

ELY GOLD & MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of Ely Gold & Minerals Inc. (“Ely”, or the “Company”) and its subsidiaries for the year ended December 31, 2016 and 2015. The discussion below should be read in conjunction with the Company’s December 31, 2016 audited consolidated financial statements and related notes. All dollar figures included in the following Management Discussion and Analysis (“MD&A”) are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at May 1, 2017.

The Company is a reporting issuer in the provinces of British Columbia and Alberta in Canada and is listed on the TSX Venture Exchange (“Exchange”) under the symbol “ELY”.

Additional information related to the Company is available on SEDAR at www.sedar.com. The Company’s website is at <http://www.elygoldandminerals.com>

1.2 FORWARD LOOKING STATEMENTS

This MD&A contains “forward-looking statements” within the meaning of applicable Canadian securities legislation, which include all statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. These include, without limitation:

- the Company’s anticipated results and developments in the Company’s operations in future periods;
- planned exploration and development of its mineral properties;
- planned expenditures and budgets;
- evaluation of the potential impact of future accounting changes;
- estimates concerning share-based payment and carrying value of properties; and
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to, including among other things, the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company's operations;
- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's consolidated financial statements proving to be incorrect.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

1.3 DESCRIPTION OF BUSINESS

The Company's registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7J 1K8.

The Company's operations are conducted through Ely and its wholly-owned subsidiaries, Nevada Select Royalty, Inc. ("Nevada Select"), Voyageur Gold Inc. ("Voyageur"), DHI Minerals Ltd. ("DHI") and its subsidiary DHI Minerals (US) Ltd. ("DHI US").

The Company is an exploration stage natural resource company engaged in the evaluation, acquisition, exploration and development of natural resource projects. The Company is currently focused on gold projects in North America.

The recoverability of costs capitalized to mineral properties and the Company's future financial success is dependent upon the extent to which economic gold mineralized bodies can develop to producing entities. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors for advancing the Company's projects to production are dependent on outside factors; such as, obtaining the necessary rights and permitting which need to be granted from certain local and governmental agencies located in the jurisdictions that the Company operates in. Additional risk factors that may affect the financial success of the Company and its consolidated financial statements and the risk factors related to mineral exploration and development are set out under the heading "Risks and Uncertainties" listed below.

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that may have a material effect upon its financial condition, other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

1.4 HIGHLIGHTS

- On May 4, 2016, the Company completed the purchase of thirty-one highly prospective mineral properties in Nevada and the Western U.S from Nevada Eagle LLC (“NEL”). Refer to the Project Updates and Acquisition section for further details on the Nevada Eagle Transaction.
- On August 12, 2016, the Company completed the purchase agreement of certain royalty interests from Golden Predator US Holdings Corp. (“Golden Predator”). Refer to the Project Updates and Acquisition section for further details on the Royalty Interest Transaction.
- On August 15, 2016, the Company, through its’ wholly owned subsidiary, Nevada Select, executed a purchase agreement for the sale (“Mina Sale Agreement”) of its 100% owned Mina Gold property for US\$1,000,000 to Gold Resource Corporation (“Gold Resource”). Refer to the Project Updates and Acquisition section for further details on the Sale Agreement.
- On October 7, 2016, the Company purchased a 100% interest in 41 unpatented mining claims in Mineral County, Nevada known as the Olympic Mine. Refer to the Project Updates and Acquisition section for further details on this transaction.
- On October 3, 2016, the Company closed a non-brokered private placement issuing 10,000,000 units (each a “Unit”) at \$0.14 per Unit on October 3, 2016. Each Unit was comprised of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for \$0.20 until October 3, 2018.
- On October 12, 2016, 1,175,000 options were exercised for total gross proceeds to the Company of \$100,500.
- On December 7, 2016, the Company entered into an option agreement with Colorado Resources Ltd (“Colorado”) whereby Colorado can acquire a 100% interest in the Company’s Green Springs project, Cox Claims and Cathedral Well properties. Refer to the Project Updates and Acquisition section for further details on this transaction.
- As of December 31, 2016, the Company had cash and cash equivalents of \$4,366,614 and consolidated working capital of \$4,921,673.

1.5 PROJECT UPDATES AND ACQUISITION

i. The Joint Venture with Solitario

On August 26, 2010, Ely and DHI US entered into an agreement (the “JV Agreement”) with Solitario Exploration & Royalty Corp (“Solitario”) pursuant to which Solitario was granted the right to acquire up to an 80% interest in the Company’s Mt. Hamilton gold project (“Mt. Hamilton Project”).

