ELY GOLD & MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 three and six months ended June 30, 2016 and 2015. The discussion below should be read in conjunction with the Company's June 30, 2016 unaudited condensed interim 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 August 29, 2016.

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 459 – 409 Granville St, Vancouver, British Columbia, Canada, V6C 1T2.

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") and Resource Re Ltd. ("RRL"). 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 ("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 August 26, 2016, the Company announced a proposed non-brokered private placement to issue up to 10,000,000 units ("Units") for total gross proceeds of $1,400,000. Each Unit will be comprised of one common share and one-half of one share purchase warrant. One whole warrant will entitle the holder to purchase one common share for a period of two years at a price of $0.20 per share. The Company may, in appropriate circumstances, pay a finder's fee comprising cash and/or securities in connection with the offering. The offering is subject to Exchange acceptance.

- As of June 30, 2016, the Company had cash and cash equivalents of $3,661,665 and consolidated working capital of $3,791,344.

1.5 PROJECT UPDATES AND ACQUISITION

i. The Purchase of DHI US from Augusta Resource Corp.

On February 28, 2008, the Company acquired 100% of the issued and outstanding common shares of DHI which in turn owns 100% of the shares of DHI US, pursuant to an agreement with Augusta Resource Corp. (the "Augusta Agreement"). DHI US was at that time the owner of 100% of the Mount Hamilton property (collectively, with related leasehold and other rights, the "Mt. Hamilton Project").

For more of the history of the history of the Mt. Hamilton Property purchase the reader should refer to the Company's previous MD&A filings on SEDAR.

ii. 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 Mt. Hamilton Project by funding future payments on account of the Purchase Price by subscribing for securities of Ely, making all future advance royalty payments on account of the Underlying Royalties, funding exercise of the First, Second and Third Royalty Reduction Options, and funding the continued exploration and development of the Mt. Hamilton Property through to a Bankable Feasibility Study (the "BFS"), at which time all expenses would be shared according to the partner's ownership interest.

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 an 80% interest in MH-LLC by completion of a BFS and had the following Continuing Payment Obligations and share issuances:

(i) make unpaid payments of cash and common shares to DHI US totaling US$1,000,000 (paid and 200,000 common shares of Solitario (paid);
(ii) make Advance Royalty Payments to the Underlying Royalty Holder of US$900,000 (paid);
(iii) buy-down the existing 8% net smelter return royalty ("NSR") to a 3% NSR by paying the Underlying Royalty Holder US$5,000,000 upon commencement of commercial production;
(iv) and provide funding for all bonding requirements to achieve commercial production (the "Bonding Obligations")

In addition, the JV Agreement provided that Solitario would subscribe for additional securities of Ely in three tranches of US$750,000, US$750,000 and US$1,000,000 not later than June 1, 2013, June 1, 2014 and June 1, 2015, respectively, to exercise its rights under the JV Agreement. Proceeds from those private placements were to be used by Ely to make required payments to Augusta on account of the Purchase Price. In November, 2013, Ely negotiated a reduction in the final two payments to Augusta to $1,300,000. Solitario subsequently subscribed to Ely shares and the final payment was made. Solitario held 15,732,274 Ely common shares ("Solitario's Ely Shares") acquired pursuant to those private placements, representing approximately 19.6% of Ely's outstanding shares.

DHI US Approves Solitario RMB Loan

On August 10, 2012, Solitario entered into a Facility Agreement with RMB Resources whereby Solitario was permitted to borrow up to US$5,000,000 (the "RMB Loan"). The RMB Loan is secured by Solitario's 80% interest in MH-LLC and therefore required the approval of DHI US under the Operating Agreement. DHI US approved the loan subject to certain conditions including (a) a right to cure a default of the RMB Loan and (b) DHI US maintaining its first security position regarding Solitario's Continuing Payment Obligations.

