MINERAL HILL INDUSTRIES LTD.

Management Discussion and Analysis

For the year ended
December 31, 2016

Management's discussion and analysis of financial results
For the year ended December 31, 2016
Containing information up to and including March 30, 2017

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Mineral Hill Industries Ltd. (the "Company" or "MHI") and the financial performance for the year ended December 31, 2016. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as at, and for the year ended December 31, 2016 and 2015. Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at www.sedar.com.

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee. The majority of the audit committee is comprised of independent directors who review and prior to its publication, approve, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

All amounts are in Canadian dollars unless otherwise noted and prepared in accordance with International Financial Reporting Standards ("IFRS").

Current market conditions

The recent and current global financial conditions are still having a negative impact on the economic environment in which the Company operates. Access to public financing has significantly diminished for junior exploration companies as a direct result. If the current conditions continue, the Company's ability to operate will be adversely impacted and the trading price of the Company's shares could continue to be under a downward pressure.

Overview

Previously, MHI was actively engaged in the acquisition and exploration of natural resources but during the last 6 years has experienced extreme difficulties raising sufficient funds for mining exploration due to the economic climate within that sector. The Company, therefore, switched in 2015 its main focus to the exploration of advanced natural gas and oil projects. The Company completed its due diligence on an energy project and changed its focus away from its previous gold and lithium exploration to the energy sector.

Due to the financial uncertainty on the global scene, the Company was unable to secure the financing necessary to continue with the development of the Liberty Hill Gold mine and therefore terminated the "earn-in agreement". The termination went into effect during the year ended December 31, 2015 and the Company recorded $308,448 as impairment on its assets. In November 2014, the Company entered into a very extensive due diligence process on the Avis Energy Global Holdings Inc. ("AEG") project based on an executed Letter of Intent ("LOI") which MHI announced on November 17, 2014. This project included an extremely viable green energy technology and an offer of a very attractive private placement financing proposal but required a far more extensive due diligence process and background checkup on the principle of AEG than initially expected in respect to the proposed ownership of the technology and its financing proposal.

The extensive due diligence process, during 2015, which included a trip to Europe by the Company's President, was concluded and the Company determined that an involvement with AEG was not in the best interest of the shareholders due to the uncertainty of the ownership of the patents and the questionable authenticity of certain documentations including financial matters. A letter to AEG formally terminating the LOI with AEG was issued on November 26, 2015. At the same time the Company investigated alternative opportunities within the exploration of natural resources and energy industry as well as the possibility to combine its future interest in proprietary waste-to-energy converting technologies.

The Company is a reporting issuer in Alberta and British Columbia and its common shares are trading on the TSX Venture Exchange under the symbol "MHI" and are also co-listed on two other exchanges, Frankfurt Xetra and OTC Markets of the USA.

As at March 30, 2017, the Company has 11,056,303 common shares outstanding.

Highlights of Events

The following are highlights of events occurring during the year ended December 31, 2016 and subsequent thereto:

In a news release on Nov 17, 2014, the Company announced the extension of its business by joining AEG in the development of green energy and executed a comprehensive Letter of Intent ("LOI"). Due to continuing delays of promised financings, the Company's Executive went overseas to investigate directly with the Inventors about the proposed rights and ownership of the technology. The Company was not able to verify AEG's statements to its full satisfaction and determined that it was in the Company's best interest to formally terminate its "LOI" November 26, 2015.

On April 26, 2016, the Company announced that after careful analysis of the potential value of its Lithium claims located in Quebec, Canada (the "LI-Claims"), which the Company had already impaired in its 2014 financial statements, and in comparing the mounting cost of keeping the remaining claims in good standing in consideration to the Company's unsuccessful attempts to secure funding for continued exploration on the property, the Board of Directors (the "Board") decided that it was in the best interest of the shareholders to divest the claims.

After due deliberation, the Board decided that the Company's value would be better enhanced by focusing on the development of its natural gas and oil involvement, subject to completing its due diligence as expressed within the Company's April 21, 2016 news release. Therefore, the Company entered into an agreement with a non-related mining exploration company to transfer its LI-Claims, to this mining company. MHI retains a 1% NSR on any metal produced, the NSR can be purchased for a combined total of $400,000.

