



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE  
YEAR ENDED DECEMBER 31, 2017**

**APRIL 26, 2018**

**Description of Management Discussion and Analysis**

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook of InZinc Mining Ltd. (the "Company"). This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes for the year ended December 31, 2017 and 2016 as well as important trends and risks affecting the Company's financial performance. The following discussion is dated and current as of April 26, 2018. This MD&A contains forward-looking information and statements which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

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

All amounts are stated in Canadian dollars unless otherwise indicated. Additional information on the Company is available on SEDAR and at the Company's website, [www.inzincmining.com](http://www.inzincmining.com).

**Forward-Looking Statements**

Certain disclosures contained in this MD&A may constitute forward-looking information. This is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action which is inherently uncertain. All information other than statements of historical fact may be forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits and the possibility that future exploration and development results will not be consistent with the Company's expectations. Some other risks and factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A are described under the heading "Risks and Uncertainties".

Readers are cautioned that any such listings of risks are not, and in fact cannot be, complete. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Description of Business**

The Company is incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange ("TSX-V") under the symbol "IZN". It was renamed from Lithic Resources Ltd. on February 18, 2014. The principal business of the Company is the acquisition, exploration and development

of mineral properties ("exploration and evaluation assets"), either solely or through joint ventures and options.

To date the Company has not generated any revenues.

## Discussion of Operations

The Company currently holds two active mineral properties at varying stages of exploration and advancement. The Company's flagship West Desert Zinc Property (100% interest) ("West Desert"), formerly known as the Crypto Zinc Property ("Property"), is located in western Utah and the early stage Indy Zinc Property (100% option) ("Indy") is located in south-central British Columbia. Both properties are well located for potential development with proximal access to power, roads and rail infrastructure. In addition to exploring its existing properties, the Company is engaged in a continuing review of other properties and projects for possible acquisition.

In 2014 the Company announced the results of a positive Preliminary Economic Assessment ("PEA") on the Company's West Desert ("WD") deposit located approximately 160 km south west of Salt Lake City, Utah. The PEA, based on conventional bulk underground mining and processing, estimated an after tax NPV(8%) of US \$258,000,000 and IRR of 23% over a 15 year mine life assuming base case long term metal prices (US; zinc = \$1 /lb, copper = \$3 /lb, iron = \$105 /t, indium = \$600 /kg, silver = \$21 /oz, gold = \$1,300 /oz). The 2014 PEA outlined an indicated resource of 13.0 million tonnes grading 2.16% zinc, 0.23% copper, 33 g/t indium and 48% magnetite, plus an inferred resource of 46.0 million tonnes grading 1.76% zinc, 0.22% copper, 24 g/t indium and 48% magnetite. The WD deposit remains open for expansion in several directions and the 2014 PEA highlighted continued exploration as an integral part of further work leading to a Prefeasibility Study at West Desert.

For additional information on the West Desert PEA please refer to the Company's press release dated April 1, 2014 and the Company's report entitled "Technical Report on the West Desert Zinc-Copper-Indium-Magnetite Project, Preliminary Economic Assessment, Juab County, Utah" at [www.inzincmining.com](http://www.inzincmining.com) or [www.sedar.com](http://www.sedar.com).

Indy is located approximately 150 km southeast of the city of Prince George, BC. Known mineralization includes a 450 m long trend outlined by five shallow, wide-spaced historical drill holes with intersections ranging from 1.5 m to 19.7 m widths and grading from 1.9% to 8.9% zinc, 1.0 g/t to 55.6 g/t silver and 0.04% to 2.4% lead. Historical intersections are estimated within 100 m of surface and open for expansion on strike and at depth. Surface geochemistry completed in 2017 indicates this mineralization may extend for a further 800 m to the north. In addition, multiple, large soil geochemical anomalies over 6.5 km strike, offer potential for additional discoveries.

The Company's West Desert and Indy projects are at the exploration stage and have not generated any revenues. At December 31, 2017, the Company had not yet achieved profitable operations and has a deficit of \$8,619,097(December 31, 2016 - \$8,126,512).

Since the Company's properties are at the exploration stage, it does not have operations or operating results in the conventional use of the terms. The Company's financial success will ultimately be dependent upon finding economically recoverable mineral reserves, confirmation of its interest in those reserves and its ability to obtain the necessary financing to profitably produce those reserves. Further information on the Company's properties can be found on the Company's website at [www.inzincmining.com](http://www.inzincmining.com).

