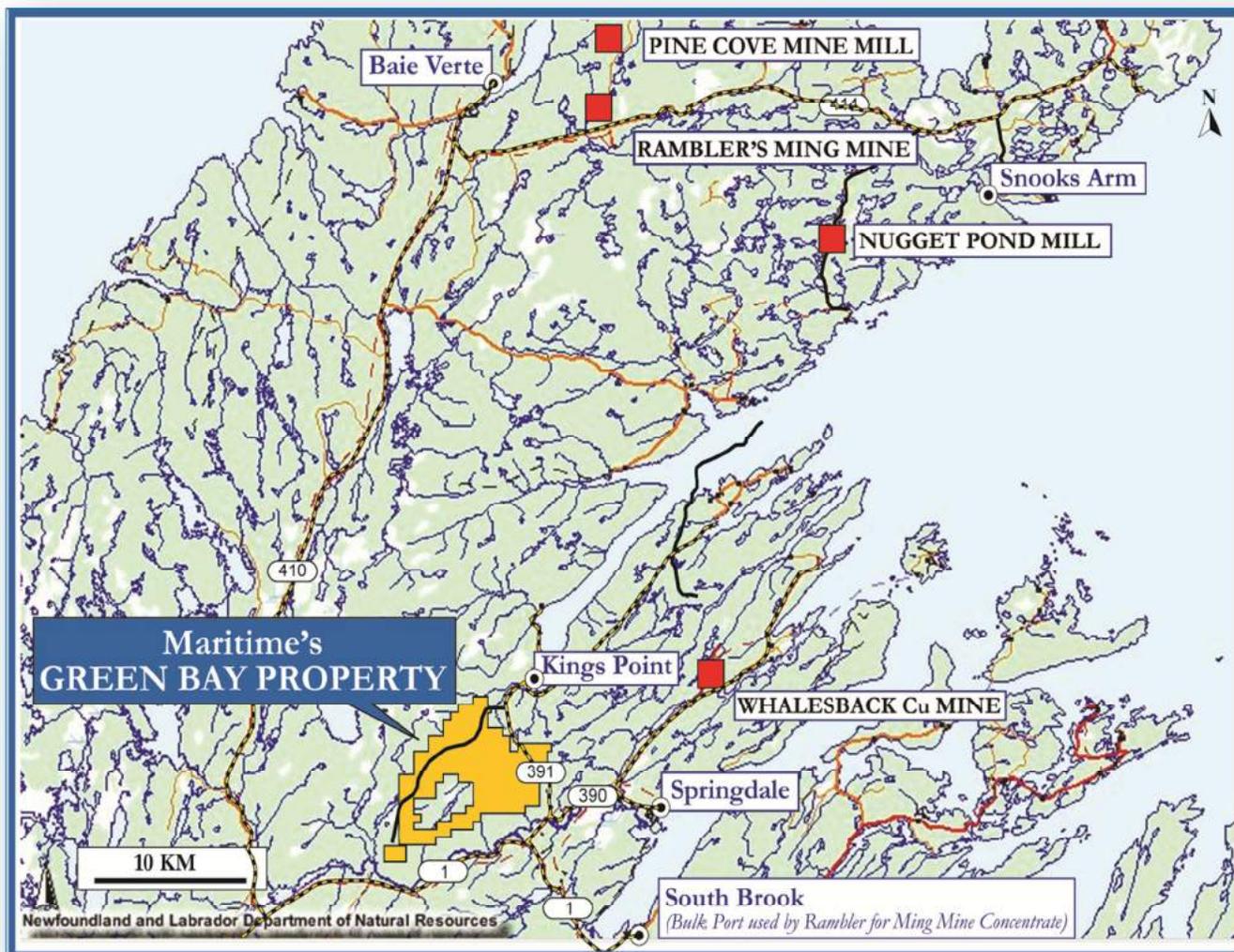
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## **Description of Business and Overall Performance**

The Company is a gold and base metals exploration company with a focus on Canadian mining opportunities with advanced exploration assets in Newfoundland and Labrador, Canada. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol MAE.



Maritime holds 100% of the Green Bay Property, located near Springdale, Newfoundland and Labrador. The property hosts a combined measured and indicated NI43-101 Mineral Resource estimate of x ounces from the past producing Hammerdown gold mine and the Orion gold deposit, separated by a 1.5 km distance. In addition the property also host the Lochinvar base metals/precious metals deposit.

The Hammerdown gold deposit was successfully mined by Richmont Mines between 2000 and 2004 when gold prices averaged US\$325/oz. During its operation, a total of 291,400 tonnes of ore were extracted, at an average grade of 15.83 g/t Au, recovering a total of 143,000 ounces of gold at an 8 g/t cut-off. All of the ore was processed at the Nugget Pond mill, now owned and operated by Rambler Metals and Mining Canada Limited, with an average gold recovery of 97.1%. Mining terminated in 2004 due to low gold prices with extensive gold mineralization remaining, although uneconomic at that time. The Orion gold deposit consists of two main vein systems, both of which are exposed on surface and open along strike, and down plunge to the northeast.

