

ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)

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

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of Ely Gold Royalties Inc. (formerly Ely Gold & Minerals Inc) (“Ely”, or the “Company”) and its subsidiaries for the year ended December 31, 2017 and 2016. The discussion below should be read in conjunction with the Company’s December 31, 2017 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 April 30, 2018.

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.elygoldinc.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, V7X 1J1.

On November 22, 2017, the Company changed its name from Ely Gold & Mineral Inc. to Ely Gold Royalties Inc.

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 November 22, 2017, the Company changed its name from Ely Gold & Mineral Inc. to Ely Gold Royalties Inc.
- On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont Gold Ltd. (“Fremont”) whereby Fremont can acquire 100% of the Gold Bar project by making US\$1,000,000 in option payments.
- On September 8, 2017, the Company acquired four deeded royalties and one leased property for US\$40,000 from Wolfpack Gold (Nevada) Corp.
- On July 10, 2017, the Company closed the sale of the Weepah project to Valterra Resource Corp (“Valterra”) whereby Valterra can acquire 100% of the Weepah project for US\$1,000,000.
- On June 29, 2017, the Company closed the transaction with Eastfield Resources Ltd (“Eastfield”) whereby the Company will acquire an interest in 18 patented claims located in Nevada for \$50,000 cash and by issuing 300,000 common shares of the Company to Eastfield.
- On June 23, 2017, the Company closed the transaction with Platoro West Incorporated (“Platoro West”) whereby the Company will acquire Platoro West’s portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States. Under the terms of the agreement, the company will pay Platoro West US\$500,000 and issue 1,000,000 exercisable at \$0.125 for a three-year period from the date of closing.
- On April 23, 2017, the Company closed the transaction with Bitterroot Resources Ltd. (“Bitterroot”) whereby Bitterroot can acquire a 100% interest in the Company’s Hackberry North Project. Bitterroot can acquire their 100% interest by making cash payments of US\$150,000 and issuing 600,000 Bitterroot common shares to the Company. Refer to project updates and acquisition section for more details.
- On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius Gold Inc. (“Radius”) for total proceeds of US\$35,115 (received – \$46,710). Refer to project updates and acquisition section for more details.
- On January 9, 2017, the Company executed a purchaser agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource Corporation (“Gold Resource”), for US\$400,000. Refer to project updates and acquisition section for more details.
- As of December 31, 2017, the Company had cash and cash equivalents of \$2,393,322 and consolidated working capital of \$2,755,452.

Subsequent to December 31, 2017:

- On January 2, 2018, the Company repaid the current portion of the note payable (plus interest) to Platoro West Corp for a total cash outlay of \$160,629.
- On January 16, 2018, the Company closed the option of the Gold Canyon project with Fremont whereby Fremont can acquire 100% of the Gold Canyon project by making US\$802,500 in option payments.

- On February 20, 2018, the Company closed the option of the North Carlin project with Freemont whereby Freemont can acquire 100% of the North Carlin project by making US\$267,500 in option payments.
- On March 12, 2018, the Company closed the sale of the County Line project with Gold Resource whereby Gold Resource acquired a 100% interest in the County Line project for total consideration of US\$300,000.
- On March 28, 2018, the Company closed the option of four unpatented mineral claims (“Monitor Claims”) with Monitor Gold Corporation (“Monitor”) whereby Monitor can acquire a 100% interest in the Monitor Claims project for total consideration of US\$300,000.
- On April 25, 2018, the Company repaid the principle and interest of the note payable to Nevada Eagle LLC for a total cash outlay of \$567,853.
- On April 26, 2018, 3,000,000 warrants with an exercise price of \$0.07 were exercised for total proceeds to the Company of \$210,000.

1.5 PROJECT UPDATES AND ACQUISITION

i. Mineral Properties

Green Springs, 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.

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. At the Green Springs property, the Company owns 76 unpatented lode mining claims.

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 Option Agreement

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. 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 (paid);
- 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.

Platoro West Corp.

