**GREAT BEAR RESOURCES LTD.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2018

Dated May 29, 2018

.

This management's discussion and analysis ("MD&A") for the three months ended March 31, 2018 is prepared by management on May 29, 2018 for Great Bear Resources Ltd. (the "Company" or "Great Bear") in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's consolidated financial statements and related notes for the three months ended March 31, 2018 and the year ended December 31, 2017.

All amounts are in Canadian dollars unless otherwise specified.

Additional information is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at **www.sedar.com.**

## FORWARD-LOOKING STATEMENTS

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar and U.S. dollar, fluctuations in the prices of precious metals, base metals, and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the "Risk and Uncertainties" section of these MD&A for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

## OVERVIEW

### PRINCIPAL BUSINESS AND CORPORATE HISTORY

**Great Bear Resources Ltd.** is a publicly traded mineral exploration company listed on the TSX Venture Exchange ("TSX-V") under the symbol "GBR". The Company was incorporated under the Company Act (British Columbia) on December 6, 2001. On January 22, 2010, the Company changed its name from Great Bear Uranium Corp. to Great Bear Resources Ltd. Since August 2006, the Company's main business focus has been to acquire and explore mineral properties. To date, the Company has not earned any revenues from its mineral property interests and is considered to be in the exploration stage.

## EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets include Dixie Lake and West Madsen claims in the Red Lake district of Ontario as well as 50% interest in BA and Surprise Creek Properties located in the Skeena Mining Division in the province of British Columbia. The Company is earning a 100% royalty-free interest in the Dixie Lake property, covering 7,106 hectares and a 100% royalty-free interest in its West Madsen properties, which total 2,725 hectares. The resource properties agreements are summarized below. For more details on the properties, please refer to the Company's interim consolidated financial statements and related notes for the three months ended March 31, 2018 and the audited annual financial statements for the year ended December 31, 2017 and the notes thereto.

### a) Dixie Lake Property, Ontario

On November 20, 2015 the Company entered into an agreement to acquire the Dixie Lake mining claims in the Red Lake gold district of Ontario, consisting of a 67% interest in 45 mining claims and a 100% interest in 4 newly staked mining claims.

In order to acquire the interest, the Company must make the following cash payments and share issuances:

| Due Date | Cash | Common Shares of the Company |
|---|---|---|
| November 2, 2015 (paid on November 2, 2015) | $ 4,000 (paid) | - |
| Within 7 days of executing the acquisition agreement | $ 16,000 (paid) | - |
| Within 30 days of executing the acquisition agreement | - | 20,000 (issued) |
| November 20, 2016 (paid on November 2, 2016) | $ 20,000 (paid) | - |
| November 20, 2017 (paid on November 2, 2017) | $ 20,000 (paid) | - |
| November 20, 2018 | $ 30,000 | - |
| November 20, 2019 | $ 40,000 | - |
| | **$ 130,000** | **20,000 (issued)** |

In July 2017 the Company also announced that it entered into a Purchase Agreement (the "Agreement") with Newmont Canada Holdings, ULC ("Newmont"), a subsidiary of Newmont Mining Corporation (NYSE: NEM) to acquire Newmont's 33% interest in the Dixie Lake project. This agreement allows Great Bear to obtain a 100% undivided interest in the Dixie Lake property. Under the terms of the Agreement, the Company must pay $80,000 ($20,000 paid) over four years to purchase all of Newmont's 33% interest in the project. The purchase can be accelerated at any time at the Company's discretion. The Agreement is subject to TSX.V approval.

The Company expanded its Dixie Lake property through the staking of an additional 26 mineral claims totalling 5,358 hectares in September of 2017. These new claims cover interpreted strike extension of regional structures and favourable stratigraphy similar to those identified at the Dixie Lake gold zone.

**b) West Madsen, Ontario, Canada**

On December 29, 2016, the Company signed a purchase agreement to acquire 100% ownership of the West Madsen gold project in the Red Lake Gold District of Ontario. The property consists of two separate claim blocks, the "A" block which lies immediate west of Pure Gold Mining Inc. (TSX-V: PGM; "Pure Gold"))'s Madsen property, a past-producing high grade gold mine that is currently in re-development, and the "B" block, which is situated to the west of the "A" block. On August 29, 2017, the Company entered into an amending agreement to the above Purchase Agreement.

On August 30, 2017, the Company signed a purchase agreement to acquire 100% ownership of additional claims expanding the West Madsen gold project. Following this acquisition, the West Madsen project has expanded to 2,725 hectares and is now directly contiguous with Pure Gold Mining Inc.'s Madsen property, with the Company's project now coming within 2.2. kilometers of active exploration by Pure Gold at the Starratt Olsen Mine.