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With the positive PFS, released in March 2017, the Company is looking forward to an aggressive work program throughout the remainder of 2017 with plans to bring the Hammerdown gold mine to a final production decision. The work program will begin by opening the underground portal to the historic Hammerdown mine. Once the Portal has been open a full assessment will be initiated to determine the work required to rehabilitate the underground workings. During this time, project permitting will continue with the goal to complete an Environmental Assessment registration for an operation restart.

The Company's management and engineering team will continue its focus on the opportunities outlined in the PFS with a goal to further enhance the project's economics while targeting specific CAPEX and schedule reductions. A surface diamond drilling program is also being planned to target extension of any previously mined areas and infill drilling on the inferred resources. There remains a significant amount of inferred mineralization situated near PFS planned development however is not presently included in the mine plan.

On completion of the 2017 planned work programs the Company intends to aggressively seek potential funding partners to bring Hammerdown gold mine back to production.

### Highlights for the six months ended June 30, 2017

#### March 2, 2017: PFS received

In March, 2017, a prefeasibility engineering study evaluating the economic viability of reopening the Hammerdown gold mine, was received from WSP Canada Inc. ("WSP"). WSP were mandated to evaluate the potential of bringing this past producing gold mine back into commercial production. The study was completed on the measured & indicated NI43-101 mineral resource estimate, producing proven and probable reserves for the property.

The Study was successful in demonstrating a viable mining operation with low upfront capital and short time line to the start of gold production. The engineering design optimizes a small foot print within the historical mine area as well as utilizing some of the existing underground infrastructure where possible. The operation is scheduled to run at a capacity of approximately 400 metric tons per day ('mtpd') over a five-year mine life.

The results show positive economics, strong internal rate of return, short payback period and significant cash flow under reasonable commodity price assumptions. The pre-tax operating cash cost to produce an ounce of gold is \$558 CDN with an all in pre-tax-cost (including capital, sustaining capital and operating cost) of \$955 CDN per ounce of gold.

In addition, there remain numerous opportunities for improvement to reduce the planned development and capital costs. Maritime will continue to evaluate these opportunities with a goal to fully optimize the returns from the mining operation.

### **PRE-FEASIBILITY STUDY ('PFS') HIGHLIGHTS**

- Project Pre-tax net present value ('NPV<sub>8%</sub>') of \$71.2 million with an IRR of 46.8% per cent.
- Project after-tax net present value ('NPV<sub>8%</sub>') of \$44.2 million with an internal rate of return ('IRR') of 34.8%
- Net pre-tax cash flow of \$104 million, undiscounted. Net after-tax cash flow of \$69 million, undiscounted.
- Total Development and Capital Cost Estimate for the five-year life of mine of \$67.8 million,
  - Mine Development Capital of -\$16.8 million
  - Equipment Capital of - \$10.6 million
  - Infrastructure Capital of - \$13.0 million
  - Sustaining Capital - \$12.9 million
  - Indirect costs of - \$ 7.3 million
  - Contingency of - \$7.2 million

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- Mine life for the current plan at Hammerdown is five years, producing approximately 174,000 ounces at an average of approximately 35,000 ounces per year. Basic assumptions used for the compilation of this PFS:
  - Gold Price of US\$ 1,250 per ounce
  - Exchange Rate of 0.8 US\$ : 1 CA\$ (or 1 US\$ : 1.25 CA\$)
  - Project discount rate of 8%
  - Mill recovery of 97% based on the historic treatment of the ore at the nearby Nugget Pond Gold Mill from 2000 to 2004.

**MINERAL RESOURCE AND RESERVE UPDATE**

As part of the PFS, a new geological resource and reserve has been estimated for the Hammerdown project. Tables 1 and 2 below outline the results of this updated estimate which will also be detailed in the technical report filed with SEDAR. No inferred mineralisation was included in the reserve estimate.

**MINERAL RESERVE**

*Table 1 Mineral Reserve Estimate Summary for the Hammerdown Gold Project*

| CLASSIFICATION  | QUANTITY<br>tonnes | GRADE<br>Au, g/t | CONTAINED METAL<br>Au, Koz |
|---|--------------------|------------------|----------------------------|
| Proven Reserves (undiluted, unrecovered)                      | <b>118,600</b>     | <b>15.17</b>     | <b>57.8</b>                |
| Probable Reserves (undiluted, unrecovered)                    | <b>320,600</b>     | <b>11.79</b>     | <b>121.5</b>               |
| Total Proven and Probable Reserve<br>(undiluted, unrecovered) | 439,200            | 12.70            | 179.4                      |
| Dilution (all sources)  | 261,400            | 0                | 0                          |
| <b>Reserve (diluted and recovered)</b>                        | <b>700,600</b>     | <b>7.96</b>      | <b>179.4</b>               |

Note: see Mineral Reserve Statement Notes below

**MINERAL RESOURCE**

*Table 2 Mineral Resource Estimate for the entire Green Bay Property (including Hammerdown/Rumbullion/Muddy Shag Gold Deposits).*

| CLASSIFICATION             | QUANTITY<br>tonnes | GRADE<br>Au, g/t | CONTAINED METAL<br>Au, Koz |
|----------------------------|--------------------|------------------|----------------------------|
| Measured                   | 372,170            | 12.09            | 144.7                      |
| Indicated                  | 553,500            | 9.60             | 170.9                      |
| Total Measured + Indicated | 925,670            | 10.60            | 315.6                      |
| Inferred                   | 1,557,000          | 7.53             | 376.8                      |

Note: see Mineral Resource Statement Notes below

The procedures used for the resource and reserve estimation processes are consistent with the Canadian Institute of Mining and Metallurgy ('CIMM') best practices and NI 43-101 guidelines. Generally, figures are rounded to reflect the accuracy of the estimate; numbers may not total due to this rounding.