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

iii. The Waterton Transaction

On May 6, 2015 the Company and Solitario (the "Sellers") signed a non-binding letter of intent (the "Waterton LOI") with Waterton Precious Metals Fund II Cayman, LP outlining the intent of the parties to negotiate a definitive agreement for the sale of 100% of the Sellers' Interests in MH-LLC (the "Interests") for US$30,000,000, allocated as to 80% (US$24,000,000) to Solitario and as to 20% (US$6,000,000) to DHI US (the "Waterton Transaction"). On June 10, 2015, Solitario, DHI US, the Company and Waterton executed and delivered the Membership Interest Purchase Agreement (the "MIPA") as the definitive agreement contemplated by the letter of intent. Waterton is a wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman, LP. The MIPA may be viewed in its entirety on SEDAR.

The Consent Agreement

Concurrent with the signing of the MIPA, and also independent of the Waterton Transaction, the Company, DHI US and Solitario entered into an arm's length agreement (the "Consent Agreement") pursuant to which Solitario has agreed to surrender Solitario's Ely Shares to the Company for cancellation in exchange for

(a) the Company and DHI US consenting to Solitario pledging its Interest as security for any refinancing required by Solitario to any third party loans, including a refinancing to repay the RMB Loan;

(b) Ely and DHI US waiving Solitario's obligation to fund the exercise of the Royalty Reduction Options and the Bonding Obligations; and

(c) DHI US repaying loans (the "JV Loans") made to DHI US by Solitario pursuant to the MH-LLC Operating Agreement to fund DHI US' Joint Venture obligations to MH-LLC, $240,887 (US$191,150), if the transactions contemplated by the Consent Agreement close on the date of a sale of MH-LLC to Waterton.

The Exchange conditionally approved the Consent Agreement on June 26, 2015 and the Consent Agreement was closed on August 27, 2015. Subsequently, 15,732,274 of the Company's common shares were received and returned to the treasury reducing its issued and outstanding share capital to 64,580,475 common shares. The Consent Agreement may be viewed in its entirety on SEDAR.

Fairness Opinion of Maxit Capital LLP

The Company entered into an engagement letter with Maxit Capital LLP ("Maxit") during November, 2014 to provide the Company with an opinion as to the fairness of the consideration to be received upon completion of the Transaction, from a financial point of view, to the Company. At a meeting of the Company's Board of Directors held on June 5, 2015, Maxit provided the Board of Directors with an oral opinion to the effect that the consideration to be received by the Company on completion of the Waterton Transaction is fair, from a financial point of view, to the Company. That oral opinion was subsequently confirmed and supplemented with a written opinion (the "Fairness Opinion") to the same effect. The Fairness Opinion was one of a number of factors taken into consideration by the Board of Directors in considering the merits of the Waterton Transaction. Maxit acted as financial advisor to the Company in connection with the Waterton Transaction and was paid a fee of $200,000 for its services. The Fairness Opinion may be viewed in its entirety on SEDAR.

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 Waterton 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.

iv. Exchange Acceptance and Shareholder Approval

On June 19, 2015, the Exchange granted conditional approval of the Waterton Transaction. Conditions for final acceptance included a shareholder vote and a press release announcing the closing of the Transaction. Because the Waterton Transaction constituted greater than 50% of the Company's assets, the Business Corporations Act (B.C.) required that a special resolution approving the Waterton Transaction be passed by 2/3 of the votes cast at a meeting of shareholders.

A Special General Meeting of shareholders was held on July 31. The special resolution was unanimously passed with 99.47% of 27,900,922 voting shares approving the Waterton Transaction.

On August 25, 2015, the Waterton Transaction closed and subsequently the Consent Agreement closed on August 27, 2015. Upon closing of the Waterton Transaction the Company received cash proceeds of 7,977,600 (US$6,000,000). On closing of the Consent Agreement, the Company returned 15,732,274 of its common shares to the treasury.

v. 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 and is not a part of MH-LLC.

Green Springs covers an area of 1,498 acres and lies approximately 5 miles south of the Mt. Hamilton Project. The Green Springs property is located 14 miles southeast of Midway Gold's ("Midway") Pan Deposit which is in the permitting process for mine development and 7 miles southeast of Midway's Goldrock project and 10 miles northwest of Pilot Gold's Griffon project.