In December 2010, Solitario and DHI US established MH-LLC as a Colorado limited liability company to conduct joint operations. Solitario and DHI US entered into an operating agreement (the “Operating Agreement”) with DHI US to govern the development of the property in accordance with the terms of the JV Agreement.

On February 22, 2012, Solitario earned their 80% interest in MH-LLC by meeting the milestones as outline in the JV Agreement, which was mainly triggered by the completion of a bankable feasibility study (“BFS”) on the Mt. Hamilton project.

For more history of the management of MH-LLC the reader should refer to the Company’s previous MD&A filings on SEDAR.

ii. The Waterton Transaction

On June 10, 2015, Ely, DHI US and Solitario (together, the “Sellers”) entered into a definitive agreement (the “Agreement”) to sell their combined interests in the Mt. Hamilton Project to Waterton Nevada Splitter, LLC, a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (collectively, “Waterton”), for total cash proceeds of US\$30 million (the “Transaction”). Solitario sold its 80% interest in MH-LLC, a limited liability company, which holds 100% of the Mt. Hamilton Project assets, and DHI US sold its 20% interest in MH-LLC. As a result, on closing Solitario received cash proceeds of US\$24 million and DHI US received cash proceeds of US\$6 million.

Concurrent with the signing of the Agreement, the Sellers entered into an arm’s-length agreement (the “Consent Agreement”) pursuant to which Solitario agreed to surrender 15,732,274 Ely shares to the Company for cancellation in exchange for:

- (i) the Company and DHI US consenting to Solitario pledging its interest as security for any refinancing required by Solitario to any third party loans;
- (ii) Ely and DHI US waiving Solitario’s obligation to fund the exercise of the Royalty Reduction Options and the Bonding Obligations; and
- (iii) DHI US repaying loans made to DHI US by Solitario pursuant to the MH-LLC Operating Agreement to fund DHI US’ Joint Venture obligations to MH-LLC, amounting to \$240,887 (US\$191,150).

Maxit Capital LP (“Maxit”) acted as financial advisor to the Company in connection with the Transaction. The Company paid Maxit a \$200,000 fee for Maxit’s services, including delivery of the Fairness Opinion and services in connection with the completion of the Transaction.

On August 25, 2015, the Transaction closed and subsequently the Consent Agreement closed on August 27, 2015.

Upon closing of the Transaction the Company received cash proceeds of \$7,977,600 (US\$6,000,000). On closing of the Consent Agreement, the Company received from Solitario 15,732,274 of its common shares, which were returned to treasury.

Deferred Management Compensation

Completion of the Transaction triggered an obligation on the part of DHI US to pay deferred management compensation which has accrued pursuant to a plan (the “DMC Plan”) established by DHI US effective January 1, 2011. The DMC Plan was designed to permit those members of management (“Participants”) who participate in the DMC Plan to defer all or a portion of the compensation otherwise payable to them until the occurrence of certain stated events, including a “Change of Control”. A “Change of Control” is defined in the DMC Plan to include a change of ownership of a “substantial portion” (defined as greater than 60%) of the assets of DHI US. The completion of the Transaction resulted in a change of ownership of a “substantial portion” of the assets of DHI US and, accordingly, triggered an obligation on the part of DHI US to pay to the Participants the balances in their respective Accounts.

On September 10, 2015, the Company settled the outstanding deferred compensation liability, which included deferred salaries and interest totaling US\$1,816,547 by paying US\$1,280,000 (\$1,692,032), which resulted in the Company realizing a \$558,090 gain on settlement. Upon settlement of the deferred compensation liability, the Company terminated the DCM Plan. On September 15, 2015, all consulting contracts with DHI US were cancelled by mutual consent.

iii. Mineral Properties

Green Springs, Nevada

On February 4, 2013, DHI US acquired the Green Springs property in White Pine County, Nevada for US\$300,000 (paid) and \$50,000 (paid) cash. The Green Springs property is subject to a 2% NSR. Green Springs is 100% owned by DHI US.

Green Springs covers an area of 1498 acres and lies approximately 5 miles south of the Mt. Hamilton Project.

At the Green Springs project the Company owns 76 unpatented lode mining claims and has an option to acquire a 100% interest in a further 2 unpatented lode mining claims that altogether cover an area of 1,498 acres. The property hosts Carlin style, epithermal, disseminated, sediment hosted gold-silver mineralization. The principal target horizon at Green Springs in the 1980's was the Lower Chainman Shale and Upper Joana Limestone similar to Midway's Goldrock project. These units lie stratigraphically above the Pilot Shale, a primary host to Carlin style gold mineralization elsewhere in the region, including Midway's Pan Mine.

