King's Bay Gold Corporation
(An Exploration Company)

MANAGEMENT'S DISCUSSION and ANALYSIS
For the Three Months Ended March 31, 2017

Report date: May 12, 2017

HEAD OFFICE AND REGISTERED OFFICE ADDRESS:

Suite 1450 – 789 West Pender Street, Vancouver, BC, V6C 1H2

TELEPHONE: (604) 681-1568
EMAIL: info@kingsbaygold.com
WEBSITE: www.kingsbayres.com

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the financial position and results of operations for KING'S BAY GOLD CORPORATION (the "Company" or "King's Bay") should be read in conjunction with the condensed interim financial statements for the three months ended March 31, 2017, which are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

This discussion provides management's analysis of the Company's historical financial and operating results and provides estimates of the Corporation's future financial and operating performance based on information that is currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information on the Corporation is available on SEDAR at www.sedar.com and on the Corporation's website at www.kingsbaygold.com.

CORPORATE OVERVIEW

King's Bay was incorporated pursuant to the Canada Business Corporations Act on March 20, 1998. The head office and registered office of the Company is Suite 1450 – 789 West Pender Street, Vancouver, BC, V6C 1H2. The Company is a mineral resource exploration company which has been assembling, exploring and rationalizing a portfolio of precious metals exploration prospects over the last seventeen years.

The Company became a publicly traded entity on the TSX Venture Exchange ("TSX-V") in April 2002 (Symbol: "KBG"). Since that time, the Company has completed several prospective offerings and brokered and non-brokered private placement offerings, with the net capital being raised mostly used to conduct exploration and development programs on its properties.

As of the date of this report, the Company owns an interest in the following properties:

- Lynx Lake Cobalt-Copper Property
- Quebec Cobalt Properties – Ninuk Lake, Broadback River, and Roberge
- Trump Island
- Brooks Lake Property aka Hook Bay of Helena Lake

For detailed property descriptions and proposed work programs, see the section herein entitled *Exploration and Evaluation Assets,* or visit the Company's website at www.kingsbayres.com or public filings at www.sedar.com.

KEY DEVELOPMENTS – Year-to-date 2017

January 18, 2017, the Company issued 200,000 common shares in connection with the Lynx Lake Copper-Cobalt Property.

February 1, 2017 – The Company granted 816,128 stock options to a consultant priced at $0.135 and expiring in 2 years.

February 16, 2017 – The Company announced the acquisition of a 100% interest in the Trump Island Copper-Cobalt Property, located in north-central Newfoundland. In consideration, the Company will pay $7,000 (paid) and issue 200,000 common shares (issued). The property is subject to a 2.0% net smelter return royalty payable by the Company to the vendors.

March 1, 2017, 200,000 of the options granted on February 1, 2017 were exercised for gross proceeds of $27,000.

March 27, 2017 – The Company announced that it has entered into an agreement, pending TSX Venture Exchange approval, to sell its 100% interest in the Menary Gold Project. In consideration, the company will receive 15% of the existing shares of the Purchaser, a newly formed private company. The Purchaser shall retain the option to purchase back the entirety of the 15% share position from the Company for $100,000 for a period of 2 years from the date of execution.

EXPLORATION AND EVALUATION ASSETS

Lynx Lake Cobalt-Copper Property

On October 27, 2016, the Company announced it had entered into an agreement to acquire a 100% interest in 66 claim units known as the Lynx Lake Property, located 100 km southeast of Happy Valley-Good Bay, Newfoundland and Labrador. In consideration the Company shall:

- Pay $10,000 on signing (paid),
- Pay $30,000 on the first year anniversary of signing,
- Pay $30,000 on the second anniversary of signing,
- Pay $30,000 on the third anniversary of signing.
- Issue 200,000 common shares upon TSX Venture Exchange (“TSX-V”) approval (issued),
- Issue 300,000 common shares on the first anniversary of signing, and
- Issue 400,000 common shares on the second anniversary of signing.

There is a 1.5% Net Smelter Return (“NSR”) on future production payable to the vendors. The Company can buy back one half or 0.75% of the NSR at any time by paying $1,000,000 to the original vendors.