Previous work on the Green Springs property was conducted by USMX during the 1980's. The work outlined six zones of gold mineralization from approximately 650 reverse circulation drill holes. Using a cut-off grade of 0.7g/t gold, USMX developed and produced from three of these mineralized zones. Historic production records, from 1988-1990, indicate that 1.1 million metric tons of ore averaging 2.1 g/t gold were mined by open pit mining and heap leaching, and gold recoveries of approximately 80% were obtained from a relatively coarse crush. Very little exploration work was done on peripheral targets after the initial discoveries by USMX. However in 2004-2008, previous owners conducted extensive ground sampling, mapping and a CSMAT geophysical survey. The USMX figures are historical figures obtained from a 1991 report by the Geological Society of Nevada. However, a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and the issuer is not treating the historical estimate as current mineral resources or mineral reserves. Therefore, the USMX figures should not be relied upon by investors.

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 will initially focus on 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 100% owned by DHI US and is not part of MH-LLC.

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.

Cathedral Well, Nevada

In July 2014, the Company signed an Exploration and Option Agreement with Eurasian Minerals through its wholly-owned subsidiary Bronco Creek Exploration, Inc., for EMX's Cathedral Well gold project. The Cathedral Well property bounds the Company's Green Springs project area to the east and the west. The Cathedral Well option is 100% owned by DHI US and is not part of MH-LLC.

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.

The EMX property contains numerous outcropping jasperoids and de-calcified zones developed along the Joanna-Chainman sedimentary rock contact, as well as widespread alteration in sedimentary units above and below the Chainman Formation.

EMX acquired Cathedral Well through staking in 2008, and immediately optioned the property to a wholly-owned subsidiary of Eldorado Gold Corp. ("Eldorado"). EMX and Eldorado completed 30.5 line kilometers of NSAMT and CSAMT geophysical surveys, soil and stream sediment surveys totaling 1,597 samples, and identified seven targets that were permitted for drill testing. Six reverse circulation drill holes totaling 1,426 meters were completed over the western target area. Eldorado relinquished their property interest in 2011, leaving the prospective outcrops and targets on the eastern portion of the property untested. The Company will be the operator of the program, with technical assistance from EMX through a defined Management Committee arrangement during the option period.

Nevada Eagle LLC

Earlier in the year, the Company began negotiations with Gerald W Baughman of Reno, Nevada ("Baughman") for the purchase of NEL, a private Nevada company controlled by Baughman. NEL is a project generator that stakes mineral properties and options them to third parties while retaining royalties. Following months of due diligence the Company presented Baughman with a draft Letter of Intent on August 31, 2015. Negotiations ensued, and in anticipation of the transaction, DHI US advanced NEL US$50,000 (the "Advance") to stake certain properties identified by Baughman. After receiving the US$50,000 from DHI US, Baughman staked several properties. On October 4, 2015, however, Baughman notified the Company that he longer wanted to sell NEL. The Company advised Baughman that regardless of a transaction, the properties were staked on behalf of DHI US, with NEL acting as the Company's agent.

On October 12, 2015, NEL and Baughman filed a complaint in The Second Judicial Court of the State of Nevada naming the Company and DHI US as ("Defendants"). The complaint was seeking to quiet title in the disputed properties and claimed that the Defendants had slandered the title to the properties and Baughman's membership interests in NEL. The complaint was seeking injunctive relief, punitive damages, and attorney's fees. The Company's attorneys responded to the complaint with a Motion to Dismiss filed on November 2, 2015.

On February 26, 2016, the Company entered into a binding agreement with NEL to purchase its thirty-one mineral properties in Nevada and the Western U.S. (the "NEL Agreement") The NEL Agreement was on similar terms to the earlier proposal to buy NEL, but under the advice of counsel and auditors, the Agreement was structured as an asset purchase.

On May 4, 2016, the Company completed the purchase of the thirty-one mineral properties. Under the terms of the Agreement, the Company will pay NEL a total purchase price of US$895,600. The purchase price will be paid as to US$445,600 (paid) in cash on closing, credit for the Advance and an additional US$400,000 on the second anniversary, together with 5% interest. The NEL Agreement allowed for the dismissal of all legal disputes and the Stipulation for Dismissal and Order was filed on March 15, 2016. The Company has also issued 3,000,000 purchase warrants to NEL. Each 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. To facilitate the acquisition and hold the US mineral properties, the company established a wholly owned Nevada corporation, Nevada Select.