The Company initially focused on the compilation of historical data to provide direction to define targets proximal to the historic pits as well as new exploration targeting the Pilot Shale. To that end, SRK Consulting (U.S.) Inc. has compiled and digitized historic data, and has created a modern geologic and mineralization model for the Property, to ultimately produce a National Instrument 43-101 Geological Report with recommendations for future exploration and development. In addition, Enviroscientists, Inc. was retained by the Company in 2013 to coordinate the permitting and environmental requirements for exploration and development on the property.

An exploration Plan of Operations ("POO") was submitted to the U.S. Forest Service in October 2013. An Environmental Assessment ("EA") is also in progress for this POO. The EA process undertaken by the U.S. Department of Agriculture--Forest Service ("USFS") was completed on September 2, 2014. The Company posted the initial bond for the project and the USFS granted final approval to the Plan of Operations filed on November 22, 2014. The EA and Plan of Operations cover over 75 acres, providing an opportunity to confirm historic resources and test other formations which host gold mineralization in the District. The Company also received final approval of its Nevada Reclamation Permit from the Nevada Department of Environmental Protection. In November 2014, the Company submitted an Intent Notice for less than a 5 acre disturbance to the Bureau of Land Management ("BLM") in the area around two historic waste dumps and the Notice was approved in January 2015.

On November 12, 2015, the Company completed a 14-hole drill program at Green Springs for a total of 6775 feet. The program was designed to test historic mineralization in the Chainman Shale and some selected targets in the deeper Pilot Shale. Assay results were disclosed in the Company's News Release dated November 30, 2015.

Cox Claims, Nevada

On January 16, 2013, the Company acquired a mining lease and a 100% purchase option on two mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox claims has a term of 10 years with escalating advance royalty payments and a 100% purchase option. The minimum advance royalty payments total US\$222,500. The purchase option for the Cox claims is 100% owned by DHI US..

The Company has the option to purchase the claims for an amount equal to US\$200,000 less the aggregate of the annual advance royalty payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual advance royalty payments of US\$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate advance royalties. The Company has the option to buy-down 1% of the NSR for US\$500,000.

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC (“Urawest”) to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US\$47,500 to Urawest, payable in annual installments over the 10 year term of the Cox Claims lease. In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR and a US\$2,500 annual advance royalty payment (the “Urawest Agreement”). Urawest also negotiated an side agreement with Cox for an additional .25% NSR on the Cox Claims, to be deducted from Cox’s 2% NSR (the “Cox Side Agreement”).

Cathedral Well, Nevada

In July 2014 the Company signed an Exploration and Option Agreement with Eurasian Minerals (the “EMX Agreement”) through its wholly-owned subsidiary Bronco Creek Exploration, Inc., for EMX’s Cathedral Well gold project. The Cathedral Well property consists of 79 unpatented mining claims (the “Cathedral Well Claims”) and bounds the Company’s Green Springs Project area to the east and the west.

Pursuant to the Agreement, the Company can earn a 100% interest in the Project by paying EMX a total of US\$100,000 as follows: US\$25,000 (paid) upon execution of the Agreement and US\$75,000 (US\$25,000 – paid) over the next three years, after which EMX will retain a 2.5% net smelter return (NSR) royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Project, the Company will pay EMX annual advance royalties equal to a) 20 ounces of gold each year until completion of a feasibility study, prepared in accordance with the requirements of NI 43-101 and CIM definitions and guidelines, covering either, or both, of the Project and the adjacent the Company properties, and b) 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Project and the adjacent the Company properties. the Company may purchase 0.5% of the EMX NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Project and the adjacent the Company properties. In November 2016, the Company and EMX amended the EMX Agreement whereby the Company traded certain mining claims, owned by Nevada Select,(the “Gutsy Claims”) in lieu of the final payment of US\$25,000. The Company now owns 100% of the Cathedral Well Claims.

Green Springs/Cox Claims/Cathedral Well Option Agreement

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with Colorado whereby Colorado can acquire a 100% interest in the Company's Green Springs project, Cox Claims and Cathedral Well. Colorado can acquire their 100% interest by making cash payments of US\$3,000,000 and issuing 2,250,000 Colorado common shares to the Company, as follows:

- At closing – US\$50,000 cash and 300,000 Colorado common shares;
- Year 1 – US\$100,000 cash and 500,000 Colorado common shares;
- Year 2 – US\$200,000 cash and 600,000 Colorado common shares;
- Year 3 – US\$400,000 cash and 850,000 Colorado common shares;
- Year 4 – US\$2,250,000 cash (the “Final Option Payment”). Colorado may at its election make the final Option Payment 50% cash and 50% common shares based on a 30-day volume weighted average price of the Colorado common shares.