During 2015 the Company actively investigated alternative projects within the natural gas and oil industry segment as well as waste-to-energy converting technologies to increase shareholders' value. MHI signed a Heads of Terms ("HOT" or "LOI") on November 26, 2015 with major shareholders of an energy company, CPS Energy Resources Plc ('CPS"), to acquire 45% of CPS's assets and disclosed the final terms and conditions in the final Share Purchase Agreement which is subject to regulatory approval.

CPS is a private upstream off-shore natural gas and oil company which holds the rights to 80.75% of a "Production Sharing Contract" covering the exploration, development and production licenses over designated areas. On March 1, 2016 the Company executed a Share Purchase Agreement ("SPA") with twelve (12) shareholders representing 45% of the shareholdings in CPS. On April 29, 2016 the Company received from the TSXV the conditional acceptance of the Fundamental Acquisition and on May 09, 2016 the shares of the Company resumed trading.

On May 24, 2016 the Company announced a private placement proposing the issuance of up to 6,700,000 securities units in the capital of the Company at a price of $0.30 per Unit whereby each Unit consists of one common share and one transferable common share purchase warrant exercisable over a three year period subsequent to the approval of the TSXV at $0.40, $0.50 and $0.80 respectively if exercised within the first, second or third year subsequent to its date of issuance.

On August 18, 2016 the Company provided an update news release on the "Fundamental Acquisition", explaining the delay of the proposed private placement, due the recent referendum in the United Kingdom to withdraw from the European Union. Management has also filed with the "TSXV" the documentation it had requested in its "Conditional Acceptance" of the Fundamental

Acquisition and provided the Exchange with evidence of securing the first right of refusal of a further 8% of the outstanding shares from additional shareholders of CPS.

In anticipation that the Right of First Refusal may be exercised subsequent to the final approval of the transaction, Mineral Hill engaged Holborn Capital Limited, London, UK to incorporate a company in the UK under the name of MHI Mass-Energy Financing Plc ("MMF") for the purpose of facilitating a Bond issue to backup all future financings for the OPL 236 project with the objective that MMF will be transferred to Mineral Hill as a 100% subsidiary subsequent to the final approval of the transaction.

On October 11, 2016 the Company announced the appointment of Tremmel Wertpapierbank GmbH in Germany to act as market maker, advisor and sponsor to the Company on the stock market in Frankfurt, Germany. As a result of this sponsorship the common shares of the Company are now also trading via "Xetra"' Germany's all electronic trading system which accounts for more than 90% of all stock trades on the stock exchange in Frankfurt.

On January 16, 2017, the Company announced that it had negotiated the exact same terms and conditions for the additional acquisition of 8% of CPS' shares as the previously executed SPA for 45% of CPS' shares subsequent to the final approval of the transaction.

On August 8, 2016 the Company was served a Notice of Claim in the Vancouver Small Claims Court by a former Director of the Company, dating back to 2010. The Company considered the Claim frivolous and rejected any such claims. On November 15, 2016, in a settlement conference, the Company agreed to settle for $7,500 to avoid further lawyer- and court cost which it thought to be in the best interest of the shareholders and recorded $22,635 as gain on settlement. In February 2017, the Company paid the settlement amount of $7,500.

Overall Performance

Financing

During the first (1st) quarter of 2015 management received verbal commitments from overseas and domestic investors for their participation in a proposed private placement but the company was not able to close any equity funding due to the reluctance of investors to sign the final subscription agreement caused by the volatility of the gold market and the HUI- Index performance. In order to support the Company in its effort to meet its basic commitments, Merfin Management Limited ("Merfin") and Infogen Research Limited ("Infogen") agreed to suspend their respective outstanding loans and contracted consulting fees subsequent to February 1, 2014 until a sufficient financing can be completed. Merfin is a holding company of which MHI's CEO is the President and beneficial part-owner, provided cash advances of $8,349 during the year ended December 31, 2016 compared to $68,290 in the year ended 2015. All outstanding loans to the Company's lenders bear a monthly compounded interest rate of at 8.5% per annum.