On August 12, 2016, the Company, through its' wholly owned subsidiary, Nevada Select, executed a purchase agreement (the "Royalty Interest Agreement") for certain royalty interests from Golden Predator and RRL. Golden Predator and RRL are wholly owned subsidiaries of Till Capital Ltd. ("Till"). RLL owns a 2% NSR on the Uduk Lake property in British Columbia. 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 Agreement include:

- Purchase by the Company of RLL's Uduk Lake (2% NSR) royalty interest;
- Purchase by the Company of Golden Predator's Atlanta (3% NSR), Bolo (3% GPR) and Wood (0.5% GPR) royalty interests;
- Termination by the Company, and Golden Predator of the Mina Gold (2% NSR);
- As total consideration, the Company will pay US$75,000 to Till (Paid - US$56,250).

On August 15, 2016, the Company, through its' wholly owned subsidiary, Nevada Select, executed a purchase agreement for the sale ("Sale Agreement") of its 100% owned Mina Gold property for US$1,000,000 to Gold Resource Corporation ("Gold Resource"). The Mina Gold property consists of 48 claims and was acquired as part of the Nevada Select Properties (Note 9). The terms of the Sale Agreement are as follows:

- US$150,000 cash as a one-time advance royalty payment;
- US$850,000 in Gold Resource restricted stock. The Company will receive 130,000 shares in Gold Resource with a fair value of US$6.53 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.

1.6 RESULTS OF OPERATIONS

Three months ended June 30, 2016, compared to the three months ended June 30, 2015.

The Company recorded a net loss of $171,746 ($0.00 loss per common share) for the three months ended June 30, 2016 (the "current quarter") compared to a net loss of $401,766 ($0.00 loss per common share) during the three months ended June 30, 2015 (the "prior quarter"), an decrease of $230,020, as explained in the following paragraphs.

- Consulting fees were $10,327 higher in the current quarter ($221,999) when compared to the prior quarter ($211,672). The increase is a combination of the termination of deferred compensation plan in the third quarter of 2015 and the addition of an investor relations consultant and the fees associated with the new President of the Company's wholly owned subsidiary, Nevada Select.

- Professional fees were $95,607 lower in the current quarter ($17,905) when compared to the prior quarter ($113,512). During the prior period, the Company incurred additional legal fees relating to the activities involved with finding a potential purchaser of the Company's interest in MH-LLC, which was ultimately sold to Waterton in the third quarter of 2015.

- Interest expense was $38,311 lower in the current quarter ($4,154) when compared to the prior quarter ($42,465). The current year interest expense relates to the interest on the note payable to Nevada Eagle. The prior period interest expense related to the accrued interest on the deferred compensation, which was settled and terminated on September 10, 2015.

- Change in fair value of marketable securities was $21,882 lower in the current quarter (gain - $2,387) when compared to the prior quarter (loss - $19,495). During the prior quarter, the Company owned more shares of Solitario and the market value of the Solitario shares incurred a decreased in value in comparison to the current quarter.

- Loss arising from foreign exchange was $117,068 higher in the current quarter (gain - $108,202) when compared to the prior quarter (loss - $8,866). 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. The Company holds a significantly larger US dollar balance at the end of the current period that will result in larger foreign exchange fluctuations.

Six months ended June 30, 2016, compared to the six months ended June 30, 2015.

The Company recorded a net loss of $675,352 ($0.01 loss per common share) for the six months ended June 30, 2016 (the "current period") compared to a net loss of $819,236 ($0.01 loss per common share) during the six months ended June 30, 2015 (the "prior period"), an decrease of $143,884, as explained in the following paragraphs.

- Consulting fees were $111,492 lower in the current period ($305,066) when compared to the prior period ($416,558). The decrease is a combination of the termination of the deferred compensation plan in the third quarter of 2015 and the addition of an investor relations consultant and the fees associated with the new President of the Company's wholly owned subsidiary, Nevada Select.