On May 4, 2017, the Company entered into a definitive purchase agreement with Platoro West Corp. (“Platoro”) whereby the Company will acquire Platoro West’s portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States. Under the terms of the agreement, the company will pay Platoro West US\$500,000 as follows:

- US\$25,000 upon signing (paid);
- US\$250,000 upon closing;
- US\$112,500 cash on the first anniversary together with 5% per annum interest compounded quarterly from the date of closing;
- US\$112,500 cash on the second anniversary together with 5% per annum interest compounded quarterly from the date of closing.

The Company will also issue 1,000,000 shares purchase warrants to Platoro West (issued). Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.125 for a period of three years from the date of closing. The transaction was approved by the TSXV and closed on May 4, 2017.

Consolidation of the Weepah Property

With the Nevada Eagle transaction, the Company acquired 8 unpatented mining claims.

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 “Cordex Claims”). The Cordex Claims are contiguous to claims currently held by the Company known as the Weepah Project (“Weepah”). The Cordex 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 the transaction with Till Capital.

On May 17, 2017, the Company purchased one unpatented claim and one patented claim from Aaminex Capital Corp. Both claims are in the interior of the 74 unpatented claims held by the Company.

On June 23, 2017 the Company signed an option agreement with Valterra Resource (US) Corporation, a wholly owned subsidiary of Valterra Resource Corporation, a British Columbia corporation listed on the TSXV under the symbol VQA (“Valterra”) may acquire a 100% interest in the Weepah property by making the following staged payments totaling US\$1 million over a period of four years: US\$100,000 at closing (which may be paid in shares); US\$100,000 on first anniversary of closing (which may be paid in shares); US\$200,000 on second anniversary of closing; US\$200,000 on third anniversary of closing; and US\$400,000 on fourth anniversary of closing. The property is subject to royalties totaling 3% of net smelter returns which Valterra may reduce to 2% for US\$2.5 million. Advance minimum royalty payments will be due upon the anniversary of the option exercise as follows: US\$25,000 on first, second and third anniversaries, and US\$35,000 on subsequent anniversaries.

The option agreement closed on July 10, 2017 and Valterra delivered 2,598,680 of its common shares to the Company

Consolidation of the Gold Bar Property

The Company acquired 21 unpatented mining claims in the Nevada Eagle transaction in 2016 (the “Gold Bar Claims”).

On February 2, 2017, the Company completed the acquisition of 6 patented mining claims, contiguous to the Company’s unpatented claims, and related historical data from Bonanza Explorations for US\$50,000 (the “WAH Claims”). The WAH Claims were subject to a 2% et smelters royalty to Atlas Corporation (the “Atlas Royalty”).

On April 17, 2017, the Company closed the purchase of 6 patented mining claims from Atlas Corporation (the “AM Claims”) and the assignment of the Atlas Royalty for US\$30,000.

In April 2017, the Company staked an additional 74 unpatented mining claims surrounding the AM Claims, the WAH Claims and the Gold Bar Claims.

Consolidation of the Tonopah Property

In October 2016, the Company staked 8 unpatented mining claims in Esmeralda County, Nevada (the “Tonopah Claims”).

On May 26, 2017, the Company entered into a definitive purchase agreement with Eastfield whereby the Company will acquire an interest in 18 patented claims and historical data for US\$50,000 cash and by issuing 300,000 common shares of the Company to Eastfield (the “Eastfield Claims”). The transaction was approved by the TSXV and was closed on June 26, 2017. The Eastfield Claims are contiguous to the Tonopah Claims.

On June 9, 2017, the Company entered into a definitive purchase agreement with John Earl Hill, an individual, whereby the Company will acquire an interest in 5 patented claims for US\$27,500 cash (the “Hill Claims”). The transaction was approved by the TSXV and was closed on July 12, 2017. The Hill Claims are contiguous to the Eastfield Claims.

In July 2017, the Company staked 8 additional unpatented claims increasing the Tonopah Claims to 18 unpatented claims.