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**PRE - FEASIBILITY ('PFS') SUMMARY**

The PFS is based on the measured and indicated mineral resource within the Hammerdown deposit only. The Orion deposit, located approximately 1.5 km from Hammerdown gold mine, was not considered a part of this study and remains an opportunity for the project.

The study envisioned that ore mined at Hammerdown will be trucked and processed, at approximately 400 metric tonnes per day ('mtpd'), to the Nugget Pond gold mill owned and operated by Rambler Metals and Mining Canada Limited.

At Hammerdown ore will be mined by way of a combination of both Long Hole and Mechanized Cut and Fill, utilizing the original access portal and a small portion of the existing underground workings.

Mine life in the PFS is approximately 5 years producing an average of approximately 35,000 ounces of gold per year with an all in pre-tax cost of approximately \$955 per ounce.

Additional opportunities exist to improve the low risk, low capital base case scenario, including:

- Additional resource growth through the exploration and development of the Inferred Resource at Hammerdown that sits within the existing mine plan and contains up to 377,000 oz. gold;
- The potential of open pit production from Orion, not included in this study, during the first few years of operations;
- Further studies on both mining method, to minimize dilution, as well as underground development. This work will be initiated once the portal has been reopened and refurbishing of the underground workings have begun.
- Integration of ore pre-concentration at the mine site. This could potentially allow for further optimization of mine production by reducing the amount of waste and improving the grade being delivered to the mill;
- A detailed review will be completed of all surface infrastructure including, utilities, building and electrical etc. to determine the optimal use of and requirements for this equipment;
- All mine and surface mobile equipment is purchased upfront as new. There may be opportunities to source some equipment in the used market or possibly arrange equipment financing terms with a supplier. A review of both size and quantity of mobile equipment will be completed for optimization and potential reduction in up front capital.

A National Instrument 43-101 ("NI 43-101") technical report will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) within 45 days, before the end of April 2017.

**ECONOMIC SUMMARY**

**Table 3 Project Economics**

| ITEM  | VALUE      |
|---|------------|
| Production Life                                     | 5 Years    |
| Recovered Gold                                      | 174,000 oz |
| Revenue   | 270 \$ M   |
| Total Operating Cost Estimate                       | 97.1 \$ M  |
| Total Capital Cost Estimate (Over LOM)              | 67.8 \$ M  |
| Before-Tax Cash Flow                                | 104 \$ M   |
| After-Tax Cash Flow                                 | 69 \$ M    |
| Before-Tax Net Present Value (8% discount)          | 71.2 \$ M  |
| After-Tax Net Present Value (8% discount)           | 44.2 \$ M  |
| Internal Rate of Return, Before-Tax                 | 46 %       |
| Internal Rate of Return, After-Tax                  | 34.8 %     |
| Before-Tax Payback Period, from start of production | 1.7 Years  |
| After-Tax Payback Period, from start of production  | 1.9 Years  |

**Table 4** Summary Project Parameters and Economics

| ITEM                                  | VALUE            |
|---------------------------------------|------------------|
| Gold Price                            | 1250 US\$/oz     |
| Exchange Rate                         | 0.8 US\$: 1 CA\$ |
| Mill Feed                             | 700,500 Tonnes   |
| Head Grade                            | 7.96 g/t         |
| Gold Production                       | 174,000 oz       |
| <b>LOM Capital Estimate</b>           |                  |
| Mine Development Capital              | 16.8 \$ M        |
| Mine Development Sustaining Capital   | 5.5 \$ M         |
| Mine Equipment Capital                | 7.2 \$ M         |
| Mine Equipment Sustaining Capital     | 7.1 \$ M         |
| Water Management                      | 0.7 \$ M         |
| Infrastructure                        | 8.6 \$ M         |
| Power, Electricity                    | 3.9 \$ M         |
| Reclamation, Closure, Post-Monitoring | 1.0 \$ M         |
| Royalty Buy Back                      | 1.0 \$ M         |
| Indirect Costs                        | 7.3 \$ M         |
| Contingency                           | 8.7 \$ M         |
| <b>Total</b>                          | <b>67.8 \$ M</b> |
| <b>LOM Operating Cost Estimate</b>    |                  |
| Mining                                | 52.3 \$ M        |
| Crushing, Loading, Transport          | 14.6 \$ M        |
| Processing                            | 23.0 \$ M        |
| General & Administrative              | 7.1 \$ M         |
| <b>Total</b>                          | <b>97.1 \$ M</b> |
| Operating Cost Per Ton                | 139 \$/t         |
| Operating Cost Per Oz/Au              | 558 \$/oz        |
| Refining, Transportation Charges      | 1.0 \$ M         |
| Royalties                             | 2.7 \$ M         |
| <b>Other Costs</b>                    |                  |
| Reclamation Bond & Associated Cost    | 0.2 \$ M         |
| Salvage Value                         | (2.7) \$ M       |
| Taxes                                 | 35.0 \$ M        |
| <b>Other Parameters</b>               |                  |
| Mining Dilution (Stopes, Drifts)      | 60 %             |
| Mining Recovery (Stopes, Drifts)      | 100 %            |
| Mill Recoveries (Au)                  | 97 %             |

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The table below summarises the sensitivities associated with metal pricing, project operating expenditures ('OPEX') and capital expenditures ('CAPEX').