- Professional fees were $56,672 lower in the current period ($77,087) when compared to the prior period ($133,759). During the prior period, the Company incurred additional legal fees relating to the activities involved with finding a potential purchaser of the Company's interest in MH-LLC, which was ultimately sold to Waterton in the third quarter of 2015.

- Share-based payments, a non-cash expense, was $18,025 higher in the current period ($18,025) when compared to the prior period ($nil). 250,000 options were granted and vested in the current period whereas there were no options were granted during the prior period.

- Interest expense was $77,442 lower in the current period ($4,154) when compared to the prior period ($81,596). The current year interest expense relates to the interest on the note payable to Nevada Eagle. The prior period interest expense related to the accrued interest on the deferred compensation, which was settled and terminated on September 10, 2015.

- Change in fair value of marketable securities was $31,643 lower in the current period ($2,387) when compared to the prior period ($34,030). During the prior period, the Company owned more shares of Solitario and the market value of the Solitario shares incurred a sharper decreased in value in comparison to the current quarter.

- Loss arising from foreign exchange was $233,627 higher in the current period (loss - $198,967) when compared to the prior period (gain - $34,660). 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. The Company holds a significantly larger US dollar balance at the end of the current period that will result in larger foreign exchange fluctuations.

1.7 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The material components of exploration and evaluation costs are:

	Six months ended June 30, 2016	Six months ended June 30, 2015	Year ended December 31, 2015
Exploration and evaluation costs			
Geological consulting	$ 13,833	$ 5,533	$ 113,248
Drilling/assays	8,865	-	122,792
Claim maintenance	49,806	-	55,609
	$ 72,504	$ 5,533	$ 291,649

1.8 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

	Jun 30 2016	**Mar 31 2016**	**Dec 31 2015**	**Sept 30 2015**
Total revenues (Interest & other income)	$17,339	$46	$1,862	$16
Gain (loss) for the quarter	($171,746)	($503,606)	($432,547)	$7,688,195
Gain (loss) per share	(0.00)	(0.01)	(0.01)	$0.10

For the quarters ended

	Jun 30 2015	**Mar 31 2015**	**Dec 31 2014**	**Sept 30 2014**
Total revenues (Interest & other income)	$92	$53	$47	$109
Gain (loss) for the quarter	($401,766)	($417,470)	($612,704)	($392,411)
Gain (loss) per share	($0.00)	($0.00)	($0.02)	($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. During the quarter ended June 30, 2016, the Company received $17,293 in other income related to option payments received on properties owned by the Company's wholly owned subsidiary, Nevada Select.

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.

1.9 LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2016, the Company had cash of $3,661,665 and a consolidated working capital of $3,791,344. On August 25, 2015, the Company completed the sale of its 20% interest in the Mt. Hamilton Project and received proceeds of $7,977,600 (US$6,000,000). 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 Six Months Ended June 30,	
	2016	**2015**
Operating activities	$ (663,958)	$ (309,484)
Investing activities	(673,095)	49,849
Financing activities	-	-
Total Change in Cash	(1,337,053)	(259,635)
Cash and Cash Equivalents, Beginning of the Period	4,998,718	578,198
Cash and Cash Equivalents, End of the Period	$ 3,661,665	$ 318,563

The Company has obligations in the next twelve months to maintain the purchase options on the Cox Claims and Cathedral Well as well as claim maintenance fees, which approximate $100,000. There are no work commitments on these properties for the remainder of 2016.

Operating Activities
The nature of the Company's operating activities has not significantly changed when compared to the prior period. In the prior period, the Company had a change in non-cash working capital relating to deferred compensation of $397,832 when compared to the current period as the deferred compensation was settled and terminated in the third quarter of fiscal 2015.

Investing Activities
For the six months ended June 30, 2016, the Company expended cash of $673,095 relating to its' exploration and evaluation assets, which includes $593,540 relating to the acquisition of the properties from Nevada Eagle.

For the six months ended June 30, 2015, the Company received proceeds of $58,210 relating to the disposition of marketable securities. The Company did not dispose of any marketable securities in the current period.

Financing Activities
For the six months ended June 30, 2016 and 2015, the Company did not issue common shares.