There are no work commitments or additional expenditures required other than Colorado's obligation to maintain the underlying agreements and claim maintenance fees in good standing. Once the Final Option Payment is made, the Company will retain a total 1% NSR on two key claims and the Company will retain the right to buy-down 1% of the underlying royalty on these key claims for US\$500,000. The Company will also retain a 0.5% NSR on 76 claims.

In addition, once the Final Option Payment has been made, Colorado will make advance royalty payments as follows:

- US\$25,000 on the first through third anniversary dates of the Final Option Payment;
- US\$50,000 on each anniversary date of the Final Option Payment thereafter.

In January 2017, the Company received TSX Venture Exchange approval and Colorado advanced US\$50,000 cash and issued 300,000 Colorado common shares to the Company.

Nevada Eagle LLC

On May 4, 2016, the Company, through the Company's wholly owned subsidiary, Nevada Select, completed the acquisition of thirty-one mineral properties (the “Nevada Select Properties”) in Nevada and the western United States from Nevada Eagle LLC (“Nevada Eagle”). Under the terms of the agreement, the Company will pay Nevada Eagle a total purchase price of US\$895,600 (\$1,153,891). The purchase price will be paid as US\$445,600 (paid) in cash on closing and an additional US\$400,000 on the second anniversary, together with 5% interest. The remaining US\$50,000 (paid) was previously advanced to Nevada Eagle for staking of mineral properties. The Company has also issued 3,000,000 share purchase warrants to Nevada Eagle. Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.07 for a period of two years from the date of closing. The fair value of the share purchase warrants, \$267,219, has been included in acquisition costs along with associated closing costs of \$19,429. During the year ended December 31, 2016 the Company received option income of \$108,260, on certain properties that are currently under option of which \$58,580 was credited as incidental revenue against exploration and evaluation assets.

On August 12, 2016, the Company, through its' wholly owned subsidiary, Nevada Select, executed a purchase agreement (the “GP Agreement”) for certain royalty interests from Golden Predator US Holdings Corp. (“Golden Predator”). Golden Predator is a wholly owned subsidiary of Till Capital Ltd. (“Till”). Nevada royalties owned by Golden Predator include a 3% gross production royalty (“GPR”) on the Bolo property, a 0.5% GPR on the Wood property and a 2% NSR on the Mina Gold property. Nevada Select currently owns 100% of the claims covered by the Mina Gold royalty. Terms of the GP Agreement include:

- Purchase by the Company of Golden Predator's:
- Atlanta (3% NSR), royalty interests,
- Bolo (3% GPR), royalty interests,
- Wood (0.5% GPR) royalty interests;
- Termination by the Company, and Golden Predator of the Mina Gold (2% NSR);

- As consideration, the Company will pay Golden Predator US\$56,250 to Till (paid - US\$56,250 (\$74,351)).

On August 12, 2016, the Company, through its' wholly owned subsidiary, Nevada Select, executed a purchase agreement ("RRL Agreement") for a 2% NSR on the Uduk Lake property in British Columbia from Resource Re Ltd. ("RRL"), a wholly owned subsidiary of Till. Terms of the RRL Agreement include:

- Purchase by the Company of RLL's Uduk Lake (2% NSR) royalty interest;
- As consideration, the Company will pay US\$18,750 to RLL.
Prior to December 31, 2016, RRL was unable to produce a clear title to the Uduk Lake NSR. The Company terminated the RRL Agreement and has no further financial commitment to RRL.

On August 15, 2016, the Company, through its' wholly owned subsidiary, Nevada Select, executed the Mina Sale Agreement to sell its 100% owned Mina Gold property for US\$1,000,000 (\$1,277,500) to Gold Resource. The Mina Gold property consists of 48 claims and was acquired as part of the Nevada Select Properties. The terms of the Mina Sale Agreement are as follows:

- US\$150,000 (\$191,625) cash as a one-time advance royalty payment (received);
- US\$850,000 (\$1,085,875) in Gold Resource restricted stock (received). The Company received 130,169 shares in Gold Resource at the time of entering into the transaction.
- The Company will retain the following NSR's:
 - a 3% NSR on five patented claims;
 - a 2% NSR on thirty-nine unpatented claims, staked by Nevada Select;
 - a 1.5% NSR on four unpatented claims, purchased by Nevada Select with existing 0.5% NSR;
 - a 2% NSR on additional unpatented claims staked by Gold Resource within a one-mile area of interest;
- Gold Resource has the option to buy-down 1% of the NSR on the patented claims for US\$1,000,000.
- Gold Resource has the option to buy-down 0.5% of the NSR on all unpatented claims for US\$500,000.