Due to insufficient funds to perform a meaningful exploration program on its Lithium properties during the year ended December 31, 2015, the Company decided to impair the properties and record it as impairment of assets. During the month of April, 2016 the Board of Directors approved the transfer of 100% legal and beneficial interest in its lithium claims that had been impaired in fiscal 2014 to a mining exploration company in return for a 1% NSR royalty. The mining exploration company has the right to purchase the Company's 1% NSR on the properties for $400,000 at any time.

During the fourth quarter of 2014, Avis Energy Global Holdings Inc. ("AEG") negotiated a possible reversed takeover ("RTO") with the Company, and offered a significant private placement financing through the AEG group which was announced on November 17, 2014. Due to the complexity of the AEG structure, the size of the funding for a production facility to be erected in Canada, and the continuing misrepresentation by AEG, the due diligence process took considerably longer than initially anticipated. The Management of MHI realized that the proposed RTO with the presented structure of AEG could not be realized as MHI's Management had been unable to satisfy itself on the validity of some issues with the ownership of the technology. During its due diligence review management considered alternative solutions within the energy industry and also other green energy related industry sectors.

In the Company's search to find alternative projects, MHI was approached by shareholders of an energy resources company (the "Target-Company") in June 2015 and started exploratory talks which culminated in a signed Head of Terms Agreement ("HOT" or "LOI") on November 26, 2015 with an amendment on December 08, 2015.

On March 1, 2016 the Company, subsequent to the execution of an "LOI" or "HOT", finalized and executed a Share Purchase Agreement ("SPA") with twelve shareholders ("Shareholders-SPA") of CPS Energy Resources Plc ('CPS") representing 45% of the outstanding shareholdings of CPS, pending TSXV approval. Subsequent to receiving the conditional approval from the TSXV the Company negotiated the Right of First Refusal (the "ROFR") to acquire, subsequent to the final approval by the TSXV, an additional 8% of the shares of CPS from two additional CPS shareholders and agreed that the terms will be the same as agreed upon with the Shareholders-SPA. In addition, the company confirmed with the remaining 47% CPS shareholders to enter, subsequent to acquiring a total of 53%, into a joint venture with the remaining 55% shareholders of CPS on a 53%/47% basis respectively (the "CPS-JV-Agr").

The basic terms of the SPA are as follows:

1. 10 business days after the SPA has been approved by the TSXV (the "Approval-Date-SPA"), the Company as resulting issuer will issue 5,000,000 convertible preference A shares ("Pref-A shares") of the Company to the Shareholders-SPA, at a deemed value of $1.00 per Pref-A share, whereby the Pref-A Shares will have no voting rights but will be convertible into common shares of the Company at a conversion ratio of one to one (one Pref-A Share convertible into one common share) with full voting rights;

2. the Shareholders-SPA will nominate one director to the Company's Board of Directors ("BoD") and the BoD will commission a full NI51-101 report as an update of the existing NI51-101-equivalent report of the CPS project;

3. subsequent to obtaining the full NI51-101 report, and based on an established value range, the Company will issue to the Shareholders-SPA convertible preference shares ("Pref-B Shares") at a deemed value of $1.05 per Pref-B Share, whereby the Pref-B Shares will also have no voting rights but will be convertible into common shares of the Company at a conversion ratio of one to one (one Pref-B Share convertible into for one common share). The number of Pref-B Shares to be issued shall be based on the outcome of the NI51-101 report pursuant to the terms of the SPA;

4. the Company will exercise its ROFR under the same terms as agreed upon with the Shareholders-SPA and execute the CPS-JV-Agr as follows:

(a) the Shareholders-SPA specifically agreed that the Pref-A Shares and the Pref-B Shares will be only convertible into common shares of the Company at their respective conversion price, if the collective conversion of the Pref-A Shares and Pref-B Shares from Shareholders-SPA's including the 8% shares resulting from the ROFR acquisition, do not trigger an RTO under the Rules of the TSXV and upon prior approval of the TSXV;

(b) the parties agreed that the common shares of the Company being issued as a result of the conversion of the Pref-A Shares and Pref- B-Shares may be escrowed and subject to an escrow agreement imposed by the TSXV; and

(c) the Shareholders-SPA agreed as a condition precedent of the transaction to procure a private placement with a minimum amount of five hundred thousand dollars ($500,000) consisting of common shares of the Company.