*Table 5 Summary of Sensitivities*

| VARIABLE                   | -20%     | -10%     | 0%       | +10%     | +20%      |
|----------------------------|----------|----------|----------|----------|-----------|
| Gold Price                 | 28.4 \$M | 49.8 \$M | 71.2 \$M | 92.6 \$M | 114.0 \$M |
| Operating Cost             | 86.6 \$M | 78.9 \$M | 71.2 \$M | 63.5 \$M | 55.7 \$M  |
| Capital Cost               | 84.4 \$M | 77.8 \$M | 71.2 \$M | 64.6 \$M | 58.0 \$M  |
| Note: Before-Tax NPV at 8% |          |          |          |          |           |

**MINERAL RESERVE AND MINERAL RESOURCE STATEMENTS****MINERAL RESERVE NOTES**

The Mineral Reserves Estimate was prepared by WSP Canada Inc. (WSP). The mineral reserve estimate identifies the economically mineable mineral contained within stope shapes that have a final diluted grade of 3.0 g/t or higher. Above cut-off grade resource material less than 3 metres from historically mined workings was determined non-mineable due to safety concerns. This non-mineable material has been excluded from the reserves.

**MINERAL RESOURCE NOTES**

The Resource Estimate was prepared by WSP Canada Inc (WSP). The mineral resource estimate is based on the combination of geological modeling, geostatistics and conventional block modeling using the Ordinary Krig method of grade interpolation. The mineral resources were estimated using a block model with parent blocks of 5m X 5m X 5 m split three times into sub-blocks. The geological model including mineralized intercepts was generated by Maritime personnel and then audited by WSP. The QAQC protocols and corresponding sample preparation and shipment procedures have been reviewed by WSP.

**Table 7 Mineral Resource Estimate for the Green Bay Property including:  
Hammerdown/Rumbullion/Muddy Shag Gold Deposits and Orion Gold Deposit**

| Category                            | Deposit                         | Vein                   | Tonnes (t)       | Gold (g/t)   | Ounces ('000 oz) |
|-------------------------------------|---------------------------------|------------------------|------------------|--------------|------------------|
| Measured                            | Hammerdown/Rumbullion/MuddyShag | All                    | 372,170          | 12.09        | 144.7            |
|                                     | <b>Measured Total</b>           |                        | <b>372,170</b>   | <b>12.09</b> | <b>144.7</b>     |
| Indicated                           | Hammerdown/Rumbullion/MuddyShag | All                    | 553,500          | 9.60         | 170.9            |
|                                     | Orion                           | Main                   | 206,600          | 4.18         | 27.8             |
|                                     |                                 | DISV                   | 889,900          | 4.53         | 129.6            |
|                                     |                                 | EMS                    | -                | -            | -                |
|                                     |                                 | <b>ALL Orion total</b> | <b>1,096,500</b> | <b>4.47</b>  | <b>157.6</b>     |
| <b>IndicatedTotal</b>               |                                 | <b>-</b>               | <b>1,650,000</b> | <b>6.19</b>  | <b>328.5</b>     |
| <b>Measured and Indicated Total</b> |                                 | <b>ALL</b>             | <b>2,022,170</b> | <b>7.28</b>  | <b>473.2</b>     |

|          |                                 |                  |                  |                  |              |
|----------|---------------------------------|------------------|------------------|------------------|--------------|
| Inferred | Hammerdown/Rumbullion/MuddyShag | All              | 1,557,000        | 7.53             | 376.8        |
|          | Orion                           | Main             | 387,000          | 6.91             | 86.0         |
|          |                                 | DISV             | 737,000          | 4.67             | 110.7        |
|          |                                 | EMS              | 164,000          | 5.39             | 28.4         |
|          |                                 | <b>ALL Orion</b> | <b>1,288,000</b> | <b>5.44</b>      | <b>225.1</b> |
|          | <b>InferredTotal</b>            |                  | <b>ALL</b>       | <b>2,845,000</b> | <b>6.58</b>  |

February 27, 2017: Whisker Property

On February 27, 2017, the Company entered into an agreement to acquire a 100% interest in the Whisker Valley ("Whisker") property in Newfoundland, Canada, under the following terms:

|                              | Cash payments<br>(\$) | Shares in the capital<br>of the Company<br>(#) | Minimum exploration<br>expenditures on the<br>Property<br>(\$) |
|------------------------------|-----------------------|--|--|
| Upon approval <sup>(1)</sup> | 25,000 (paid)         | 100,000 <sup>(2)</sup>                         | Nil  |
| March 22, 2018               | 20,000                | 150,000  | 100,000  |
| March 22, 2019               | 30,000                | 200,000  | 250,000  |
| March 22, 2020               | 50,000                | 250,000  | 300,000  |
| March 22, 2021               | 75,000                | 300,000  | 500,000  |
| March 22, 2022               | 100,000               | 500,000  | 500,000  |
|                              | <b>300,000</b>        | <b>1,500,000</b>                               | <b>1,650,000</b>   |