Between August 1 and September, 2016, the Company acquired, through staking, a 100% interest in nine properties in Nevada and one in Idaho. All the staked properties are unpatented mining claims on Bureau of Land Management (BLM) lands. The Nevada properties are Isabella, Ramona, Redlich, Olinghouse NE Mustang Canyon, Moho, Mill Creek and Horse Mountain. The Idaho property is Oro Grande. In December 2016 the BLM gave final notice of forfeiture to the prior claim holders and the Company was successful in acquiring these new claims. AS of December 31, 2016, the Company held 37 mining properties.

On October 7, 2016, the Company purchased a 100% interest in 41 unpatented mining claims in Mineral County, Nevada known as the Olympic Mine. The property is approximately 3 miles from the Mina Gold property which the Company sold to Gold Resource. Olympic is a past producing mine and the seller, Sedi-Met Inc., had a significant data package on the property. The Company paid US\$75,000 cash for the claims and the data. Sedi-Met retained a 1.25% net smelter returns royalty on the claims with no area of interest.

On October 27, 2016, Novo Resources Corp., through its wholly owned subsidiary Novo Resources (USA) Corp ("Novo") has exercised its option to purchase 100% of 24 unpatented mining claims in Elko County, Nevada (the "Elko Claims"). The Elko Claims, known as the Tuscarora Project, were lease/optioned by Novo on November 7, 2014 (the "Tuscarora Option Agreement"). The Tuscarora Option Agreement allowed Novo to purchase 100% of the Elko Claims by making lease payments aggregating US\$100,000 over time. The final payment, which was due on November 7, 2016, was paid by Novo on October 4, 2016.

Novo was issued a Deed with Reservation of Royalty on November 7, 2016 that provides for:

1. a sliding scale NSR, subject to the gold price, as follows:
 - less than or equal to \$1,500 (2.0%)
 - greater than \$1,500.00 but less than or equal to \$2,000 (3.0%)
 - greater than \$2,000 (4.0%)

2. an advance minimum royalty payment as follows:
 - third through fifth anniversaries \$4,000
 - sixth through tenth anniversaries \$8,000
 - eleventh and succeeding anniversaries \$12,000
3. an area of interest of ½ mile the Company, through its wholly owned subsidiary, Nevada Select was the underlying owner of the claims through staking and owns 50% of the Option Agreement which was executed in partnership with Platoro West Inc, a privately held Nevada corporation. The Company and Platoro West will each be deeded 50% of the royalty and will each be entitled to 50% of the advance minimum royalty payments.

The Company owned a 50% interest in the Tuscarora Option Agreement, with an arm's length third party, and now owns 50% of the deeded royalty.

On November 4, 2016, the Company completed a property exchange (the "Property Exchange") with Columbus Gold Corp. and its wholly owned subsidiary Columbus Gold (USA) Corp. (collectively "Columbus"). The Company, through its wholly owned subsidiary, Nevada Select has acquired a 100% interest in 66 unpatented mining claims in Esmeralda County, Nevada (the "Esmeralda Claims"). The Esmeralda Claims are contiguous to claims currently held by the Company known as the Weepah Project ("Weepah"). Columbus has done significant exploration on the Esmeralda Claims, including multiple drill campaigns. Columbus acquired the Esmeralda Claims in 2011 from Cordex Exploration Company ("Cordex"). The Esmeralda Claims will be subject to a 2% NSR to Cordex. The Company has also acquired all the data from Columbus' exploration programs. In the Property Exchange, Nevada Select has conveyed, to Columbus, a royalty on the Bolo/Wood property in Nye County, Nevada which was acquired by Nevada Select in a transaction with Till. Columbus acquired the Bolo/Wood property from Cordex in 2012.

1.6 SELECTED ANNUAL INFORMATION

The following table summarizes information regarding the Company's operations on a yearly basis for the last three years in accordance with IFRS. The Company's reporting currency is Canadian dollars.

Year ended	Revenues \$	Net income (loss) \$	Earnings (loss) per share \$	Total assets \$	Non-current liabilities \$
December 31, 2016	-	(1,744,923)	(0.03)	7,385,265	555,002
December 31, 2015	-	6,436,412	0.09	6,285,038	-
December 31, 2014	-	(1,298,451)	(0.02)	1,465,649	1,631,016

1.7 RESULTS OF OPERATIONS

Year ended December 31, 2016, compared to the year ended December 31, 2015.

The Company recorded a net loss of \$1,744,923 (\$0.03 loss per common share) for the year ended December 31, 2016 (the "current year") compared to a net income of \$6,436,412 (\$0.09 gain per common share) during the year ended December 31, 2015 (the "prior year"), an decrease of \$8,181,335, as explained in the following paragraphs.