Pyramid Gold (US) Corp

On May 26, 2017, the Company signed three separate option agreements with Pyramid Gold (US) Corp, a privately held Nevada corporation (“Pyramid”). The Company optioned the following projects to Pyramid under the following terms;

The Moho Property consists of 9 unpatented mining claims in Mineral County, Nevada. Pyramid may earn a 100% interest by making the payments of

- \$10,000 cash on the Effective Date paid to Nevada Select;
- \$15,000 cash on the six-month anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the first one-year anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the second yearly anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the third yearly anniversary of the Effective Date;
- \$150,000 cash paid to Nevada Select on the fourth yearly anniversary of the Effective Date.

Upon the Option Exercise, Nevada Select will be granted a two and a half percent (2.5%) net smelter returns royalty in respect of all products produced from the Moho Property;

The Redlich Property consists of 76 unpatented mining claims in Esmeralda County, Nevada. Pyramid may earn a 100% interest by making the payments of

- \$10,000 cash on the Effective Date paid to Nevada Select;
- \$15,000 cash on the six-month anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the first one-year anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the second yearly anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the third yearly anniversary of the Effective Date;
- \$150,000 cash paid to Nevada Select on the fourth yearly anniversary of the Effective Date.

Upon the Option Exercise, Nevada Select will be granted a two and a half percent (2.5%) net smelter returns royalty in respect of all products produced from the Redlich Property;

The Olympic Property consists of 40 unpatented mining claims in Mineral County, Nevada. Pyramid may earn a 100% interest by making the payments of

- \$2,000 cash on the Effective Date paid to Nevada Select (paid);
- \$3,000 cash on the six-month anniversary of the Effective Date;
- \$20,000 cash paid to Nevada Select on the first one-year anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the second yearly anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the third yearly anniversary of the Effective Date;
- \$25,000 cash paid to Nevada Select on the fourth yearly anniversary of the Effective Date.

Upon the Option Exercise, Nevada Select will be granted a one and a quarter percent (1.25%) net smelter returns royalty in respect of all products produced from the Olympic Property.

On August 15, 2017, the Company agreed to an assignment of the Moho, Redlich and Olympic Option Agreements by Pyramid to Hochschild US, a wholly owned subsidiary of Hochschild Mining Plc.

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 December 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 acquisition of the Platoro West assets included its 50% ownership of the Tuscarora Option Agreement and the Company now owns a 100% interest.

Isabela Pearl

On January 9, 2017, the Company executed a purchaser agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource, for US\$400,000. The Company will retain a NSR (the “Isabella NSR”) of 2.5%. Gold Resource has the option to buy-down 0.5% of the Isabella NSR for US\$500,000. The Isabella NSR includes an area of interest (the “Isabella AOI”) on claims not already held by Gold Resource in their Isabella Pearl property package. The Isabella AOI royalty will be 2%, of which Gold Resource can buy-down 1% for US\$1,000,000. The total purchase is payable to the Company as follows:

- US\$100,000 cash (received - \$134,483);
- US\$60,000 cash (received – \$80,689) as a one-time advance royalty payment; and
- US\$300,000 (\$396,720) in Gold Resource restricted common stock, which equated to 59,642 shares (received).

Hackberry Project

On January 25, 2017, the Company entered into an option agreement with Bitterroot whereby Bitterroot can acquire a 100% interest in the Company’s Hackberry North Project. Bitterroot can acquire their 100% interest by making cash payments of US\$150,000 and issuing 600,000 Bitterroot common shares to the Company, as follows:

- At closing – US\$20,000 cash and 200,000 Bitterroot common shares;
- Year 1 – US\$30,000 cash and 100,000 Bitterroot common shares;
- Year 2 – US\$50,000 cash and 100,000 Bitterroot common shares;
- Year 3 – US\$50,000 cash and 200,000 Bitterroot common shares.

The Company will retain a 3% NSR on precious metals, a 2% NSR on all other products sold and a 0.5% NSR on unpatented lands which Bitterroot acquires within a 2.66-mile radius of the property. On the first three anniversaries of the option exercise, Bitterroot will pay advance minimum royalty payments of US\$10,000 per year. On each of the fourth through 10th anniversaries, Bitterroot will pay advance minimum royalty payments of US\$15,000 per year.