## Mineral Properties

### West Desert

In May of 2005, the Company signed an agreement to purchase a 100% interest in the Property from EuroZinc Mining Corporation ("EuroZinc") in exchange for 1,500,000 shares and \$25,000 in cash. The Property, at the time of acquisition, consisted of several claims which were subject to a 1.5% net smelter

returns royalty ("NSR") and a future cash payment (\$1,000,000 upon completion of financing necessary to bring the Property into production) held by Vaaldiam Mining Ltd. Since the 2005 acquisition from EuroZinc, the Company has acquired, either wholly or in part, several additional claims.

West Desert comprises 4,258 acres and is located about 160 km southwest of Salt Lake City, Utah. Early mining activity includes the historic Fish Springs Mining District from which recorded production of 2,700,000 oz of silver occurred from the late 19th century through the mid-1950's. West Desert was discovered in the 1960's and was originally explored for its iron potential. Drilling campaigns in the 1980's, 1990's and by the Company in 2007-2008 have subsequently outlined the large zinc resources currently hosted in the WD deposit. The property is crossed by a power-line, is easily accessible by road and has railheads within 90 km.

The WD deposit is a significant carbonate replacement deposit, similar in many respects to the deposits comprising the world class Bingham, Park City and Tintic mining districts located some 130 km to the east. Zinc mineralization at West Desert is concentrated in two contiguous zones, known as the Main and Deep (CRD) Zones hosted in a sequence of Cambrian to Ordovician carbonate rocks cut by a quartz monzonite intrusive of Late Eocene age. The Main zone is generally oxidized to a maximum depth of about 250 m. The general distribution of mineralization on the West Desert property shows zoning similar to that in typical porphyry/CRD systems, with an inner zone of molybdenum-rich mineralization grading outwards through copper and zinc, then lead, silver and manganese with increasing distance from the intrusive.

Various historic workings in the Fish Springs District were developed on high grade silver-lead replacement deposits controlled by structures and occur to the east of the WD deposit. Total production in the district, in which the single largest mine by far was the Utah Mine, is recorded at about 20,300 tons grading 128 ounces silver per ton (4,389 gpt) and 44% lead. High grade intercepts of silver-rich replacement style mineralization have been encountered in drilling outside of the historical mine area.

From 2006 to 2010 the Company completed geophysical surveys, metallurgical studies and over 10,000 m of diamond drilling. In September 2010 the Company completed a PEA of the West Desert project.

In 2014 the Company completed a revised PEA of the West Desert project which supersedes all earlier reports.

#### *2014 PEA Highlights*

- After tax NPV(8%) of US \$258 million, IRR of 23% and payback of 3.7 years assuming base case long term metal prices (US\$; zinc = \$1 /lb, copper = \$3 /lb, iron = \$105 /t, indium = \$600 /kg, silver = \$21 /oz, gold = \$1,300 /oz)
- conventional bulk underground mining of sulphide resources
- 2.37 million tonnes per year mined over a 14.8 year mine life
- conventional processing to produce three clean concentrates
- zinc recoveries of 92% into a concentrate grading 55% zinc and containing high levels of indium
- copper recoveries of 74% into a concentrate grading 29% copper with payable levels of silver and gold
- average annual production of 107.9 million lbs zinc, 9.9 million lbs copper and 1.0 million tonnes iron concentrate (magnetite)
- Initial and life-of-mine capex of US \$247.4 million and US \$388.9 million, respectively
- good potential for resource expansion

For additional information on the West Desert PEA please refer to the Company's press release dated April 1, 2014 and the Company's report entitled "Technical Report on the West Desert Zinc-Copper-Indium-

Magnetite Project, Preliminary Economic Assessment, Juab County, Utah" at [www.inzincmining.com](http://www.inzincmining.com) or [www.sedar.com](http://www.sedar.com).

*Note: The PEA is considered preliminary in nature. It includes Inferred mineral resources that are considered too speculative to have the economic considerations applied that would enable classification as mineral reserves. There is no certainty that the conclusions within the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.*

#### *2018 Expenditure Requirements*

An estimated total of US \$34,000 is required in 2018 to keep the claims and leases comprising the West Desert property in good standing.