The Lynx Lake property consists of 959 mineral claims encompasses 240 square kilometres and is located in southern Labrador, approximately 100 km southeast of Happy Valley-Goose Bay. The Property can be accessed along the Trans-Labrador Highway, a 1.5 hour drive from Happy Valley-Goose Bay. A three phase powerline runs directly adjacent to the property allowing access to power upon potential mine development.

The majority of the historical work has been completed by local prospectors. The work included grab sampling and a localized hand held electromagnetic survey. Most of the work has been carried out in two large quarry pits excavated by the Department of Transportation during construction of the highway.

Geotech Ltd. (“Geotech”), of Aurora, Ontario has completed 100% of the 382 line kilometer helicopter-borne Versatile Time Domain Electromagnetic Geophysical Survey over the Company’s Lynx Lake Copper-Cobalt Project in southeastern Labrador. Geotech has advised the Company that it expects to have the results outlining potential drilling targets from the survey by early May. The helicopter-borne Versatile Time Domain Electromagnetic System (“VTEM”) has a penetration depth of over 800 m, with a low Base Frequency (30Hz) for penetration through conductive overburden cover, coupled with a 2-3 meters High Spatial Resolution. This system is advertised to be able to delineate potential drill hole targets from the airborne results. In addition, it also has excellent resistivity discrimination to enable the detection of weak anomalies.

Quebec Cobalt Properties

Ninuk Lake Project

The Ninuk Lake Project is located approximately 175 kilometers northeast of Umiujag, Quebec, 125 kilometres from a deep-sea port, and consists of 19 mineral claims encompassing 2,164 acres. The property was acquired from Zimtu Capital Corp. ("Zimtu") for $17,000 (paid).

Surface sampling of massive sulfide in outcrop yielded anomalous values of up to 2.6% Ni, 1.8% Cu, and 0.27% Co. Mapping of the area exposed several lenticular ultramafic bodies containing pods massive sulfide.

A localized electromagnetic program yielded several subsurface conductors in the area. Due to several other discoveries that year, the exploration work by Falconbridge Ltd. was not followed up. The compilation of these results encourages further work to be completed on the property.

Broadback River Cobalt Property

The Broadback River Project is located only 24 kilometers northwest of the Nuinsco Discovery zone and consists of 9 mineral claims encompassing 1035 acres. The property can be easily accessed by the James Bay Road north from Matagami and then by logging roads to the property approximately 75 kilometers inland. The property was acquired from Zimtu for $14,000 (paid).

In 1985 a magnetic and electromagnetic survey was flown by the Quebec Ministry of Natural Resources that uncovered several large conductors.

In 1999-2000 Falconbridge Ltd. took 152 samples and uncovered semi massive sulphide assaying 0.7% Ni, 0.3 Cu, and 0.09% Co but only drill tested the northwestern portion of the property. All southeastern conductors remain untested.

Roberge Cobalt

The Roberge Project is located 2.1 kilometers southeast of Chesterville, Quebec and consists of 3 mineral claims encompassing 443 acres. The property was acquired from Zimtu for $8,000 (paid). The property is easily assessable by a paved road, which runs through the property. Soil sampling on the property revealed several anomalous sediment samples assaying up to 1.06% Co.

Trump Island

On February 16, 2017, the Company acquired the Trump Island Proeprty for $7,000 (paid) cash and 200,000 common shares (issued). The North Trump Island Property consists of 8 mineral claims encompassing an area of 2 square kilometers and is located 7 kilometers south of the town of Twillingate, Newfoundland and Labrador. The property is accessible by boat 1.5 kilometers east from the nearest boat launch at Tizzard's Harbour on NL Hwy 345. The property's history dates back to the mid 1860's when a 20-foot (6.1 m) shaft was sunk on a mineralized zone of massive chalcopyrite. At the bottom of the shaft, it was reported that the mineralized zone expanded with depth but, due to limited technology, no further excavation could be safely continued.

Follow up grab sampling in 1999 by G. Lewis, an experienced local prospector, revealed mineralization assaying up to 3.80% Cu, 0.30% Co, 2.90 g/t Au and 10.9 g/t Ag near the old Clymo mine shaft. The property has not been drilled to date. The compilation of the recent 1998-99 field work done by Lewis suggests that a more detailed exploration program is warranted.