On April 5, 2016 the TSXV granted Merfin Management Limited 127,557 bonus shares in recognition for providing loan amounts in fiscal 2015 and 2014 totalling $89,290.

Subsequently, in April of 2016 Merfin Management Limited provided additional loans totalling $8,349 for auditing and filing costs.

On July 14, 2016 and July 18, 2016 two Directors of the Company exercised 100,000 and 7,500 options at $0.15 per unit in the Company's share capital.

On August 18, 2016, the Company announced that it had received the irrevocable "Right of First Refusal" from two additional shareholders of CPS, representing 8% of CPS outstanding shares, thereby bringing the Company's shareholdings in CPS to 53%.

On Mar 2, 2017, the Company announced that it had received fully executed subscription agreements for $900,128 and 3,000,425 units in its Private Placement. A finder's fee of $3,855 will be paid by the Company in connection with the Private Placement. As at March 30, 2017 the Company has received a total amount of $127,586.

Results of operations

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

Net loss and comprehensive loss for year ended December 31 2016 was $290,084 (loss per share - $0.03) compared to $484,882 (loss per share - $0.04) for the corresponding period in 2015. Being at the development stage, the Company did not generate any revenue from operations. The decrease in loss of $194,798 was mainly attributable to:

1. an increase of $12,463 in interest and bank charges from $70,025 in 2015 to $82,488 in 2016, due to the loan amount from Merfin and its accumulated interest in 2016 compared to 2015.

2. an increase of $20,362 in investor relations from $5,364 in 2015 to $25,726 in 2016 due to a contract with a market maker.

3. an increase of $84,892 in stock based compensation from $47,831 in 2015 to $132,723 in 2016 mainly due to the grant of 127,557 bonus shares to Merfin Management Ltd for having provided cash contributions to the Company in Fiscal 2014 and 2015 to enable it to meet its minimum administrative obligations and required fees to regulatory bodies and the grant of new options on December 19, 2016;

4. an increase of $5,378 in travel cost from $Nil in 2015 to $5,378 in 2016 due to management's flight to Europe to conduct its due diligence in Europe.

5. A decrease of $308,488 in impairment of assets from $308,488 in 2015 to $NIL in 2016 due to no assets being impaired in the current year.

Selected annual information

Summary of Annual Results	December 31 2016	December 31 2015	December 31 2014
	$	$	$
Net revenue	-	-	-
Loss from operations			
- in total	(322,184)	(484,882)	(1,044,082)
- on a per-share basis	(0.03)	(0.04)	(0.10)
- on a diluted per-share basis	(0.03)	(0.04)	(0.10)
Net loss			
- in total	(290,084)	(484,882)	(1,044,082)
- on a per-share basis	(0.03)	(0.04)	(0.10)
- on a diluted per-share basis	(0.03)	(0.04)	(0.10)
Total Assets	41,175	34,159	357,851
Total long-term financial Liabilities	-	-	-
Cash dividends declared per share	-	-	-

The change in total assets from 2014 to 2015 was due to $308,488 in impairment. This was also the primary factor for the change in net loss in 2015 as compared to 2014.

Selected Quarterly Information

Three months ended	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Total assets	41,174	30,158	$27,766	$28,166	$34,159	$61,998	$371,450	$367,686
Exploration and evaluation assets	-	-	-	-	-	885	308,488	308,488
Working capital	(1,130,328)	(1,061,528)	(1,041,770)	(986,045)	(996,659)	(910,690)	(887,126)	(880,569)
Shareholders' equity	(1,122,736)	(1,051,970)	(1,032,029)	(973,597)	(981,501)	(897,102)	(565,395)	(558,587)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(86,889)	(50,910)	(97,280)	(55,005)	(51,785)	(333,040)	(52,227)	(47,830)
Earnings (loss) per share	(0.03)	(0.00)	(0.01)	(0.00)	(0.00)	(0.04)	(0.00)	(0.00)

Fourth quarter results

During the quarter ended December 31, 2016, the Company incurred a loss of $86,889 compared to a loss of $51,785 for the comparative period.