#### Indy

On January 26, 2017, the Company received TSX-V approval to enter into an option agreement to acquire a 100% interest in Indy from Pac Shield Resources Inc. ("PSR"), a private British Columbia company. Indy is located approximately 150 km southeast of the city of Prince George, British Columbia. The property is 85 km south of the CNR transcontinental railway and 65 km south of the Yellowhead highway at elevations ranging from 950 m to 1300 m. Northern portions of the property are accessed by well-maintained Forest Service roads on a seasonal basis.

Pursuant to the agreement with PSR, the Company has the option to earn a 100% interest over a five year period by making staged cash payments totaling \$305,000 (\$55,000 paid to date), issuing an aggregate of 2,100,000 shares (400,000 issued to date) and completing work commitments of \$2,600,000 (first year work commitment of \$75,000 have been completed). In addition, a \$500,000 cash payment and the issuance of 500,000 shares of the Company will be made to PSR if the Company files a technical report establishing a 500,000,000 pound zinc resource on the property. A further \$500,000 cash payment will be made to PSR should the Company file a technical report establishing a 750,000,000 pound zinc resource on the property. The property is subject to a 1.0% NSR held by PSR (the "PSR NSR") and a 1.5% NSR held by Kerry Curtis, a director, Chairman of the Board and former interim Chief Executive Officer of the Company, and a director and the controlling shareholder of PSR. On exercise of the option and prior to completion of a feasibility study on the property, the Company has the right to purchase the PSR NSR for \$1,500,000.

Indy comprises claims (3,100 Ha) covering a 9.8 km continuous strike of sedimentary rock sequences spanning the Cambrian to Lower Mississippian; a geological period known to produce most of the major western Canadian zinc deposits.

Activity in the area is first recorded by Kennco who between 1980 and 1982 completed mapping and soil geochemistry resulting in the definition of three large zinc-lead-silver geochemical anomalies. This was followed by four diamond drill holes on two selected geochemical targets.

In 1988, Cominco optioned the property from Kennco and completed extensive soil geochemistry programs. Five shallow, wide-spaced diamond drill holes drilled by Cominco in 1989-90 targeted a portion of a high contrast soil anomaly (Anomaly B). All five holes intersected mineralization at estimated vertical depths less than 100 m, outlining a 450 m long mineralized trend. Drill intersections ranged from 1.5 m to 19.7 m, grading from 1.9% to 8.9% zinc, 1.0 g/t to 55.6 g/t silver and 0.04% to 2.4% lead. True widths of these intersections are not known and in some cases core recoveries were less than 50%. Descriptions of the mineralized drill intersections include the minerals sphalerite, galena and barite in fractures and breccias hosted in dolostone, all of which are common constituents of Mississippi Valley Type (MVT) deposits.

Cominco returned the property to Kennco post 1991, after which only minor activities are recorded.

#### *2018 Expenditure Requirements*

Under the terms of the Indy option agreement, additional expenditures of \$200,000 are required on or before January 29, 2018.

### Summary of Recent Activities (for the period January 1, 2017 to April 26, 2018)

**The Company completed the following activities during the twelve months ended December 31, 2017 and subsequent events:**

#### WEST DESERT

In September 2017 the Company provided results of its review with respect to project advancement strategies at the West Desert project. The review highlighted the potential for silver-rich zinc mineralization in addition to copper-rich zinc mineralization in an untested area extending over 650 m east of the WD deposit, which is itself open for expansion in several directions and contains a large resource as defined in the 2014 PEA.

The exploration potential to the east of the WD deposit is based, in part, on the presence of multiple silver rich intersections and a high-grade copper-zinc massive sulphide intersection in historical drill hole CC-43, which was drilled below a past-producing silver mine located 650 m east of the deposit. As this area of exploration potential is adjacent to the WD deposit and coincides with underground development plans designed in the 2014 PEA, future exploration drilling is assigned a priority.

#### *Silver Potential*

Known silver mineralization on the property includes numerous surface occurrences and past producing mines collectively described as the historic Fish Springs Mining District. The district included several operations including the Utah Silver mine, which produced 2.7 million ounces of silver, operated from 1860 until 1950 and is centered 650 m east of the WD deposit. The proximity of the Utah Silver mine to the WD deposit, its enriched precious metal content and the depth extent of this mineralization are of key interest. Silver is not currently included in the 2014 PEA resources comprising the WD deposit.