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 projects.

1.10 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 three months Ended June 30, 2016	For the three months Ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Short-term employment benefits	$ 76,632	$ 110,259	$ 155,797	$ 215,849
Other long-term employment benefits	-	-	-	175,772
Share-based payments	-	-	18,025	-
Total	$ 76,632	$ 110,259	$ 173,822	$ 391,621

As at June 30, 2016, $5,250 (December 31, 2015 - $nil) is owing to directors and officers of the Company for consulting fees, which is included in accounts payable and accrued liabilities. A prepaid advance of $15,156 (December 31, 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 three months ended June 30, 2015, the Company recognized in net loss:

- an decrease in the value of the deferred compensation liability of $28,371; and
- an interest expense of $42,465.

During the six months ended June 30, 2015, the Company recognized in profit or loss:

- an increase in the value of the deferred compensation liability of $126,820; and
- an interest expense of $81,596.

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.

1.11 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At June 30, 2016 the authorized share capital was an unlimited number of common shares and there were 64,580,475 common shares issued and outstanding. As at the date of this MD&A the Company had 64,580,475 common shares issued and outstanding.

Stock Options and Warrants

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

Expiry Date	Exercise Price	June 30, 2016	December 31, 2015
January 5, 2016	$0.25	-	300,000
October 16, 2016	$0.06 - $0.14	1,175,000	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	-
Total outstanding and exercisable		5,050,000	5,100,000

* On November 18, 2015, the exercise price of these options was re-priced from $0.25 to $0.06 per share and the expiry date extended from January 5, 2016 to January 5, 2021, which resulted in additional stock-based compensation expense of $21,494.

** On November 18, 2015, the exercise price of these options was re-priced from $0.20 to $0.06 per share, which resulted in additional stock-based compensation expense of $8,500.

On February 28, 2015, 4,000,000 warrants expired unexercised.

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

On August 18, 2016, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 1,350,000 common shares at a price of $0.09 per share for a period of 10 years vesting 100% on the date of grant and expiring August 18, 2026.

<u>Outstanding share data</u>

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

Common shares	64,580,475
Options	6,400,000
Warrants	3,000,000
Fully diluted shares outstanding	73,980,475

1.12 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.13 PROPOSED TRANSACTIONS

Other than previously stated in this MD&A, the Company has no proposed transactions.

1.14 CONTRACTUAL OBLIGATIONS

The Company has obligations to maintain the purchase options on the Cox Claims and Cathedral Well gold project as well as claim maintenance fees, which is estimated to be $100,000 over the next twelve months. There are no required work commitments on these properties in fiscal 2016.

The Company has no commitments, material capital lease agreements and no material long term obligations other than the above.

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:

	June 30, 2016	December 31, 2015
Cash and cash equivalents	$ 3,661,665	$ 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 June 30, 2016, the Company has cash and cash equivalents of $3,661,665 (December 31, 2015 - $4,998,718), current liabilities of $35,257 (December 31, 2015 - $38,009) and working capital of $3,791,344 (December 31, 2015 - $5,177,123).

Accounts payable and accrued liabilities of $35,257 are due in the third quarter of fiscal 2016.

(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 June 30, 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 June 30, 2016, the Company has not hedged its exposure to currency fluctuations.

At June 30, 2016 and December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		June 30, 2016		December 31, 2015
Cash and cash equivalents	US$	2,796,178	US$	3,351,757
Accounts payable and accrued liabilities		(1,123)		(2,218)
Note payable		(400,000)		-
Net	US$	2,395,055	US$	3,349,539
Canadian dollar equivalent		$ 3,115,727		$ 4,635,762

Based on the above net exposures as at June 30, 2016, a 5% (December 31, 2015 - 5%) change in the Canadian/US exchange rate would impact the Company's gain (loss) and comprehensive gain (loss) by approximately $155,786 (December 31, 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 June 30, 2016 and December 31, 2015:

June 30, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
FVTPL				
Cash and cash equivalents	$3,661,665	$ -	$ -	$3,661,665
Available-for-sale				
Marketable securities	$ 83,546	$ -	$ -	$ 83,546

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.