A significant movement for the three months ended December 31, 2016 was in increase in share based compensation of $49,707 from $24,753 in 2015 to $74,460 in 2016 due to new options granted in December 2016.

Liquidity

The Company's working capital and deficit positions at December 31, 2016 and December 31, 2015 were as follows:

		December 31 2016		December 31 2015
Working capital (deficit)	**$**	**(1,130,328)**	$	(996,659)
Deficit	**$**	**(18,418,737)**	$	(18,119,188)

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Capital Resources

At December 31, 2016, there were 11,056,303 (2015: 10,821,246) common shares without par value, and a consolidated deficit of $(18,418,737) (2015: $(18,119,188)), resulting in a shareholder's equity of ($1,122,736) (2015: $(981,501)).

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations and Deficit included in its condensed interim consolidated financial statements for the year ended December 31, 2016 which h are available on SEDAR at 'www. SEDAR .com'.

Related Party Transactions

During the year ended December 31, 2016, the Company entered into the following transactions with related parties.

Key management personnel compensation

The remuneration of key management personnel during the year ended December 31, 2016 and 2015 were as follows:

	Note		December 31 2016		December 31 2015
Stock based compensation	(ii)	**$**	**90,351**	$	43,305

(i) Stock based payments are the fair value of options granted to the Chief Executive Officer and the Chief Financial Officer, which vest partly on grant date and partly on the first and second anniversaries of the grant date.

Other related party transactions

During the year ended December 31, 2016

(i) the Company charged, as a recovery of office expenses, office rent and utilities, Nass Valley Gateway Ltd., and The Eelleet Network Corp. (formerly Kirkland Precious Metals Corp.), companies related by common directors and officers, a total amount of $19,719 (2015: $29,534).

(ii) the following were receivable from companies which are related by common directors:

		December 31 2016	December 31 2015
Island Gateway Ltd.	$	**-**	405
Gitxat'in MHind World Link		**156**	44
Nass Valley Gateway Ltd.		**647**	4,368
Nass Energy		**135**	90
The Eelleet Network Corp.		**7,387**	9,913
	$	**8,325**	14,820

Advances received from related party

As at December 31, 2016, the Company had received advances totalling $864,699 (2015: $786,186) from Merfin and converted accounts payable of $Nil (2015: $Nil) into loans. The promissory notes bear interest at 8.5% per annum. As at December 31, 2016 an amount of $200,206 (2015: $130,082) was accrued as interest. The loan is due on the date of completion of a financing of a minimum of $1,000,000. Subject to regulatory approval, the loan may be converted into common shares at the option of the "Merfin".

On April 5, 2016 the TSX granted Merfin 127,557 bonus shares valued at $17,859 in recognition of providing loan amounts in fiscal 2014 and 2015 totaling $89,290.

As at December 31, 2016, the Company had advances totalling $13,588 from Knight Castle Mercantile Inc. ("Knight Castle"), a private company controlled by a former director, who intended to arrange for a private placement funding on behalf of the Company. As the funding did not materialize, the advance of $10,000 was mutually changed to a loan granted by Knight Castle bearing an interest of 8.5% per annum. As at December 31, 2016 an amount of $3,588 (2015: $2,483) was accrued as interest. The loan will be due at the date of completion of financing of a minimum of $400,000 and is convertible into common shares of the Company at the option of the lender, subject to regulatory approval.

As at December 31, 2016 the Company had advances totalling $78,327 (2015: $71,949) due to Infogen Research Limited ("Infogen"). The promissory notes bear interest at 8.5% per annum. As at December 31, 2016, an amount of $20,126 (2015: $13,749) was accrued as interest. There is no specific maturity date. Subject to regulatory approval, the loan may be converted into common shares at the option of the Company.