#### *Exploration Plans*

In April 2018 the Company commenced diamond drilling. The Phase 1 program of approximately 3,500 m will focus on exploration and expansion of the WD deposit and the highly prospective area to the east. Wide spaced drill holes will focus on three objectives:

- Explore silver-rich zinc mineralization east of the WD deposit and below the historic Utah Silver mine
- Explore for copper and zinc rich massive sulphides east of the WD deposit
- Test for extensions of the WD deposit, distribution of higher grade zinc domains and extension of indium bearing mineralization at the WD deposit

Geophysical surveys, completed in January 2018, support target selection and corresponding drill hole locations over the exploration area.

The Company believes that further exploration of the property is strongly warranted prior to advanced economic studies and pre-development activities.

#### INDY

From June to August of 2017 the Company completed a surface exploration program on the Indy project. The 2017 field program consisted of geochemical surveys, geological mapping and prospecting in the anomaly B and C areas, two of four high priority areas occurring over a 6.5 km trend at Indy.

Highlights from the 2017 exploration program include:  
*Anomaly B Area*

- Hosts 450 m long mineralized zone discovered by soil geochemistry in 1988
- Expanded detailed sampling to 1.5 km by 300 m area in 2017
- Extended soil anomaly associated with known mineralized zone northwest by 800 m – remains open
- Identified extensive new soil anomalies immediately west and north of mineralized zone
- Aggregate length of 1.8 km of newly outlined soil geochemical anomalies

#### *Anomaly C*

- Outlined continuous zinc in soil anomaly over 600 m in length
- Open for expansion to the north and south

#### *Exploration Plans*

A range of follow-up programs are being planned for Indy in 2018 including; drilling, surface geochemistry, geology and prospecting. Permitting has been initiated for a diamond drill program the summer of 2018.

#### **Summary of Exploration Activities**

The following is a breakdown of the components of the Company's exploration and evaluation assets, on the West Desert and Indy Projects, for the year ended December 31, 2017:

	West Desert	Indy	Total
<b>Acquisition costs</b>			
Balance, December 31, 2016	\$ 394,127	\$ -	\$ 394,127
Additions during the year:			
Cash payments	-	30,000	30,000
Shares issued	-	48,000	48,000
Staking	-	1,280	1,280
	-	79,280	79,280
Balance, December 31, 2017	394,127	79,280	473,407
<b>Deferred exploration costs</b>			
Balance, December 31, 2016	5,275,540	-	5,275,540
Additions during the year:			
Field costs	4,315	46,604	50,919
Geological, geochemical, geophysical	1,694	26,333	28,027
Property holding costs, taxes and fees	49,036	3,080	52,116
	55,045	76,017	131,062
Balance, December 31, 2017	5,330,585	76,017	5,406,602
<b>Total, December 31, 2017</b>	<b>\$ 5,724,712</b>	<b>\$ 155,297</b>	<b>\$ 5,880,009</b>

#### Corporate

On December 21, 2017, the Company closed a non-brokered private placement of 34,980,000 units at a price of \$0.10 per unit for aggregate proceeds of \$3,498,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles its holder to acquire one common share at an exercise price of \$0.15 for a period of 24 months from the date of issue of the warrant.

On October 12, 2017, the Company announced the appointment of Mr. Wayne Hubert as Chief Executive Officer.

On June 1, 2017, the Company announced the appointment of Ms. Joyce Musial as Vice President, Corporate Affairs.

**Selected Annual Information**

The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's financial statements for the year ended December 31, 2017, 2016 and 2015:

		2017 \$	2016 \$	2015 \$
<b>Loss</b>	Total	(600,585)	(495,357)	(248,571)
	Per Share <sup>1</sup>	(0.01)	(0.01)	(0.00)
<b>Total Assets</b>		9,513,074	6,330,794	6,570,348
<b>Working Capital</b>		3,326,939	484,340	777,804
<b>Total liabilities</b>		187,078	49,427	45,061

(1) Basic and diluted

The Company's projects are at the exploration stage and have not generated any revenues. At December 31, 2017, the Company had not yet achieved profitable operations and has a deficit of \$8,619,097 (2016 - \$8,126,512). These losses resulted in a net loss per share for the year ended December 31, 2017 of \$0.01 (2016 - \$0.01).

The loss and comprehensive loss for the Company has varied from year to year, depending mainly on the amount of communication and investor relations activities, professional fees, exploration activity and whether or not stock options were issued. The loss for 2017 was higher than recent annual periods due to an increase in company operations and higher share-based compensation resulting from the issue of stock options.