Menary Gold Project

The Company entered into several agreements between 2011 to 2013 to acquire a number of claim units in a property known as Menary Gold Project in the Province of Ontario. Throughout 2011 to 2015, the Company paid $114,000 and issued 2,050,000 common shares under the agreements.

On February 23, 2017, the Company entered into an agreement with Destroismaisons CLM Holding Corporation ("CLM") for the sale of the Menary Gold Project. In consideration, the Company will receive 15% of the issued and outstanding shares of CLM, which can be repurchased by CLM for $100,000 within a two year period.

Blackjack Property

In 2013, the Company entered into an agreement to acquire an option in a number of claim units known as Gold Hill – Blackjack Property in the townships of Kirkup and Manross in the Kenora Mining District in the Province of Ontario. Throughout 2012 to 2013, the Company paid $17,875 and issued 500,000 common shares.

On February 3, 2016, the Company signed an agreement with Intact Gold Corp. ("Intact") for the sale of the Blackjack Property. In consideration, the Company will receive cash of $10,000 (received), 200,000 post-split common shares of Intact (received and fair valued at $19,000) within 10 days of TSX Venture approval, and 200,000 post-split purchase warrants of Intact priced at $0.17 for a term of 24 months from the date of the agreement (received and fair valued at $7,801). There is a 2% Net Smelter Return ("NSR") on future gold production payable to original vendors. Intact can buy back one half or 1% of the NSR at any time by paying $1,000,000 to the original vendors.

Hook Bay of Helena Lake

In 2003, the Company staked 2 claims to explore for gold. In 2005, the Company staked one claim and in 2014, the Company staked one additional claim. The current property covers 560 hectares.

About Cobalt

At this time, the price of cobalt is rising due to a combination of factors. Some of these factors are related to unsettled conditions in areas such as the Democratic Republic of Congo, where the majority of the world's cobalt is recovered. Other factors include an increased demand for rechargeable batteries. A single rechargeable ion car battery contains as much as 20 kilograms of cobalt. In addition to batteries, cobalt is used in alloys for aircraft engine parts and for alloys with corrosion/wear resistant uses. Cobalt also has many medical uses; cobalt isotopes are used to produce stable dichromatic beams in "cobalt therapy", which is used to treat cancer.

ANNUAL FINANCIAL INFORMATION

Financial Data

The following table shows selected key financial information for the last three fiscal years:

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Total revenues	-	-	5
Loss for the year before taxes	(660,725)	(2,215,626)	(210,398)
Weighted average number of shares outstanding	22,213,444	9,915,705	9,897,691
Loss per share	(0.03)	(0.22)	(0.02)
Total assets	512,395	165,631	2,344,942
Long term debt	Nil	Nil	Nil
Cash dividends	Nil	Nil	Nil

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit. The increased net loss in 2015 was due to the impairment of exploration and evaluation assets.

OPERATING RESULTS

Net loss for the three months ended March 31, 2017, was $511,593, compared to a net loss during the three months ended March 31, 2016 of $70,473, for a difference of $441,120. The significant expense differences include:

- Advertising and promotion (2017: $93,103, 2016: $16,995) increased as the Company entered into a Corporate development and marketing agreement to promote the Company (see Commitments) and attended various tradeshows;
- Consulting fees and salaries (2017: $69,208, 2016: $nil) increased as the Company is now under new management;
- Filing fees and transfer agent costs (2017: $1,353, 2016: $10,170) decreased due to more regulatory filings in the prior year's period, as the Company issued shares, held an Annual General Meeting, and consolidated its shares;
- Investor relations (2017: $22,500, 2016: $nil) increased due to the hiring of a firm for monthly promotional activities;
- Share-based payments (2017: $232,942, 2016: $nil) increased due to options granted during the current year's period;
- Travel and meals (2017: $39,034, 2016: $nil) increased due to the additional promotion of the Company at tradeshows, meeting with investors, and visiting the properties; and
- Unrealized loss on marketable securities (2017: $7,590, 2016: $nil) increased due to the adjustment of marketable securities to their fair market value at the end of period.