Bald Peak Property

On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius for total proceeds of US\$35,115 (received – \$46,710). The Company issued, to Radius, a Deed with Reservation of Royalty to Radius that provides for:

- a 3% NSR on certain claims of the Bald Peak Project;

- a 1% NSR on certain claims of the Bald Peak Project;
- an area of interest of two miles;
- an annual advance royalty payment of US\$25,000 beginning on the date an exploration permit is issued;
- Radius may buy-down 1% of the 3% NSR for US\$1,000,000.

Butcher Boy

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. upon completing its’ due diligence, the Company terminated the transaction and received a full refund of the deposit.

Weepah Project

On July 10, 2017, the Company closed the option of the Weepah project with Valterra Resource Corp (“Valterra”) whereby Valterra can acquire 100% of the Weepah project by making the following option payments to the Company:

- At closing – US\$100,000 cash or through the issuance of Valterra common shares (received 2,598,680 Valterra common shares);
- Year 1 – US\$100,000 cash or through the issuance of Valterra common shares
- Year 2 – US\$200,000 cash;
- Year 3 – US\$200,000 cash; and
- Year 4 – US\$400,000 cash (the (“Final Option Payment”))

If the Final Option Payment is made the Company will retain a 3% net smelter return on ten unpatented claims and one patented claim. Valterra will have the right to buy-down 1% of the underlying royalty on these claims for US\$1,000,000. Sixty-six unpatented claims are subject to a 2% NSR to a third party and Ely Gold will retain a 1% Net smelter return on those claims.

Valterra will pay the Company advance royalty payments as follows:

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

Royalty Acquisition

On September 8, 2017, the Company acquired four deeded royalties and one leased property for US\$40,000 from Wolfpack Gold (Nevada) Corp. The Company must pay advanced royalties on the acquired leased property as follows:

- Years 1-9 US\$10,000;
- Years 10-14 US\$12,500;
- Years 15-19 US\$15,000; and
- Years 20+ US\$20,000.

New Boston Project

On September 10, 2017, the Company closed the sale of the New Boston project with VR Resources whereby VR Resources can acquire 100% of the New Boston project by making the following payments:

- At closing – US\$10,000 (received) and 50,000 shares of VR Resources (received).
- An additional 50,000 shares of VR Resources if Vr Resources completes a diamond drill program.

If a drill program is not completed by VR Resources within 18 months of closing, the property and any new exploration data will be returned to the Company. The Company was granted a 2% NSR on closing, subject to VR Resources' right to buy down one half of the royalty for US\$500,000 per half percent.

Gold Bar Project

On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont Gold Ltd. ("Fremont") whereby Fremont can acquire 100% of the Gold Bar project by making US\$1,000,000 in option payments to the Company, as follows

- At closing – US\$10,000 (received)
- US\$40,000 six months after the closing date
- US\$100,000 one year after the closing date
- US\$100,000 two years after the closing date
- US\$100,000 three years after the closing date
- US\$200,000 four years after the closing date
- US\$400,000 four years after the closing date (the "Gold Bar Final Option Payment")

If the Gold Bar Final Option Payment is made the Company will retain a 2% net smelter return. Fremont will have the right to buy-down 1% of the underlying royalty on these key claims for US\$5,000,000.

Fremont is also required to pay the Company advance royalty payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Bar Final Option Payment;
- US\$35,000 on each anniversary date of the Final Option Payment thereafter.