Under these agreements, the Company will pay aggregate cash and in shares as follows:

| Due Date | Cash | Common Shares |
|---|---|---|
| December 2016 | $ 12,000 (paid) | |
| April 7, 2017 issued | | 100,000 (issued) |
| Within 7 business days of August 29, 2017 | $ 12,000 (paid) | - |
| Within 7 business days of TSX approval | - | 300,000 (issued) |
| December 29, 2017 | $ 10,000 (paid) | - |
| August 29, 2018 | $ 12,000 | - |
| December 29, 2018 | $ 12,000 | - |
| August 29, 2019 | $ 14,000 | - |
| December 29, 2019 | $ 16,000 | - |
| August 29, 2020 | $ 16,000 | - |
| December 29, 2020 | $ 20,000 | - |
| August 29, 2021 | $ 20,000 | - |
| | $ 144,000 | 400,000 |

Total remaining payments under the original and amended Agreements is $110,000 over four years.

On August 30, 2017, the Company also announced that it is purchasing all Net Smelter Royalties on the West Madsen project for payment of 200,000 shares.

**c) The BA and Surprise Creek Properties, British Columbia**

Pursuant to an option and joint venture agreement with Mountain Boy Minerals Ltd. ("Mountain Boy") dated January 28, 2010 and amended on December 31, 2013, the Company acquired a 50% interest in the BA Property located in the Skeena Mining Division in the province of British Columbia.

The Company owns 50% of the Surprise Creek Property subject to a 1% NSR, which may be purchased by the Company. The Surprise Creek Property is also in the Skeena Mining Division in the province of British Columbia and consists of 19 mineral claims totaling 7,472 hectares.

On October 25, 2010, the Company entered into an amending agreement to the above Option and Joint Venture Agreement relating to the BA Property whereby the Surprise Creek Property was included under the terms of the Joint Venture Agreement and acquisition costs for the Surprise Creek Property borne entirely by the Company were applied against its earn-in requirement towards the BA Property.

The Company earned an initial 50% interest in the BA Property by paying $158,000 and by incurring $5.5 million in exploration expenditures before December 31, 2013.

In October 2016, the Company amended its agreements with Mountain Boy Minerals Ltd. and entered into new Joint Venture agreements with Mountain Boy for each of the BA and Surprise Creek properties (the "2016 Agreements"). The October 2016 agreements require the Company and Mountain Boy to conduct annual minimum work programs of $250,000 on each project. Management has determined the terms of this arrangement do not provide joint control of the relevant activities of exploring and evaluating this property and accordingly only those costs incurred by the Company have been capitalized.

On June 1, 2017, the Company entered into an Agreement to grant an option to Mountain Boy to acquire the Company's 50% interest in and to each of the BA Property and Surprise Creek Property. Under the option agreement, Mountain Boy will pay option payments and issue shares as follows:

| Due Date | | Cash | Common Shares of Mountain Boy |
|---|---|---|---|
| August 20, 2017 | $ | 150,000* | - |
| September 1, 2017 (TSX approval date) | | - | 2,500,000* |
| November 20, 2017 | | 150,000* | - |
| April 15, 2018 | | - | 2,500,000* |
| August 20, 2018 | | 300,000 | - |
| April 15, 2019 | | - | 2,500,000 |
| August 20, 2019 | | 350,000 | - |
| April 15, 2020 | | - | 2,500,000 |
| August 20, 2020 | | 350,000 | - |
| On completion of a Mineral Resource on the Surprise Creek Property | | 200,000 | - |
| On completion of a Mineral Resource on the BA Property | | 400,000 | - |
| On completion of a Pre-Feasibility Study on the Surprise Creek Property | | 200,000 | - |
| On completion of a Pre-Feasibility Study on the BA Property | | 500,000 | - |
| On commencement of constructing a mine to extract ore to produce minerals from the Surprise Creek Property | | 800,000 | - |
| On commencement of constructing a mine to extract ore to produce minerals from the BA Property | | 1,600,000 | - |
| | $ | 5,000,000 | 10,000,000 |

*Received

The 2016 Agreements are suspended during the period of the 2017 Agreement, and if Mountain Boy elects not to exercise an option or fails to make any payments or share issuances to the Company in respect of either optioned property, the 2016 Agreements between the Company and Mountain Boy will resume in respect of the properties at 50% interest owned by each company.