SUMMARY of QUARTERLY RESULTS

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) from continuing operations	(504,004)	(422,166)	(62,046)	(81,685)	(70,493)	(4,584)	(20,366)	(61,044)
Net income (loss) & comprehensive income (loss)	(511,593)	(446,261)	(61,072)	(82,919)	(70,473)	(1,832,566)	(22,519)	21,216
Basic and diluted net income (loss) per share	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	0.01
Cash	120,633	359,498	24,890	57,238	927	1,971	4,398	3,014
Current assets	336,875	673,001	68,692	116,144	51,692	3,319	5,080	9,432
Working capital	257,027	619,578	(51,067)	23,619	(834,936)	(764,463)	(755,690)	(735,779)
Total assets	647,159	812,395	194,943	242,421	214,004	165,631	2,323,938	2,330,898
Current liabilities	79,848	53,423	119,759	92,525	886,628	767,782	760,770	745,211
Total liabilities	79,848	53,423	119,759	92,525	886,628	767,782	1,115,770	1,100,211
Share capital	18,047,303	17,917,249	16,995,085	17,008,725	16,103,286	16,103,286	16,102,036	16,102,036
Accumulated deficit	17,879,065	17,367,472	16,821,211	16,860,139	16,777,220	16,706,747	14,895,180	14,872,659

Over the course of the Company's eight previously completed quarters, the Company's loss from continuing operations had been declining, with expenses falling due to reduced business activities, until 2016 when the Company began exploring new opportunities under new management. The net loss and comprehensive loss remained consistent with some notable exceptions. During the quarter ended June 30, 2015, the Company recorded the recovery of the settlement from the Canada Revenue Agency for its 2013 audit and recorded gains on the sale of marketable securities. During the quarter ended December 31, 2015, the significant increase in net loss is due to the impairment of exploration and evaluation assets. During the quarter ended December 31, 2016, the Company’s expenses increase due to increased business activities as well as a charge for share-based compensation for options that were granted during the quarter. During the quarter ended March 31, 2017, expenses increased again due to share based compensation and the increase in costs related to developing and promoting the Company’s properties.

Capital Resources

The Company’s present cash resources are not sufficient to meet all of its current liabilities and administrative and overhead expenses for the next eighteen months. The Company will need to raise the additional for general working capital requirements.

The Company will continue to require funds to further the exploration of its resource properties. As a result, the Company may have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

The Company’s financial success will be dependent on the economic viability of its resource properties and the extent to which it can discover and develop new mineral deposits. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine.

All of the Company’s properties are in the exploration stage only. Development of each of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company’s exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company’s operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2017 and 2016, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

Key management compensation	**March 31, 2017 $**	**March 31, 2016 $**
Salaries and benefits	51,000	-
Total	51,000	-

Amounts due to related parties	**March 31, 2017 $**	**December 31, 2016 $**
Kevin Bottomley (a)	-	2,245
Bradley Hoeppner. (b)	-	957
Due to related parties included in accounts payable	-	3,202

a) Kevin Bottomley is the President, CEO, and a director
b) Bradley Hoeppner is a director

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest bearing, and have no specific terms of repayment.

COMMITMENTS

On January 1, 2016, the Company signed a Management Services Agreement with Zimtu Capital Corp. (“Zimtu”) to provide management and administrative services at a rate of $12,500 per month for one year.

On January 1, 2016, the Company signed a corporate development and marketing agreement with Zimtu to provide services, including, but not limited to, business development, strategic planning, marketing, financial services, research, and communication products, at a rate of $5,000 per month for one year.

On October 5, 2016, the Company signed a special corporate development and marketing agreement with Zimtu to provide services, including, but not limited to, business development, strategic planning, marketing, financial services, research, and communication products, at a rate of $9,500 per month for one year.