Gold Canyon Project

On January 16, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire 100% interest in the Gold Canyon project by making US\$802,500 in option payments to the Company, as follows:

- Initial payment – US\$15,000 (received in January 2018)
- US\$37,500 six months after the closing date
- US\$150,000 one year after the closing date
- US\$112,500 two years after the closing date
- US\$112,500 three years after the closing date
- US\$112,500 four years after the closing date
- US\$300,000 five years after the closing date (the "Gold Canyon Final Option Payment")

If the Gold Bar Final Option Payment is made the Company will retain a 2% net smelter return on the Gold Canyon claims and a 1% net smelter return on any acquired or staked additional claims located within a one-mile area of interest. Fremont will have the right to buy-down 1% of the underlying royalties on all the claims for US\$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US\$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

North Carlin Project

On February 20, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire a 100% interest in the North Carlin project by making US\$267,500 in option payments to the Company, as follows:

- Initial payment – US\$5,000 and 200,000 Fremont shares
- US\$12,500 six months after the closing date
- US\$25,000 one year after the closing date
- US\$37,500 two years after the closing date
- US\$37,500 three years after the closing date
- US\$50,500 four years after the closing date
- US\$100,000 five years after the closing date (the “North Carlin Final Option Payment”)

If the North Carlin Final Option Payment is made the Company will retain a 2% net smelter return on the North Carlin claims. There is no area of interest associated with the North Carlin claims and Fremont will have the right to buy-down 1% of the net smelter return for US\$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US\$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

County Line Project

On March 12, 2018, the Company entered into a definitive purchase agreement with Gold Resource whereby Gold Resource has acquired a 100% interest in the County Line project for total consideration to the Company of US\$300,000. The Company will retain a 3% net smelter return on the County line claims. There is a one-mile area of interest associated with the net smelter return. Gold Resource will have the right to buy-down 1% of the net smelter return for an aggregate purchase price of US\$1,000,000.

Monitor Claims

On March 28, 2018, the Company entered into a definitive option agreement with Monitor Gold Corporation (“Monitor”), a wholly owned subsidiary of Orla Mining Ltd. whereby Monitor has the option to acquire a 100% interest in four unpatented mining claims (the “Monitor Claims”) by making US\$677,000 in option payments to the Company, as follows:

- Initial payment – US\$2,000
- US\$5,000 one year after the closing date
- US\$10,000 two years after the closing date
- US\$15,000 three years after the closing date
- US\$20,000 four years after the closing date
- US\$25,000 five years after the closing date
- US\$50,000 six thru nine years after the closing date
- US\$400,000 ten years after the closing date (the “Monitor Final Option Payment”)

If the Monitor Final Option Payment is made the Company will retain a 2.5% net smelter return on the Monitor Claims. There is no area of interest associated with the Monitor Claims and Monitor will have the right to buy-down 1% of the net smelter return for an aggregate purchase price of US\$1,000,000.

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, 2017	379,413	(1,645,704)	(0.02)	5,625,733	160,944
December 31, 2016 (restated)	49,680	(2,029,686)	(0.03)	6,557,078	555,002
December 31, 2015 (restated)	-	6,144,763	0.09	5,741,614	-

1.7 RESULTS OF OPERATIONS

Three months ended December 31, 2017, compared to the three months ended December 31, 2016.

The Company recorded net loss of \$577,965 (\$0.01 profit per common share) for the three months ended December 31, 2017 (the "current quarter") compared to a net loss of \$968,093 (\$0.02 per common share) during the three months ended December 31, 2016 (the "prior quarter"), a decrease of \$390,128, as explained in the following paragraphs.