In September 2017, the Company received its final approval of the TSX Venture Exchange to grant the option to its joint venture partner, Mountain Boy to acquire the Company's 50% interest in and to each of the BA and Surprise Creek associated properties.

## HIGHLIGHTS AND RECENTS DEVELOPMENTS

- On January 16, 2018, the Company announced completion of drill hole planning and preparation for a Phase 2 drill program at the Dixie Lake gold project. The program was to focus on identifying extensions to the gold mineralization in and around the main gold zone at Dixie Lake. Drill mobilization was announced together with a 3,000m drill program in March 2018. Drilling will target the Dixie (Main), Hinge, South Limb and NW zones. Historical drill results from the above zones are provided in the Company's news release, dated March 1, 2018
- On March 1, 2018, the Company granted 565,000 stock options to its officers, directors, advisors and consultants. The stock options are exercisable at $0.51 per share for a period of five years.
- On April 5, 2018, the Company provided an update on Phase 2 drilling at its Dixie Lake project. Drilling commenced on March 14, 2018. By the date of the news release, seven drill holes had been completed, while an estimated eight holes remained to be drilled. The samples from the first two of the seven completed drill holes were sent to an accredited mineral laboratory for analysis. The assay results will provide guidance for the final drill holes as the Company aims to define the geometry, strength and geological controls on mineralization in the new target zones.
- On April 19, 2018, the Company announced expansion of the drill program in the Red Lake district to 10,000 metres and up to 30 additional drill holes. The Company will continue to explore the high-grade gold zones at Dixie Lake and their extensions, as well as newly-defined gold-bearing structures at West Madsen. A concurrent field program consisting of geological mapping, prospecting, trenching and drill targeting will be undertaken from May to August at Dixie Lake and West Madsen porperties.
- In April and May 2018, the Company issued a total of 175,000 shares upon execrcise of warrants for the total proceeds of $43,750
- On May 23, 2018 the Company announced closing a non-brokered private placement consisting of both non-flow-through and flow-through unit offerings for gross proceeds of $1,755,252, subject to the TSX Venture Exchange approval.

  In connection with the current placement, the Company issued 1,635,000 non-flow-through units at a price of $0.50 which consist of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price $0.70 per share for a period of twenty four months. The Company also issued 1,616,814 flow-through units at a price of $0.58 consisting of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price $0.70 per share for a period of twenty-four months. Finder's fee of $71,946 and 137,100 broker's warrants were issued in relation to closing the placement. The broker's warrants have the same terms as the non-flow-through and flow-through warrants.
- On May 25, 2018 the Company announced results from the first 5 drill holes of its Phase 2 drill program at its Dixi project in the Red Lake district of Ontario. A total of 15 holes were drilled along 2.3 kilometres strike length of a prospective geological contact, testing both new and existing gold targets. All holes hit the hydrothermal alteration system which is characterized by varying silicification, sulphide mineralization and gold content. Details of Phase 2 Drilling results are provided in the Company's news release, dated May 25, 2018 available on the Company's website and SEDAR: www.sedar.com. Drilling is scheduled to re-commence in June 2018.

## SELECTED FINANCIAL INFORMATION

Selected information for the three most recent fiscal years ended December 31, 2017, 2016, and 2015 is provided below:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Total assets | 2,678,756 | 1,938,539 | 970,808 |
| Total liabilities | 449,925 | 475,570 | 418,161 |
| Write down of resource properties | - | 69,172 | 9,773 |
| Other income (loss) | 1,199 | 17,075 | 1,122 |
| Net loss for the year | (540,197) | (663,788) | (328,023) |
| Loss per share | (0.04) | (0.09) | (0.075) |

## SUMMARY OF QUARTERLY RESULTS

| | Other income (loss) | Net loss | Loss per share |
|---|---|---|---|
| March 31, 2018 | 49,192 | (493,401) | (0.03) |
| December 31, 2017 | - | (178,928) | (0.01) |
| September 30, 2017 | - | (138,534) | (0.01) |
| June 30, 2017 | 48 | (114,021) | (0.01) |
| March 31, 2017 | 1,151 | (91,514) | (0.01) |
| December 31, 2016 | 17,000 | (178,149) | (0.01) |
| September 30, 2016 | - | (306,014) | (0.04) |
| June 30, 2016 | 75 | (135,089) | (0.03) |

## RESULTS OF OPERATIONS

### Three months ended March 31, 2018 and 2017

For the three months ended March 31, 2018, operating expenses totaled $542,593 with the net loss of $493,401. The Company had $92,655 in operating expenses and a net loss of $91,514 for the three months ended March 31, 2017. The increase is mainly due to non-cash share-based compensation expense of $265,724 (2017 - $nil) and investor relations and promotion expenses of $131,434 (2017 – $24,004), as the Company was raising awareness among potential investors for the upcoming private placement, which took place subsequent to the period end.