DISCLOSURE OF OUSTANDING SHARE DATA

The following is a breakdown of the share capital of the Company, on an annual basis and the date of this report:

	May 12, 2017	**March 31, 2017**	**December 31, 2016**
Common Shares	41,406,423	41,406,423	40,806,423
Warrants	12,550,300	12,550,300	12,550,300
Stock Options	3,416,128	3,416,128	2,800,000
Fully Diluted Shares	57,372,851	57,372,851	56,156,723

On May 31, 2016, the Company held its Annual and Special Shareholders’ meeting. The shareholders approved a 10 for 1 consolidation of the Company’s common shares. The effective date of the consolidation is July 6, 2016.

For additional details of outstanding share capital, refer to Notes 7 and 8 of the condensed interim financial statements for the three months ended March 31, 2017.

FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

(d) Capital management

Capital is comprised of the Company’s shareholders’ equity and any debt it may issue. As at December 31, 2016, the Company’s shareholders’ equity was $566,311 (December 31, 2016 - $758,972). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders’ equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(e) Fair value

The fair value of the Company’s financial assets and liabilities approximates the carrying amount.

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

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

The following is an analysis of the Company’s financial assets measured at fair value as at March 31, 2017 and December 31, 2016:

	As at March 31, 2017		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 120,633	$ -	$ -
Marketable securities	$ 110,008	$ -	$ -
Total	$ 230,641	$ -	$ -
	As at December 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 359,498	$ -	$ -
Marketable securities	$ 17,598	$ -	$ -
Total	$ 377,096	$ -	$ -

FORWARD LOOKING STATEMENT

Certain information set forth in this Management Discussion and Analysis (“MD & A”), including management’s assessment of the Corporation’s future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties’ control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Corporation’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive there from. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RISKS AND UNCERTAINTIES

Going Concern

The Company has not generated any revenues and has incurred accumulated losses of $17,879,065 (December 31, 2016 – $17,367,472) since inception. As at March 31, 2017, the Company has working capital of $257,027 December 31, 2016 – $619,578). These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its diamond and fluorspar mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There is, primarily as a result of the conditions described above, cast significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuring twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best

efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

Raising Capital Funding and Dilution

The profitability of the Corporation is affected by business risks including the price of gold, the normal risks associated with open pit and underground mining, which affects production rates and costs, and the exchange rate between the Canadian dollar and United States dollar. Once the Corporation commences production, outside financing will be required. While the Corporation has been successful in the past, there is no assurance that funding will be available under terms that are satisfactory to management. The ability of the Corporation to achieve its operational objectives is dependent in large measure on the results of the exploration activities and the ability to raise capital funding for continued exploration. The Corporation frequently issues Common Shares to finance its operations and for working capital purposes. It is possible that the Corporation will enter into more agreements to issue Common Shares and warrants and options to purchase Common Shares. The impact of the issuance of a significant amount of Common Shares, along with warrant and option exercises, could place downward pressure on the market price of the Common Shares and at a minimum such issuances will dilute the existing shareholders’ interests in the Corporation

Mineral Commodities Price Volatility

The Corporation's business is continuing to be affected by the world market prices of mineral commodities. The prices of mineral commodities are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Corporation's control. These include industry factors such as: demand; speculative trading; and costs of and levels of global production by producers of gold and mineral commodities. Mineral commodities prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the US dollar, the currency in which the price mineral commodities are generally quoted, and other currencies; interest rates; and global or regional, political or economic uncertainties. A decline in the world market price of mineral commodities could affect the Corporation’s ability to raise additional financing and could make exploration and / or development of the Corporation’s mineral properties uneconomical.

Mining Risks and Insurance Risks

The operations of the Corporation are subject to significant risks and hazards, incidental to the exploration, development and production of gold including environmental hazards, industrial accidents, unusual or unexpected rock formations, pressures, cave-ins and flooding, most of which are beyond the Corporation's control. These risks and hazards could result in: damage to, or destruction of, mineral properties or producing facilities; personal injury or death; environmental damage; delays in production; and monetary losses and possible legal liability for such damage.

Competition Risk

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with other mining companies and individuals, including competitors with greater financial, technical and other resources than the Corporation for mining claims and leases on exploration properties, acquisition of mineral assets, capital and qualified employees. Competition could adversely affect the Corporation’s ability to raise capital, acquire suitable properties, sufficient equipment and qualified personnel for exploration in the future. The Corporation cannot assure that it will continue to be able to compete successfully with its competitors in acquiring such properties, capital and employees or terms it considers acceptable, if at all.