- Option proceeds was \$254,119, higher in the current quarter (\$275,103) when compared to the prior year (\$20,984). During the current quarter, the Company received additional cash and shares payments relating to its mineral properties that have been optioned to third parties.
- Consulting fees were \$46,153 higher in the current quarter (\$439,252) when compared to the prior quarter (\$393,099). The increase is due to an increase in the number of consultants engaged in the current quarter when compared to the prior quarter.
- Professional fees were \$12,620 higher in the current quarter (\$64,434) when compared to the prior quarter (\$51,814). During the current quarter, the Company incurred additional legal fees relating due diligence of potential mineral properties.
- Share-based payments, a non-cash expense, was \$172,500 higher in the current quarter (\$172,500) when compared to the prior quarter (\$Nil). During the current quarter, 1,725,000 options were granted and vested.
- Travel and promotion was \$274,429 higher in the current quarter (\$295,395) when compared to the prior quarter (\$20,966). During the current quarter, additional promotional activities were under taken to promote the Company's mineral properties available for sale/option to increase awareness and attract potential buyers.
- The change in fair value of marketable securities was \$452,494 higher in the current quarter (gain - \$119,742) when compared to the prior quarter (loss - \$332,752), which is related to market fluctuations of the marketable securities held by the Company at each quarter end date.
- Loss arising from foreign exchange was \$116,519 higher in the current quarter (gain - \$175,853) when compared to the prior quarter (gain - \$59,334). The reason for the significant fluctuation in loss attributable to foreign exchange is that the Company holds a large balance of US dollars and a significant portion of its marketable securities are US listed securities.

Twelve months ended December 31, 2017, compared to the twelve months ended December 31, 2016.

The Company recorded a net loss of \$1,645,704 (\$0.02 loss per common share) for the twelve months ended December 31, 2017 (the “current year”) compared to a net loss of \$2,029,686 (\$0.03 loss per common share) during the twelve months ended December 31, 2016 (the “prior year”), a decrease of \$383,982, as explained in the following paragraphs.

- Option proceeds was \$329,733 higher in the current year (\$379,413) when compared to the prior year (\$49,680). During the current year, the Company received additional cash and shares payments relating to its mineral properties that have been optioned to third parties.
- Gain on the disposal of exploration and evaluation asset was \$404,738 higher in the current year (\$590,114) when compared to the prior year (\$185,376). During the current year, the Company completed the sale of its Isabella and Bald Peak mineral properties and in the prior year the Company sold its Mina Gold project.
- The change in fair value of marketable securities was \$186,626 lower in the current year (loss - \$121,062) when compared to the prior year (loss - \$307,688), which is related to market fluctuations of the marketable securities held by the Company at each year end date.
- Consulting fees were \$92,423 higher in the current year (\$873,926) when compared to the prior year (\$781,503). The increase is a combination of an investor relations consultant and the fees associated with office staff at the Company’s wholly owned subsidiary in Nevada, Nevada Select.
- Share-based payments, a non-cash expense, was \$24,741 higher in the current year (\$226,696) when compared to the prior year (\$201,955). In the current year, 2,250,000 options were granted and vested compared to 1,450,000 options that were granted and vested in the prior year.
- Travel and promotion was \$302,255 higher in the current year (\$366,414) when compared to the prior year (\$64,159). During the current year, additional promotional activities were under taken to promote the Company’s mineral properties available for sale/option to increase awareness and attract potential buyers.
- Loss arising from foreign exchange was \$59,548 lower in the current year (loss - \$159,159) when compared to the prior year (loss - \$218,707). The reason for the significant fluctuation in loss attributable to foreign exchange is that the Company holds a large balance of US dollars and a significant portion of its marketable securities are US listed securities.

1.8 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The material components of exploration and evaluation expense are:

For the year ended	December 31, 2017	December 31, 2016
Exploration and evaluation costs		
Geological consulting	\$ 134,226	\$ 58,361
Drilling/assays	478	51,049
Field expense	1,359	3,054
Claim maintenance	252,260	172,299
	\$ 388,323	\$ 284,763

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 2017	Sept 30 2017	Jun 30 2017	Mar 31 2017
Total revenues (Interest & other income)	\$206,615	\$89,135	\$15,144	\$68,519
Gain (loss) for the quarter	\$(577,965)	\$(947,076)	\$(542,127)	\$421,464
Gain (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	\$0.01

For the quarters ended

	Dec 31 2016 <i>(restated)</i>	Sept 30 2016 <i>(restated)</i>	Jun 30 2016 <i>(restated)</i>	Mar 31 2016 <i>(restated)</i>
Total revenues (Interest & other income)	\$20,964	\$11,403	\$17,339	\$46
Gain (loss) for the quarter	\$(968,093)	\$(361,034)	\$(189,902)	\$(510,657)
Gain (loss) per share	(\$0.02)	(\$0.00)	(\$0.00)	(\$0.01)

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.