Management fees of $31,250 and office and administration expenses of $28,017 also grew significantly, as compared to the same period in 2017 (2017- $11,250 and $5,982, respectively) due to increased volume of operations.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain reserves that are economically recoverable. The business of mining and exploring for resources involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts capitalized for the resource properties and related deferred exploration costs are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Changes in future conditions could require material write-downs of the carrying values of resource properties.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions that would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

The Company’s working capital was $1,062,704 as at March 31, 2018 (December 31, 2017 - $823,135). The Company’s approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. At March 31, 2018, the Company had cash of $1,481,607 (December 31, 2017 - $931,548) to settle current liabilities of $$730,981 (December 31, 2017 - $449,925). All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Cash Used in Operating Activities

Net cash used in operating activities during the three months ended March 31, 2018 was $194,330 (2017 - $84,591). Cash was mostly spent on technical work, consulting and legal fees, and general and administrative costs.

### Cash Used in Investing Activities

Total cash used in investing activities during the three months ended March 31, 2018 was $85,158 (2017 - $44,731), related to exploration work and related costs.

**Cash Generated by Investing Activities**

Total net cash generated by financing activities during the three months ended March 31, 2018 was $829,547 (2017 - $nil), which included funds obtained through the issuance of 1,572,666 shares upon option and warrant exercises of $391,383 (2017 - $nil) and the receipt of funds ($446,877) for share issued in a private placement in December 2017.

## RISKS AND UNCERTAINTIES

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations of metal prices, the proximity and capacity of milling facilities, mineral markets, processing reagents and equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environment protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

## OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of voting common shares without par value.

At March 31, 2018, there were 19,749,355 shares issued and outstanding (18,176,689 at December 31, 2017), which were issued for an aggregate consideration of $16,842,860, net of issuance costs and flow-through premium liability.

As of the date of this MD&A (May 29, 2018), the following shares, warrants and options were outstanding:

| | Number of Shares/Options/Warrants | Exercise price | Expiry date |
|---|---|---|---|
| Issued and Outstanding Shares | 23,176,169 | | |
| Warrants | 600,000 | $ 0.50 | September 25, 2018 |
| | 159,400 | $ 0.40 | September 8, 2018 |
| | 1,941,968 | $ 0.20 | July 18, 2019 |
| | 3,612,500 | $ 0.27 | September 16, 2018 |
| | 770,000 | $ 0.35 | August 4, 2019 |
| | 1,590,342 | $ 0.35 | December 27, 2019 |
| | 1,763,007 | $ 0.70 | May 23, 2020 |
| Options | 145,000 | $ 0.75 | September 25, 2018 |
| | 16,000 | $ 0.75 | March 18, 2019 |
| | 1,000,000 | $ 0.23 | September 1, 2021 |
| | 210,000 | $ 0.36 | October 22, 2021 |
| | 565,000 | $ 0.51 | March 1, 2023 |
| **Fully Diluted at May 29, 2018** | **35,549,386** | | |

## COMMITMENTS

a) Plan of Arrangement - Madalena Ventures Inc.

In March of 2006, the Company entered into an agreement with Madalena Ventures Inc. ("Madalena"), a public company listed on TSX Venture Exchange, in which Madalena agreed to distribute its mineral exploration business and certain marketable securities associated with the business to the Company. Each shareholder of Madalena received one-fifteenth of a common share of the Company for each common share of Madalena owned by such shareholder at August 22, 2006. The Company assumed all of Madalena's obligations in respect to a dividend in specie declared by Madalena on November 15, 2004, which was payable in the form of Planet Mining Exploration Inc. ("Planet") shares. The remaining 962,861 Planet shares and the dividend obligation that were transferred to the Company as part of the Arrangement are not included in the Company's balance sheet as the shares are held in trust by the Company for shareholders of Madelena at the declaration date. As at December 31, 2015, the Company held 962,861 Planet shares for distribution.