Environmental, Health and Safety Regulations

The Corporation's operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and protected species. Environmental legislation is evolving in a manner that may 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 existing or future environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation’s operations. Environmental hazards may exist on the properties on which the Corporation holds interests that are unknown to the Corporation at present and that have been caused by previous existing owners or operators of the properties. There may be costs and / or delays associated with compliance with these laws and regulations. The unknown nature of possible future additional regulatory requirements creates uncertainties related to future environmental, health and safety costs. Any amendment to current laws and regulations governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation's financial condition and results of operations.

Exploration

Mineral exploration is highly speculative in nature. The Corporation's exploration work involves many risks and may be unsuccessful. Substantial expenditures are required to establish proven and probable reserves and to complete the related mine development. It may take several years from the initial phases of exploration until drilling and / or production is possible. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful and result in production or result in the discovery of new ore bodies.

Dependence on Management

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company. The Corporation does not maintain any key man insurance on any of its employees.

Conflicts of Interest

Certain of the directors and officers of Corporation are also directors and / or officers of other companies, and may be shareholders of those companies. Such associations or relationships may give rise to conflicts of interest from time to time. The Corporation's directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict must disclose his interest and abstain from voting on such matters in accordance with applicable corporate laws, and may be required to resign as a director of one of the companies.

Payment Obligations

The Corporation is, or may in the future become, a party to certain contractual agreements pursuant to which the Corporation is or may become subject to payments and be required to comply with other obligations. If such obligations are not complied with when due, in addition to any other remedies that may be available to the other parties, this could result in dilution or forfeiture of interests held by the Corporation. The Corporation may not have, or be able to obtain, financing for all such obligations as they arise.

Title to Properties

The validity of unpatented and patented mining claims, which constitute the Corporation's property holdings, can be uncertain and may be contested. Although the Corporation has attempted to acquire satisfactory title to its properties, some risk exists that some titles, particularly title to undeveloped properties, may be subject to prior unregistered agreements, transfers and / or First Nations land claims the Corporation’s title to its property holdings may be affected by other undetected defects and may be defective.

Future Capital Requirements

The Corporation may encounter significant unanticipated liabilities or expenses. The Corporation's ability to continue its planned exploration activities depends in part on its ability to obtain additional financing in the future to fund exploration and development activities or acquisitions of additional projects. Since incorporation on March 20th, 1998, the Corporation has raised capital primarily through equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. There can be no assurance that the Corporation will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

Dividends

No dividends on the Common Shares have been paid to date. The Corporation does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Corporation's Board of Directors, after taking into account many factors, including the Corporation's operating results, financial condition and current and anticipated cash needs.

Estimates and Assumptions employed in the preparation of financial statements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- the recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Going concern
  Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

CAPITAL MANAGEMENT

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements or restrictions. Management is of the opinion that the amounts and changes in the company's capital are readily determinable from information provided in its financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

STOCK-BASED COMPENSATION PLAN

The Company has a Stock Option Plan (the "Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company's Annual and Special General Meeting on May 31, 2016, the shareholders approved the "2016 Stock Option Plan", and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

FUTURE ACCOUNTING STANDARDS

For details of the Company's New Accounting Standards Adopted and New Accounting Pronouncements, please refer to Note 4 of the Company's audited financial statements for the year ended December 31, 2016.

CORPORATE GOVERNANCE

The Board of Directors is currently comprised of the four individuals as appointed, elected or re-elected and as noted below. The Corporations by-laws provide that each director is elected to serve until the next Annual and Special Meeting of Shareholders or until a successor is elected or appointed. The Board of Directors has established two committees: the Audit Committee and the Compensation Committee. Directors, Officers and Committee Members are identified as follows:

- Kevin Bottomley** – Director, President, CEO
- Dusan Berka** – Director
- Bradley Hoeppner** - Director
- Nicholas Rodway – Director
- Jody Bellefleur - CFO

** member of the audit committee