Effective January 1, 2017, the Company changed its accounting policy in respect of exploration and evaluation expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS 6 - Exploration for and Evaluation of Mineral Resources. Previously, these expenditures were capitalized as exploration and evaluation assets on the Company's balance sheet.

1.10 LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had cash of \$2,393,322 and a consolidated working capital of \$2,755,452. 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,	
	2017	2016 <i>(restated)</i>
Operating activities	\$ (1,864,490)	\$ (1,419,200)
Investing activities	(108,802)	(668,866)
Financing activities	-	1,455,962
Total Change in Cash	(1,973,292)	(632,104)
Cash and Cash Equivalents, Beginning of the Year	4,366,614	4,998,718
Cash and Cash Equivalents, End of the Year	\$ 2,393,322	\$ 4,366,614

Operating Activities

The nature of the Company's operating activities has not significantly changed when compared to the prior year. In the current year, the Company realized a gain on disposal of exploration and evaluation assets of \$590,114 relating to the disposition of the Company's Isabella and Balk Peak projects.

Investing Activities

The Company expended net cash of \$370,684 relating to acquiring additional mineral and royalty interests. In addition, the Company received \$261,882 in cash relating to the disposition of the Company's Isabella and Balk Peak projects.

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:

	December 31, 2017	December 31, 2016
Short-term employment benefits	\$ 792,394	\$ 586,397
Share-based payments	201,352	201,955
Total	\$ 993,746	\$ 788,352

As at December 31, 2017, \$287,675 (2016 - \$228,359) 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 \$nil (2016 - \$16,080) was made to an officer and director of the Company.

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

The Company has in place 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, 2017, the authorized share capital was an unlimited number of common shares and there were 76,055,475 common shares issued and outstanding. As at the date of this MD&A the Company had 79,055,475 common shares issued and outstanding.

Stock Options and Warrants

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

Expiry Date	Exercise Price	December 31, 2017	December 31, 2016
February 26, 2017	\$ 0.12	-	400,000
July 24, 2017	\$ 0.14	-	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	250,000	325,000
January 28, 2024	\$ 0.12	600,000	700,000
November 27, 2024	\$ 0.06	550,000	650,000
March 11, 2026	\$ 0.09	250,000	250,000
August 18, 2026	\$ 0.09	1,200,000	1,350,000
June 19, 2027	\$ 0.125	500,000	-
November 22, 2017	\$ 0.10	1,725,000	-
Total outstanding and exercisable		6,425,000	5,225,000

On November 22, 2017, the Company granted 1,725,000 incentive stock options to certain directors, officers and consultants of the Company. Each option is exercisable into one common share of the Company at a price of \$0.10 and expire on November 22, 2027.

On June 29, 2017, the Company issued 300,000 common shares with a fair value of \$34,500 for the acquisition of mineral properties.

On June 23, 2017, the Company issued 1,000,000 share purchase warrants to acquire mineral properties. Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.125 until June 23, 2020.

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. In addition, there are 5,000,000 warrants outstanding exercisable at \$0.20, expiring October 8, 2018. On June 23, 2017, the Company issued 1,000,000 share purchase warrants to acquire mineral properties, exercisable at \$0.125, expiring June 23, 2017.

Outstanding share data

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

Common shares	79,055,475
Options	6,425,000
Warrants	6,000,000
Fully diluted shares outstanding	91,480,475

1.12 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.13 PROPOSED TRANSACTIONS

Other than previously disclosed, the Company has no proposed transactions.

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, 2016 and 2015. 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 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

Change in accounting policy

Exploration and evaluation assets

Effective January 1, 2017, the Company changed its accounting policy in respect of exploration and evaluation expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS 6 - *Exploration for and Evaluation of Mineral Resources*. Previously, these expenditures were capitalized as mineral and royalty interests on the Company's statement of financial position. Management considers this accounting policy to provide more reliable and relevant information and believes that showing exploration and evaluation expenditures separately on the statement of loss and in the operating activities section of the statement of cash flows more accurately reflects the Company's activities during the periods presented. No change in accounting policy was made with regards to pre-exploration costs; acquisition costs and costs not directly attributable to exploration and evaluation activities.