**Selected Quarterly Information**

Quarter Ended	Revenue (\$)	Loss and comprehensive loss (\$)	Net loss per share (\$) <sup>1</sup>
December 31, 2017	Nil	(196,255)	0.00
September 30, 2017	Nil	(58,774)	0.00
June 30, 2017	Nil	(229,815)	0.00
March 31, 2017	Nil	(115,980)	0.00
December 31, 2016	Nil	(125,780)	0.00
September 30, 2016	Nil	(142,237)	0.00
June 30, 2016	Nil	(163,241)	0.00
March 31, 2016	Nil	(64,099)	0.00

(1) Basic and diluted

**Fourth Quarter**

The net loss for the quarter ended December 31, 2017 was \$196,255 or \$0.00 per share compared with a loss of \$125,780 or \$0.00 per share during the quarter of the prior year. Sources of variability include

expenditures for communication and investor relations, office and miscellaneous costs, share based compensation and travel.

### **Results of Operations**

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes for the period. The operating and administrative expenses for the year ended December 31, 2017 totalled \$602,007 (2016 - \$499,057), including share-based compensation issued during the period, valued at \$270,774 (2016 - \$205,520) calculated using the Black Scholes option pricing model. The most significant expenses for the period ended December 31, 2017 were communication and investor relations, office and miscellaneous costs, professional fees, and share-based compensation.

The table below explains the major changes in expenditures for year ended December 31, 2017 compared with 2016.

<b>Expenses</b>	<b>Increase / Decrease in Expenses</b>	<b>Explanation for Change</b>
Communication and investor relations	Increase of \$28,925	Increase is due to additional investor relations and promotional activities such as marketing and attendance at conferences.
Management fees	Decrease of \$37,227	Decrease is due to resignation of former president and CEO; management fees are currently not paid.
Office and miscellaneous	Increase of \$42,632	Increase is due to increase in corporate activity.
Professional fees	Decrease of \$25,678	Decrease is due to less corporate activity that required legal involvement.
Share based compensation	Increase of \$65,254	Additional incentive share options were issued in 2017.
Travel	Increase of \$28,145	Increase is due to increase in corporate activity, including attendance at conferences.

The table below explains the major changes in expenditures for year ended December 31, 2016 compared with 2015.

<b>Expenses</b>	<b>Increase / Decrease in Expenses</b>	<b>Explanation for Change</b>
Communication and investor relations	Decrease of \$48,478	Decrease is due to reduction in investor relations and promotional activities such as marketing and attendance at conferences
Foreign exchange gain	Increase of \$60,091	Increases is due to significant appreciation of the US\$ versus the CDN\$ in 2016

Office and miscellaneous	Increase of \$27,662	Increase is due to increase in corporate activity
Management fees	Decrease of \$46,773	Decrease is due to resignation of CEO
Professional fees	Increase of \$51,614	Increase is due to greater corporate activity resulting in higher legal and accounting fees
Share based compensation	Increase of \$205,520	Incentive share options were issued in 2016 compared with none in 2015.

### RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2017:

Summary of key management personnel compensation:

	For the year ended December 31,	
	2017	2016
Short-term benefits paid or accrued		
Management fees (C. Staargaard)	\$ -	\$ 37,227
Office and miscellaneous (K. Curtis)	36,000	21,000
Professional fees (S. Vanry)	32,000	24,813
Share-based compensation (K. Curtis)	29,714	94,596
Share-based compensation (S. Vanry)	23,312	14,681
Share-based compensation (W. Hubert)	91,783	20,554
Share-based compensation (L. Montpellier)	41,396	20,554
Share-based compensation (J. Murphy)	46,695	34,579
	\$ 300,900	\$ 268,004

Included in rent is \$nil (2016 - \$12,000) paid or accrued at cost to a company related by Chris Staargaard, former President and CEO, and \$9,000 (2016 - \$4,500) paid or accrued to a company related by Steve Vanry, the CFO.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$35,316 (December 31, 2016 - \$6,372).

### Liquidity, Financial Position and Capital Resources

As at December 31, 2017, the Company's liquidity and capital resources are as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Cash	3,483,198	482,729
Receivables	13,354	35,294
Prepaid expenses	15,800	13,870
Total current assets	3,514,017	533,767
Payables and accrued liabilities	187,078	49,427
Working capital	3,326,939	484,340

The Company had a net working capital position of \$3,326,939 at December 31, 2017 compared with \$484,340 at December 31, 2016. As at December 31, 2017, the Company had sufficient liquidity to meet its obligations for the next year.