- Consulting fees were \$224,299 lower in the current year (\$781,503) when compared to the prior year (\$1,005,802). The decrease is due to a reduction in the number of consultants engaged in the current year when compared to the prior year.
- Professional fees were \$32,770 higher in the current year (\$193,228) when compared to the prior year (\$160,458). During the current year, the Company incurred additional legal fees relating to its' increased activity relating to the acquisition and optioning of mineral properties in the current year.

- Share-based payments, a non-cash expense, was \$171,961 higher in the current year (\$201,955) when compared to the prior year (\$29,994). During the current year, 1,600,000 options were granted and vested.
- Interest expense was \$96,307 lower in the current year (\$17,683) when compared to the prior year (\$113,990). In the prior year, interest expense related to the accrued interest on the deferred compensation, which was settled on September 10, 2015. Current year interest expense relates to the accrued interest on the outstanding note payable.
- Change in fair value of marketable securities was \$261,464 higher in the current year (loss - \$307,688) when compared to the prior year (loss - \$46,224). During the current year, the Company did not dispose of any securities but a significant prolonged decline was identified and accounted for through the change in fair value of marketable securities.
- Gain on the settlement of deferred compensation was \$558,090 lower in the current year (\$nil) when compared to the prior year (\$558,090). During the prior year, the Company settled the deferred compensation liability and realized a gain due to favorable settlement terms to the Company.
- Gain on the disposition of MH-LLC interest was \$7,411,682 lower in the current year (\$nil) when compared to the prior year (\$7,411,682). During the prior year, the Company completed the sale of its interest in MH-LLC.
- Gain (loss) arising from foreign exchange was \$421,799 higher in the current year (loss - \$218,707) when compared to the prior year (gain - \$203,092). The Company has mineral properties in the US and incurs US dollar payables, which can result in fluctuations in the gain/loss arising from foreign exchange on a period by period basis. As well, the Company holds a balance of its cash and cash equivalents in US dollars, which are revalued at the prevailing exchange rate as at the date of the reporting period.

Three months ended December 31, 2016, compared to the three months ended December 31, 2015.

The Company recorded a net loss of \$855,902 (\$0.02 loss per common share) for the three months ended December 31, 2016 (the “current quarter”) compared to a net loss of \$432,547 (\$0.01 loss per common share) during the three months ended December 31, 2015 (the “prior quarter”), an increase of \$423,355, as explained in the following paragraphs.

- Consulting fees were \$12,354 lower in the current quarter (\$393,099) when compared to the prior quarter (\$405,453).
- Professional fees were \$66,152 lower in the current quarter (\$51,814) when compared to the prior quarter (\$117,966). During the prior quarter, the Company incurred additional legal fees as it actively worked to acquire additional mineral properties.
- Share-based payments, a non-cash expense, was \$29,994 lower in the current quarter (\$nil) when compared to the prior quarter (\$29,994). No options vested during the current quarter.
- Interest expense was \$6,839 higher in the current quarter (\$6,839) when compared to the prior quarter (\$nil). The current quarter interest expense relates to the interest on the note payable to Nevada Eagle.
- Change in fair value of marketable securities was \$343,235 higher in the current quarter (loss - \$332,752) when compared to the prior quarter (gain - \$10,483). During the current quarter, the Company did not dispose of any securities but a significant prolonged decline was identified and accounted for through the change in fair value of marketable securities.
- Gain arising from foreign exchange was \$81,651 lower in the current quarter (gain - \$59,964) when compared to the prior quarter (gain - \$141,345). The Company’s cash and cash equivalents are mainly

held in US dollars and are re-valued at the prevailing exchange rate as at the date of the reporting period, which will cause the gain(loss) arising from foreign exchange to fluctuate on a quarterly basis.

1.8 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The material components of exploration and evaluation costs are:

	Year ended December 31, 2016	Year ended December 31, 2015
Exploration and evaluation costs		
Geological consulting	\$ 58,361	\$ 113,248
Drilling/assays	51,049	122,792
Field expenses	3,054	-
Claim maintenance	172,299	55,609
	\$ 284,763	\$ 291,649

1.9 SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited condensed interim consolidated financial statements, prepared in accordance with IFRS, for the last eight quarters.