The change in accounting policy has been applied retrospectively. As required by IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company included the restated statement of financial position as of January 1, 2016.

Impact on consolidated statement of financial position as at January 1, 2016 is as follows:

	As previously reported	Adjustment	Restated
Mineral and royalty interests	\$ 1,009,244	\$ (543,424)	\$ 465,820
Total assets	6,285,038	(543,424)	5,741,614
Deficit	(19,880,202)	(543,424)	(20,423,626)
Total shareholder's equity	6,247,029	(543,424)	5,703,605
Total liabilities and shareholder's equity	\$ 6,285,038	\$ (543,424)	\$ 5,741,614

Impact on consolidated statement of financial position as at December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Mineral and royalty interests	\$ 1,999,909	\$ (828,187)	\$ 1,171,722
Total assets	7,385,265	(828,187)	6,557,078
Deficit	(21,547,845)	(828,187)	(22,376,032)
Total shareholder's equity	6,427,242	(828,187)	5,599,055
Total liabilities and shareholder's equity	\$ 7,385,265	\$ (828,187)	\$ 6,557,078

Impact on consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Total operating expenditures	\$ (1,435,973)	\$ (284,763)	\$ (1,720,736)
Loss for the year	(1,744,923)	(284,763)	(2,029,686)
Comprehensive loss for the year	(1,744,923)	284,763	(2,029,686)
Basic and diluted loss per share	\$ (0.03)	\$ -	\$ (0.03)

Impact on consolidated statement of cash flow for the year ended December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Net cash used in operating activities	\$ (1,273,668)	\$ (284,763)	\$ (1,558,431)
Net cash used in investing activities	\$ (814,398)	\$ 284,763	\$ (529,635)

Exploration and evaluation costs that were capitalized and previously disclosed and which do not meet the new capitalization policy, have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. These reclassifications are reflected on each of the consolidated statements of financial position presented.

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 note payable, 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 accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments. The carrying value of notes payable approximates fair value as the notes bear market interest rates.

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 major Canadian and American financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 2,393,322	\$ 4,366,614

(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, 2017, the Company has cash and cash equivalents of \$2,393,322 (2016 - \$4,366,614), current liabilities of \$1,176,905 (2016 - \$403,021), long-term portion of note payable of \$160,944 (2016 - \$555,002) and working capital of \$2,755,452 (2016 - \$4,921,673).

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

As at December 31, Due Date	2017	2016
0 – 90 days	\$ 631,943	\$ 403,021
90 – 365 days	544,962	-
More than 1 year	160,944	555,002
	<u>\$ 1,337,849</u>	<u>\$ 958,023</u>

(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 equity 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, 2017, 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, 2017, the Company has not hedged its exposure to currency fluctuations.

At December 31, 2017 and 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	US\$	1,422,889	US\$	2,181,566
Accounts payable and accrued liabilities		(279,606)		(87,929)
Note payable		(650,000)		(400,000)
Interest payable		(40,993)		(13,348)
Net	US\$	452,290	US\$	1,680,289
Canadian dollar equivalent		\$ 567,398		\$ 2,175,562

Based on the above net exposures as at December 31, 2017, a 5% (2016 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately \$28,000 (2016 - \$125,500).

(iii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments consisting of common shares are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held.

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2017 and 2016:

December 31, 2017	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	\$ 2,393,322	\$ -	\$ -	\$ 2,393,322
Note payable	\$ -	\$ 866,850	\$ -	\$ 866,850
Available-for-sale				
Marketable securities	\$ 1,419,193	\$ -	\$ -	\$ 1,419,193

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	\$ -	\$ 472,910
Available-for-sale				
Marketable securities	\$ 859,346	\$ -	\$ -	\$ 859,346

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