The Company agreed to pay the lenders the bonus permitted by TSX Venture Exchange policies and the terms of the agreements. The bonus shall be paid in cash, shares, warrants or a combination at the election of the lenders.

Off Balance Sheet Arrangement

The Company does not have any off balance sheet arrangements.

Directors and Officers

Dieter Peter	President, CEO and Director
Andrew H. von Kursell	Director, Chair of Audit Committee, Interim Chief Financial Officer
Rafael Pinedo	Director, member of Audit Committee
Grant A Hendrickson	Director
Eric Peter-Kaiser	Director
Milo Filgas	Director, member of Audit Committee as at December 16, 2016

Outstanding Share Data as at March 30, 2017

	Number outstanding	**Exercise Price**	**Expiry Date**
Common shares(1)	11,056,303		
Common shares issuable on exercise:			
Share options	610,500	0.14	December 17, 2018
Share options	810,000	0.30	December 16, 2019

As at December 31, 2016, the Company had no outstanding warrants to purchase common shares of the Company.

Future Developments

The Company will continue to pursue the development of its projects and its efforts to secure further natural resource opportunities with its business alliance partners.

Risks and Uncertainties

The Company was engaged in the exploration of mineral deposits. And will be focusing on the exploration of oil and natural gas subsequent to receiving the final approval from the TSXV on its proposed substantial acquisition. The Company's financial success will be dependent upon the confirmation of the proposed acquisition and its reported resources. The acquisition and the related activities involve significant risks which, even with careful evaluation, experience and knowledge may not be eliminated.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire exploration or production properties throughout the world;
- No assurance about the economic viability. Investment gains are highly speculative;
- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;

- Exploration and access to the projects can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipment;
- Additional expenditures will be required to establish resources or reserves on exploration properties, if indeed resources or reserves exist on the properties;
- The rights to the resource properties must be maintained in accordance with various regulations and agreements;

There are various government and environmental regulations that must be followed by the Company, which are changing constantly and renewal of permits from Provincial and State territory, First Nations and Village governments.

Financial Instruments

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is presently not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and contributions from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and marketable securities with high-credit quality financial institutions.

Amounts due to and from related parties are discussed in Note 7 of the financial statements.

Currency risk

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied solely upon equity financings and loans from insiders to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its projects, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada and globally have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

Critical accounting estimates

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

(i) *Stock Based Compensation*
The Company uses the Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officers, directors and consultants and the pricing of share purchase warrants. These estimated are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 8(c) in the financial statements

(ii) *Financial Instruments*
The carrying values of the financial instruments have been estimated to approximate their respective fair values.

Changes in Accounting Policies

The Company did not adopt any new or amended accounting standards during the year ended December 31, 2016 which had a significant impact on the Financial Statements.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IIAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

Forward-looking statements

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address the Company's expectations, should be considered forward-looking statements. Certain forward looking information should also be considered future-oriented financial information ("FOFI") as that term is defined in NI 51-102. The purpose of disclosing FOFI is to provide a general overview of management's expectations regarding the anticipated results of operations and capital expenditures. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. These forward-looking statements are set forth principally under the heading "Property Overview" and elsewhere in Management's Discussion and Analysis and may include statements regarding perceived merit of properties; mineral reserve and resource estimates; capital expenditures; feasibility study results, exploration results at the Company's property; budgets; work programs; timelines; strategic plans; market price of precious and base metals; or other statements that are not statement of fact. The material factors or assumptions used to develop forward-looking statements include prevailing and projected market prices and foreign exchange rates, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions and as more specifically disclosed throughout this document. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and its subsidiaries may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in fluctuations in gold, lithium and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and First Nations in the exploration and development of the property and the issuance of required permits; the need to obtain additional financing to develop the property and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs on in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed on the Company's other information released by the Company and filed with the applicable regulatory agencies.

The reader should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at March 30, 2017.

"Dieter Peter"
On behalf of the Board
Dieter Peter
Chief Executive Officer
March 30, 2017