(1) Received March 22, 2017

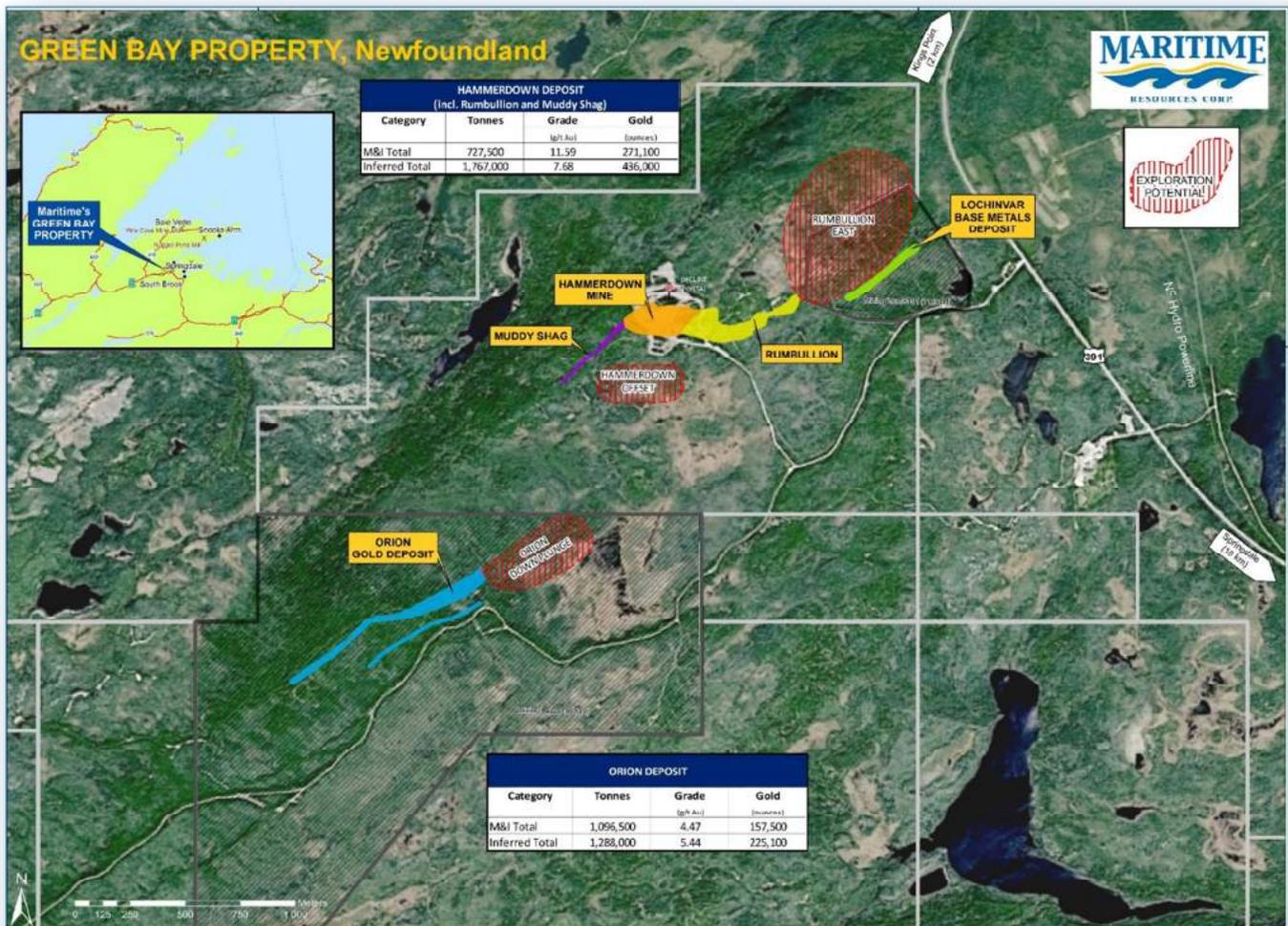
(2) Issued March 23, 2017

The property is subject to a 2.5 % NSR, of which 1% can be purchased for \$1,000,000 on or before the end of

**Green Bay Project –Exploration Update**

Maritime's Green Bay property in central Newfoundland and Labrador hosts the Company's gold and base metal deposits. The recently closed (2004) Hammerdown Mine includes the adjacent Rumbullion and Muddy Shag Gold deposits. The Orion Gold deposit is situated 1.5 kilometres to the Southwest and the Lochinvar base-precious metal deposit is located 1 kilometre East of Hammerdown. Maritime has been reviewing the setting of the gold deposits in the Hammerdown area and has commenced an exploration program to expand the gold trend adjacent to the known gold zones and to test the easily accessible inferred mineralization on the property.

An update on diamond drilling, portal reopening and Environmental permitting progress will be provided over the coming months as the 2017 field season progresses.



**Qualified Person**

Mr. Bernard Kahlert, P.Eng. is the qualified person under National Instrument 43-101, responsible for the technical information presented in this MD&A and the supervision of work done in association with the exploration and development programs in respect of the Company's exploration properties.