For the quarters ended

	Dec 31 2016	Sept 30 2016	Jun 30 2016	Mar 31 2016
Total revenues (Interest & other income)	\$20,938	\$11,403	\$17,339	\$46
Gain (loss) for the quarter	(\$914,482)	(\$155,089)	(\$171,746)	(\$503,606)
Gain (loss) per share	(\$0.02)	(\$0.00)	(\$0.00)	(\$0.01)

For the quarters ended

	Dec 31 2015	Sept 30 2015	Jun 30 2015	Mar 31 2015
Total revenues (Interest & other income)	\$1,862	\$16	\$92	\$53
Gain (loss) for the quarter	(\$432,547)	\$7,688,195	(\$401,766)	(\$417,470)
Gain (loss) per share	(\$0.01)	\$0.10	(\$0.00)	(\$0.00)

The Company earns interest income from its cash and cash equivalents, which will vary from period to period depending on the prevailing cash and cash equivalents balance in the period.

The quarter ended September 30, 2015, includes the gain of \$7,411,682 on the disposition of the MH-LLC interest and the gain of \$558,090 on the settlement of the deferred compensation liability.

1.10 LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had cash of \$4,366,614 and a consolidated working capital of \$4,921,673. The Company has sufficient cash and cash equivalents to fund its operations for the next twelve months.

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

	Increase (Decrease) in Cash & Cash Equivalents for the Year Ended December 31,	
	2016	2015
Operating activities	\$ (1,273,668)	\$ (2,649,267)
Investing activities	(814,398)	7,069,787
Financing activities	1,455,962	-
Total Change in Cash	(632,104)	4,420,520
Cash and Cash Equivalents, Beginning of the Year	4,998,718	578,198
Cash and Cash Equivalents, End of the Year	\$ 4,366,614	\$ 4,998,718

Operating Activities

The nature of the Company's operating activities has not significantly changed when compared to the prior year. In the prior period, the Company had a change in non-cash working capital relating to deferred compensation of \$1,434,579 as a result of the settlement of deferred compensation. As well, in the prior year, items not affecting cash included a gain on disposition of MH-LLC interest, a change in fair value of deferred compensation of \$245,964 and a gain on settlement of deferred compensation of \$558,090 when compared to the current year.

Investing Activities

For the year ended December 31, 2016, the Company expended cash of \$1,064,603 (2015 - \$361,273) relating to its' exploration and evaluation assets, which includes \$657,960 relating to the acquisition of the mineral claims from Nevada Eagle. The Company also received \$58,580 in proceeds from properties under option.

For the year ended December 31, 2016, the Company received cash proceeds of \$191,625 relating to the disposition of the Company's Mina Gold property.

For the year ended December 31, 2015, the Company received proceeds of \$7,411,682 relating to the disposition of its interest in MH-LLC.

For the year ended December 31, 2015, the Company received proceeds of \$59,738 relating to the disposition of marketable securities. The Company did not dispose of any marketable securities in the current period.

Financing Activities

For the year ended December 31, 2016, the Company received proceeds, net of issuance costs, of \$1,455,962 relating to the issuance of shares for cash.

The Company currently has no revenues from operations and has been dependent on equity or other sources of financing to fund its operations. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the Company's projects.

1.11 TRANSACTIONS WITH RELATED PARTIES

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

	For the year ended December 31,	
	2016	2015
Short-term employment benefits	\$ 586,397	\$ 726,997
Other long-term employment benefits	-	272,790
Share-based payments	201,955	29,994
Total	\$ 788,352	\$ 1,029,781

As at December 31, 2016, \$228,359 (2015 - \$nil) is owing to directors and officers of the Company for management bonuses, which is included in accounts payable and accrued liabilities. A prepaid advance of \$16,080 (2015 - \$21,096) was made to an officer and director of the Company.

On September 10, 2015, the Company paid \$1,692,032 to settle the deferred compensation liability. Upon settlement, the Company recognized a \$558,090 gain on the settlement of the deferred compensation liability and subsequently terminated the deferred compensation plan.

During the year ended December 31, 2016, the Company recognized in net loss:

- a decrease in the value of the deferred compensation liability of \$nil (2015 - \$245,956);
- an interest expense of \$17,683 (\$113,990); and
- a gain on settlement of the deferred compensation liability of \$nil (2015 - \$558,090).

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company entered into termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of \$319,296 in the event they are terminated without cause, or \$837,888 in the event there is a change of control.

1.12 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At December 31, 2016 the authorized share capital was an unlimited number of common shares and there were 75,755,475 common shares issued and outstanding. As at the date of this MD&A the Company had 75,755,475 common shares issued and outstanding.

Stock Options and Warrants

The following summarizes information on the number of stock options outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
January 5, 2016	\$0.25	-	300,000
October 16, 2016	\$0.06 - \$0.14	-	1,175,000
February 26, 2017	\$ 0.12	400,000	400,000
July 24, 2017	\$ 0.14	200,000	200,000
January 5, 2021	\$ 0.06	500,000	500,000
September 22, 2021	\$ 0.06	850,000	850,000
January 30, 2023	\$ 0.14	325,000	325,000
January 28, 2024	\$ 0.12	700,000	700,000
November 27, 2024	\$ 0.06	650,000	650,000
March 11, 2026	\$ 0.09	250,000	-
August 18, 2026	\$ 0.09	1,350,000	-
Total outstanding and exercisable		5,225,000	5,100,000

On February 26, 2017, 400,000 stock options with an exercise price of \$0.12 expired unexercised.