The Company had cash on hand of \$3,483,198 on December 31, 2017 (December 31, 2016 - \$482,729). The source of cash during the year was completion of a private placement that raised proceeds, net of finders and legal costs, of \$3,334,555 (2016 - \$nil) and the exercise of stock options for proceeds of \$85,000 (2016 - \$45,000). The primary use of cash during the period was the funding of operations at \$265,182 (2016 - \$292,997) and the acquisition of exploration and evaluation assets of \$153,904 (2016 - \$53,462).

The Company's general and administrative costs, exclusive of any management compensation or direct business costs such as acquisitions, field work or travel, are in the range of \$250,000 annually. These maintenance costs are typical for a public company of this nature and consist of stock exchange fees, legal fees, accounting and audit fees, transfer agent fees and general office expenses such as rent, basic administrative assistance and phone.

The Company has no known mineral reserves and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances exploration activities by raising capital from equity markets from time to time.

### Proposed Transactions

There are no proposed transactions to be reported.

### Risks and Uncertainties

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects,

are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

#### *History of losses*

The Company has incurred net losses since inception and as of December 31, 2017, had an accumulated deficit of \$8,619,097.

#### *No history of dividends*

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

#### *Dilution*

The Company does not generate any revenues and does not have sufficient financial resources to undertake by itself all of its planned expenditures. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs.

Further expenditures will depend on the Company's ability to obtain additional financing which may not be available under favourable terms, if at all.

#### *Capital and liquidity risk*

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and willingness to utilize debt and issue equity. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

#### *Dependence on key personnel*

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for a professional is intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

#### *Mineral exploration*

Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge and careful evaluation may fail to overcome. These risks may be even greater in the Company's case given its formative stage of development. Furthermore, exploration activities are expensive and seldom result in the discovery of a commercially viable resource. There is no assurance that the Company's exploration will result in the discovery of an economically viable mineral deposit.

#### *Preliminary Economic Assessments*

Preliminary Economic Assessments are considered to be preliminary in nature. They include Inferred mineral resources that are considered too speculative to have the economic considerations applied that would enable their classification as mineral reserves. There is no certainty that the conclusions within a Preliminary Economic Assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### *Management of industry risk*

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company's mineral exploration activities expose it to potential environmental liability risk. It is management's policy to review environmental compliance and exposure on an ongoing basis. The Company follows industry standards and specific project environmental requirements. The Company is currently in the exploration stage on its property interests and has not determined whether significant site recovery costs will be required. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

#### *Commodity and equity prices*

The Company has exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

#### *Economic recoverability and probability of future economic benefits of exploration and evaluation assets*

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

#### *Valuation of share-based compensation*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### *Income taxes*

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### **Accounting pronouncements not yet effective**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ending December 31, 2017 and have not been applied in preparing these consolidated financial statements.

- a. IFRS 9, "Financial Instruments", replaces the guidance in IAS 39, "Financial Instruments: Recognition and Measurement", and includes requirements for recognition and measurement, impairment, recognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- b. IFRS 15, "Revenue from Contracts with Customers", establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- c. IFRS 16, "Leases" replaces IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company does not intend to early adopt IFRS 16.

The expected impact of the new standards is increased financial statement note disclosure.

### **Off-Balance Sheet Arrangements**

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

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- |         |   |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities;                                   |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data.  |

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposit, and accounts payable and accrued liabilities approximates their carrying values. The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

#### *Credit risk*

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2017.

#### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

#### *Other risks*

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Company. Current global financial conditions have been subject to increased volatility which has negatively impacted access to public financing. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. The market price of the Company's shares at any given point in time may not accurately reflect value. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company is dependent upon the services of key executives, including the Chief Executive Officer. Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

#### **Authorized and issued share capital as at April 26, 2018:**

Issued and outstanding: 108,885,419 common shares

Options outstanding are as follows:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,500,000	0.135	May 31, 2020
1,300,000	0.13	December 20, 2020
2,650,000	0.09	May 31, 2021

500,000	0.11	June 21, 2021
980,000	0.12	October 11, 2022
980,000	0.12	January30, 2021
7,130,000		

Warrants outstanding are as follows:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
17,177,100	0.15	December 14, 2019
2,138,500	0.15	December 20, 2019
19,315,600		

### **Approval**

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,

April 26, 2018