**Summary of Quarterly Results**

The selected information set out below has been gathered from the previous eight quarterly financial statements for each respective financial period and is based on IFRS and Canadian GAAP.

|  | <b>30-Jun<br/>2017<br/>(\$)</b> | <b>31-Mar<br/>2017<br/>(\$)</b> | <b>31-Dec<br/>2016<br/>(\$)</b> | <b>30-Sep<br/>2016<br/>(\$)</b> | <b>30-Jun<br/>2016<br/>(\$)</b> | <b>31-Mar<br/>2016<br/>(\$)</b> | <b>31-Dec<br/>2015<br/>(\$)</b> | <b>30-Sep<br/>2015<br/>(\$)</b> |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Exploration and evaluation assets          | 5,972,425                       | 6,004,297                       | 5,826,365                       | 5,303,921                       | 5,064,295                       | 4,991,773                       | 4,924,533                       | 4,893,179                       |
| Financing expense                          | 37,221                          | 2,466                           | (5,872)                         | 13,934                          | 8,392                           | 8,850                           | 19,133                          | 16,174                          |
| G&A (incl. share based compensation)       | 376,316                         | 348,437                         | 69,857                          | 918,553                         | 274,763                         | 124,977                         | 306,808                         | 146,410                         |
| Share-based payments                       | 25,721                          | 2,895                           | (164,941)                       | 438,438                         | 1,264                           | 1,212                           | 158,761                         | -                               |
| Adjusted G&A (net of share based payments) | 350,594                         | 345,542                         | (95,084)                        | 480,115                         | 273,499                         | 123,765                         | 148,047                         | 146,410                         |
| Other comprehensive income                 | -                               | -                               | (25,000)                        | 25,000                          | -                               | -                               | -                               | -                               |
| Interest income                            | -                               | 1,398                           | 516                             | -                               | -                               | -                               | -                               | -                               |
| Expenses recoverable                       | (656)                           | (572)                           | -                               | -                               | -                               | -                               | -                               | -                               |
| Loss and comprehensive loss                | (376,316)                       | (347,611)                       | (94,341)                        | (893,553)                       | (274,763)                       | (124,977)                       | (306,808)                       | (146,410)                       |
| Loss per share -basic and diluted          | (0.01)                          | (0.01)                          | (0.03)                          | (0.02)                          | (0.01)                          | (0.00)                          | (0.02)                          | (0.00)                          |

**Non-IFRS Financial Measures**

Due to the adoption of the accounting standard for share-based payments, the Company's general and administrative quarterly expenses have fluctuated significantly. The granting and vesting of stock options is at the discretion of the Board of Directors and the resulting expenses do not reflect the normal operations of the Company. The Company has included "adjusted general and administrative expenses" without the share-based payments to be more reflective of normal operations. This financial measurement does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other corporations or entities.

**Discussion of Operations**

***Quarter ended June 30, 2017 (the "Quarter 2017") results as compared with the quarter ended June 30, 2016 (the "Quarter 2016")***

The Company incurred total general and administrative expenses of \$376,316 during the Quarter 2017 (Quarter 2016: \$274,763). Included in general and administrative expenses are share-based payments, a non-cash item resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected volatility. After deducting this non cash item, expenses were \$350,594 for the Quarter 2017 (Quarter 2016:\$273,499). The Company incurred expenditures of \$142,000 (Quarter 2016: \$46,400) on consulting, \$72,263 (Quarter

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2016: \$87,334) on investor relations and promotion in connection with the various financings, \$67,671 (Quarter 2016: \$85,373) on administration, and financing expenses and interest of \$37,221 (Quarter 2016: \$8,392) in respect of the loans.

### ***Six months ended June 30, 2017("Period") results as compared with the quarter ended June 30, 2016 ("Period 2016")***

The Company incurred total general and administrative expenses of \$722,450 during the Period (Period 2016: \$399,740). Included in general and administrative expenses are share-based payments, a non-cash item resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected volatility. The Company had no revenue for the six months ended June 30, 2017 and 2016.

The following are the major variances for the six months ended June 30, 2017 and 2016:

- Administrative expenses increased to \$153,596 (Period 2016: \$125,243) due to the overall activity and attendant support costs, including retention of the COO, increased rent, and travel.
- Consulting expenses were \$245,000 (Period 2016: \$76,800). The increase is the result a new rate for the services of the current CEO and the consulting fees of one of the directors, both of whom were previously eligible to receive director fees.

Directors' fees at June 30, 2017, Directors' fees totalling \$129,000 remained unpaid (Period 2016: \$106,500). Effective April 1, 2017 the company elected to cease any further directors' fees.

- Financing expense and interest on loans payable were \$39,686 (Period 2016: \$17,242).
- Investor relations increased to \$202,150 (Period 2016: \$114,597) in respect of expenses pertaining to conferences, general increased communication with shareholders and interested parties.
- Share-based payments of \$28,615 for the period (Period 2016: \$2,476) were recognized in respect of the vesting of stock option in connection with investor relations services.

During the six month period of 2017 expenses escalated in comparison to the previous quarters mainly due to the addition of personal as assist with the completion of the PFS and planning for the 2017 field program. These expenses were essential for the ongoing development of the Hammerdown project. During the coming quarters it is management's intention to continue with the further development on our Hammerdown deposit.

Activities planned include reopening the portal to the existing underground workings. This will allow further access to assess the historic underground development for ground control and dewatering procedures.