On May 4, 2016, as part of the NEL transaction, the Company issued 3,000,000 share purchase warrants exercisable at \$0.07 for a period of two years, expiring on May 4, 2018.

Outstanding share data

As at the date of this report, the Company's fully diluted shares outstanding is as follows:

Common shares	75,755,475
Options	4,825,000
Warrants	3,000,000
Fully diluted shares outstanding	83,580,475

1.12 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.13 PROPOSED TRANSACTIONS

On October 5, 2016, the Company entered into an agreement to purchase 30 unpatented mineral claims and four placer claims in the state of Nevada, USA (the "Butcher Boy Project"). Upon signing, the Company advanced US\$10,000 as a refundable deposit. The agreement is subject to various terms and conditions being satisfied prior to June 30, 2017. Should these terms and conditions be met, the Company would advance, subject to a due diligence period, US\$300,000 for the 100% purchase of the claims. In the event the terms and conditions of the agreement are not fulfilled, or if the Company is not fully satisfied upon completing its' due diligence, the Company will receive a full refund of the deposit. There is no guarantee as to when, or if, the Company will complete the transaction.

1.14 CONTRACTUAL OBLIGATIONS

The Company has no commitments, material capital lease agreements and no material long term obligations other than what has been previously stated in this MD&A.

1.15 RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and has not commenced commercial operations and has no assets other than cash and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

Precious and Base Metal Price Fluctuations

The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Fluctuations in the Price of Consumed Commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

Foreign Exchange Rate Fluctuations

Operations may be subject to foreign currency exchange fluctuations. The Company to-date has raised its funds through equity issuances which are priced in Canadian dollars. DHI US operates in the United States and incurs exploration and administration expenditures denominated in United States dollars. As a result, the Company may suffer losses due to adverse foreign currency fluctuations.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks

Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labor disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labor and other risks involved in the normal course of exploration activities.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs,

damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability of acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Business Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favorable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or

existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the years ended December 31, 2015 and 2014. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and consolidated financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Potential dilution of present and prospective shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

1.16 FUTURE ACCOUNTING STANDARDS

Changes in accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim consolidated financial statements.

1) IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.

- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning on January 1, 2018.

1.17 FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as FVTPL; marketable securities, as available-for-sale; and accounts payable and accrued liabilities and deferred compensation, as other financial liabilities.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of deferred compensation is based on inputs, other than quoted prices, for which there is observable market data; a Level 2 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian financial institutions, and with respect to other receivables, as it is due from only one party. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 4,366,614	\$ 4,998,718

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2016, the Company has cash and cash equivalents of \$4,366,614 (2015 - \$4,998,718), current liabilities of \$403,021 (2015 - \$38,009), note payable of \$555,002 (2015 - \$nil) and working capital of \$4,921,673 (2015 - \$5,177,123).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

December 31,	2016	2015
Due Date	Financial Liabilities	Financial Liabilities
0 – 90 days	\$ 403,021	\$ 38,009
90 – 365 days	-	-
More than 1 year	555,002	-
Total	\$ 958,023	\$ 38,009

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of three components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.
- (c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 2016, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2016, the Company has not hedged its exposure to currency fluctuations.

At December 31, 2016 and 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	US\$2,181,566	US\$3,351,757
Accounts payable and accrued liabilities	(87,929)	(2,218)
Note payable	(400,000)	
Net	US\$1,869,495	US\$3,349,539
Canadian dollar equivalent	\$ 2,510,170	\$ 4,635,762

Based on the above net exposures as at December 31, 2016, a 5% (2015 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately \$125,500 (2015 - \$232,000).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant price risk on its marketable securities.

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2016 and 2015:

December 31, 2016	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	\$ 4,366,614	\$ -	\$ -	\$ 4,366,614
Note payable	\$ -	\$ 472,910	\$ -	\$ 555,082
Available-for-sale				
Marketable securities	\$ 859,346	\$ -	\$ -	\$ 859,346

December 31, 2015	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	\$4,998,718	\$ -	\$ -	\$ 4,998,718
Available-for-sale				
Marketable securities	\$ 81,159	\$ -	\$ -	\$ 81,159

Additional information related to the Company is found on SEDAR at www.sedar.com.