The dividend entitlement still exists, but will ultimately expire pursuant to the provisions of the Unclaimed Property Act (B.C.), after which any unclaimed Planet shares (or any cash realized from their disposition prior to then) will become the property of the Company. As these Planet shares are held in a trust account for distribution to eligible shareholders, the shares have been derecognized from the Company's balance sheet.

b) During 2017 the Company issued flow-through shares and, as a result, is committed to spend $500,100 in qualifying exploration expenditures in 2018. The Company had incurred $293,597 in qualifying expenditures as at March 31, 2017. Flow-through units were also issued in May 2018 private placement, which inscreased the Company's commitment to incurring the eligible expenditure by $937,752.

c) The company entered into a lease agreement with a third party to rent an office space commencing September 1, 2016 to April 29, 2018 for $1,663.93 per month. In addition to the monthly rental payments, the company is charged for the applicable GST costs.

The company entered into a lease agreement with a third party to rent an office space commencing May 1, 2018 to April 29, 2021 for $1,687.50 per month. In addition to the monthly rental payments, the company is charged for the applicable GST costs.

The future rental payments are required as follows:

| | |
|---|---|
| **2018** | $16,823 |
| **2019** | $20,250 |
| **2020** | $20,250 |
| **2021** | $6,750 |

d) The Company has entered into a management and consulting services agreement with a third party. If this agreement is terminated by the Company, the Company is required to make a payment in the amount of $90,000. If there is a change in control and either party terminates this agreement within 12 months of the change in control, the company is required to pay the consultant $180,000.

## RELATED PARTY TRANSACTIONS

Key management compensation paid and accrued to directors, officers and companies in which directors and officers are shareholders and employees during the period ended March 31, 2017 and 2016 are as follows:

| | | **March 31, 2018** | | March 31, 2017 |
|---|---|---|---|---|
| Director fees | **$** | **6,000** | $ | - |
| Geological fees capitalized to resource properties | | **14,750** | | 26,250 |
| Management and consulting fees | | **36,750** | | 14,250 |
| Share-based compensation | | **166,960** | | - |
| | **$** | **224,460** | $ | 40,500 |

As at March 31, 2018, $10,763 (December 31, 2017 - $5,218) is payable to various officers and directors of the Company. The accrued liabilities included $34,375 (December 31, 2017 - $3,125), owing to various officers and directors of the Company and companies, controlled by or having common officers and/or directors. These balances are non-interest bearing with no specific terms of repayment and are unsecured.

## OFF- BALANCE SHEET TRANSACTIONS

The Company has not entered into any off-balance sheet arrangements.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, investments in equity instruments, receivables, and accounts payable and accrued liabilities.

The Company is exposed in varying degrees to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes:

**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 cash and receivables. The Company maintains its cash with high-credit quality financial institutions, thus limiting its exposure to credit risk on such financial assets.

**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 maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is available on demand for the Company's programs and is not invested in any asset-backed commercial paper.

**Interest Rate Risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, and restricted cash as they are generally held with large financial institutions.

**Price Risk**

Investments in equity instruments which are classified as fair value through other comprehensive income, which are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB. Recently, the markets have experienced extreme volatility. Therefore, sensitivity analysis is performed using 15%. For such investments, a 15% increase in equity prices as at March 31, 2018 would have increased investments in equity instruments by $25,614. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

## NEW STANDARDS AND INTERPRETATIONS

The accounting policies in these condensed interim consolidated financial statements are the same as those applied in the Company’s audited consolidated financial statements as at and for the year ended December 31, 2017.

The Company has adopted *IFRS 9, Financial Instruments* from January 1, 2018 and *IFRS 15, Revenue from Contracts with Customers.* The effect of initially applying these standards did not have a material impact on the Company’s financial statements.

**IFRS 9 Financial Instruments**

IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. However, most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired:

*Fair value through profit or loss (“FVTRL”)* – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

*Fair value through other comprehensive income (“FVTOCI”)* - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

*Financial assets at amortized cost* - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Management determines the classification of its financial assets at initial recognition.

The adoption of IFRS 9 has had no significant impact on the financial statements as the Company elected to value its marketable securities at FVOCI under IFRS 9 (previously classified as available for sale under IAS 39). Any subsequent gains or losses on these instruments under IFRS 9 will not be reclassified to profit and loss

**IFRS 15 Revenue from Contracts with Customers**

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

The adoption of this standard has not had any impact on the Company's financial statements.

## CAPITAL MANAGEMENT

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

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 short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. There were no changes in the Company's approach to capital management during the period ended March 31, 2018. In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

As at March 31, 2018, the Company is not subject to externally imposed capital requirements.

## DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the interim consolidated financial statements and MD&A as at March 31, 2018. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including its CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at **www.sedar.com**.