Permitting is also a major focus for the Company. The Environmental Assessment ("EA") review process was initiated in 2016 with Stantec Engineering. The Company is reviewing its scheduled to determine the optimal time to official start the EA process.

Finally we are making plans for a surface drill program both on the Rumbullion extension as well as a smaller detail program to focus on a portion of the inferred resource. There is a significant amount of inferred mineralization not included in the PFS that sits with in the current mine plan at Hammerdown. Drilling testing these areas could potentially add some easily accessible ounces to project's early years.

These plans moving forward will continue to enhance as well as derisk the Hammerdown project towards a production decision.

## **Liquidity and Capital Resources**

The financial statements are prepared on a 'going concern' basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to raise additional funds or the attainment of profitable operations. The Company will need to raise or

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borrow money for exploration and administration expenditures, and to settle current liabilities, and to ensure it maintains sufficient funds to keep its claims and property agreements in good standing. Current sources of funding are undetermined and management continues to review potential financings options. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be successful or able to continue to do so in the future.

At June 30, 2017, the Company had:

- An accumulated (life to date) deficit of \$4,352,838 (December 31, 2016: \$3,662,649).
- Working capital deficit of \$527,307(December 31, 2016: working capital of \$145,051).
- Cash of \$137,101 (December 31, 2016: \$580,510).
- Accounts payable and accrued liabilities, including interest payable of \$223,857 (December 31, 2016: \$408,143), which are due in the short term.
- Principal on loans of \$600,000 (December 31, 2016: \$100,000).

**Related Party Transactions***Services*

Effective July 1, 2014 the Company entered into arrangement with an administration and exploration services contractor ("AESC") in which a director is a shareholder, pursuant to which it receives office, administrative and exploration services. For the six months ended June 30, 2017 and 2016, the Company was charged for exploration costs and to reimburse office and administrative costs as follows:

|                       | For the Three Months Ended<br>June 30 |           | For the Six Months Ended<br>June 30 |           |
|-----------------------|---------------------------------------|-----------|-------------------------------------|-----------|
|                       | 2017                                  | 2016      | 2017                                | 2016      |
| Rent                  | 32,361                                | 10,178.00 | \$ 64,722                           | \$ 20,357 |
| Office administration | 8,489                                 | 1,913.00  | 16,981                              | 3,534     |
|                       | 40,850                                | 28,291    | \$ 81,703                           | \$ 23,891 |

At June 30, 2017 the Company was owed \$4,255 (2016: \$358) from AESC.

*Loans*

At June 30, 2017, in respect of a loan (principal of \$100,000 bearing interest of 8% per annum), the Company had accrued interest of \$25,397 (December 31, 2016: \$20,438) owing to the lender.

**Compensation of Key Management Personnel**

Key management personnel consists of Douglas Fulcher (CEO, President and a Director of the Company), Jeannine Webb (CFO until June 14, 2017), Niina Makela (CFO, effective June 15, 2017) Bernard Kahlert (VP, Exploration), Janice Davies (Corporate Secretary until October 31, 2016), Jacqueline Collins (Corporate Secretary effective November 1, 2016), Andrew Pooler (COO effective June 1, 2016), Allan Williams (Director and Consultant) and Peter Mercer (a non-executive Director of the Company), David McCue (a non-executive Director until April 24, 2017) and Maynard Brown (a non-executive Director until July 24, 2017).

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|                       |   |
|-----------------------|---|
| Consulting            | Digga Holdings, a company owned by Douglas Fulcher, CEO<br>Neon Rainbow Holdings Ltd., a company owned by Allan Williams, Director<br>J Collins Consulting, a company owned by Jacqueline Collins, Corporate Secretary<br>JD Consulting Ltd., a company owned by Janice Davies, Corporate Secretary<br>Venturex Consulting, a company owned by Jeannine Webb, CFO<br>Pamicon Developments, a company in which Douglas Fulcher, CEO and President, and a director, is a shareholder. |
| Geological consulting | B.H. Kahlert & Associates Ltd., is a company owned by Bernard Kahlert, VP of Exploration  |

The remuneration, including stock-based compensation, of key management personnel during the six months ended June 30, 2017 and 2016 were as follows:

|                                      | For the Three Months Ended |           | For the Six Months Ended |            |
|--------------------------------------|----------------------------|-----------|--------------------------|------------|
|                                      | June 30                    |           | June 30                  |            |
|                                      | 2017                       | 2016      | 2017                     | 2016       |
| Consulting                           | \$ 92,000                  | \$ 38,400 | \$ 179,000               | \$ 76,800  |
| Contract wages <sup>(1)</sup>        | \$ 37,500                  | \$ 22,500 | 75,000                   | 45,000     |
| Directors' fees                      | 13,500                     | 21,000    | 13,500                   | 37,800     |
| Geological consulting <sup>(2)</sup> | 30,100                     | 1,264     | 63,700                   | 2,476      |
|                                      | \$ 180,598                 | \$ 83,164 | \$ 331,200               | \$ 162,076 |

(1) Included in Administration on the Statement of Loss and Comprehensive Loss

(2) Included in Geology and Report Writing within Exploration and Evaluation Assets

At June 30, 2017, in respect of services provided to and expenses incurred on behalf of the Company during the period ended June 30, 2017, the Company owed \$10,750 (2016: \$7,875) to the CEO and a director of the Company.

At June 30, 2017, directors' fees, totaling \$129,000 (2016: \$88,500), remained accrued. Effective April 1, 2017 the company elected to cease any further directors' fees.

**Proposed Transactions**

There are no proposed transactions to be reported.

**Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

**Risks and Uncertainties Related to the Company's Business**

Resource exploration is a speculative business and involves a high degree of risk. There is a significant probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis for further development of a property. Capital expenditures to attain commercial production stage could be substantial. The following sets out the principal risks faced by the Company.

*Exploration*

The Company is seeking mineral deposits on exploration projects where there are not yet established commercial quantities. There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings within existing investors' investment horizons

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or at all. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities. The Company's planned programs and budgets for exploration work are subject to revision at any time to take into account results to date. The revision, reduction or curtailment of exploration programs and budgets could have a material adverse outcome on the Company and its securities.

### *Market*

The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change; both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

### *Commodity Price*

The Company's exploration projects are primarily related to exploration for gold and other precious metals in Canada. These minerals have recently been the subject of significant price fluctuations, and as such, there can be no assurance that investors' evaluations, perceptions, beliefs and sentiments will continue to favour these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

### *Title*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has interests, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims, and title may be affected by undetected defects.

### *Financing*

Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

### *Share Price Volatility and Price Fluctuations*

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

### *Key Personnel*

The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

### *Competition*

Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

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### *Realization of Assets*

Exploration and evaluation assets comprise a substantial portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

### *Environmental and Other Regulatory Requirements*

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities could experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties. To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

### *History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations*

The Company has incurred net losses to date. The Company has not yet had any revenue from the exploration activities on its properties. Even if the Company commences development of certain of its properties, the Company may continue to incur losses. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

### *Uninsurable*

The Company and its subsidiaries may become subject to liability for pollution, fire, explosion and other risks against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

### *Legal Proceedings*

As at the date of the Report, there were no legal proceedings against or by the Company.

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*Critical Accounting Estimates*

In the preparation of financial information, management makes judgments, estimates and assumptions that affect, amongst other things, the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value. Management's estimates of exploration, operating, capital and reclamation costs, if any, are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has used its best judgment to estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties. The Company also uses the Black-Scholes Option Pricing Model in relation to share based payments. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

**Other MD&A Disclosure Requirements****New Accounting Policies, Standards, Amendments and Interpretations Affecting Future Year-Ends**

The Company has adopted the following new standard, along with any consequential amendments, prior to or effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions, and did not impact the Company's condensed interim financial statements.

- IAS 7, "Statement of Cash Flows" (amended standard): is effective for annual periods beginning on or after January 1, 2017,
- IAS 12, "Income Taxes" (amended standard): is effective for annual periods beginning on or after January 1, 2017.

**Accounting Standards Issued but not yet in effect**

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, "Revenue from Contracts and Customers": the effective date of adoption has been deferred to January 1, 2018 (with earlier application permitted).
- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these new and amended standards on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations of the Company.

**Financial Instruments & Other Instruments**

The Company has classified its cash as fair value through profit or loss (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) as loans and receivables; and accounts payable and accrued liabilities and loans as other financial liabilities.

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(a) Fair value

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash, restricted cash and receivables, other than Goods and Services Tax ("GST") and government funding which may be receivable. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

There were no changes in the Company's approach to risk during the period ended June 30, 2017.

**Outstanding Share Data as at the Report Date**

**Common shares - issued and outstanding** (including 1,500,000 shares held for sale pursuant to the Option and Share Purchase Agreement, as that agreement is described in the Financial Statements) **59,371,128**

|                 | <b>Exercise Price</b><br>(\$) | <b>Expiry Date</b> | <b>Shares issuable</b><br>(#) |                          |
|-----------------|-------------------------------|--------------------|-------------------------------|--------------------------|
| <b>Warrants</b> |                               |                    |                               |                          |
|                 | 0.20                          | 12-Feb-19          | 650,000                       |                          |
|                 | 0.20                          | 12-Feb-19          | 97,500                        |                          |
|                 | 0.20                          | 22-Apr-19          | 2,635,000                     |                          |
|                 | 0.20                          | 22-Apr-19          | 382,875                       |                          |
|                 | 0.20                          | 20-Jul-19          | 8,249,998                     |                          |
|                 | 0.20                          | 20-Jul-19          | 1,190,700                     |                          |
|                 | 0.20                          | 26-Apr-18          | 1,666,666                     |                          |
|                 |                               |                    |                               | <b>14,872,739</b>        |
| <b>Options</b>  |                               |                    |                               |                          |
|                 | 0.200                         | 21-Jan-18          | 500,000                       |                          |
|                 | 0.280                         | 29-May-19          | 420,000                       |                          |
|                 | 0.150                         | 15-Oct-19          | 200,000                       |                          |
|                 | 0.150                         | 13-Nov-20          | 1,785,000                     |                          |
|                 | 0.250                         | 29-Jul-21          | 2,400,000                     |                          |
|                 | 0.150                         | 26-Apr-22          | 200,000                       |                          |
|                 |                               |                    |                               | <b>5,505,000</b>         |
|                 |                               |                    |                               | <b><u>79,748,867</u></b> |