



# MINERAL HILL INDUSTRIES LTD.

## Management Discussion and Analysis

For the Year Ended  
December 31, 2015

**Management's discussion and analysis of financial results  
For the year ended December 31, 2015  
Containing information up to and including April 19, 2016**

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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, 2015. This discussion and analysis should be read in conjunction with the audited consolidated financial statements and related notes as at, and for the year ended December 31, 2015 and 2014. Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://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 reviews and prior to its publication, approves, 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 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**

MHI was actively engaged in the acquisition and exploration of natural resources but in the last four years experienced extreme difficulties raising sufficient funds for mining exploration properties due to the economic climate in particular for the mining sector. The Company, therefore, switched its main focus to completing its due diligence on the Energy projects and away from its gold exploration project in California, USA and its lithium exploration in Québec, Canada.

Due to the financial uncertainty on the global scene, the Company was unable to secure financing to continue with the development of the Liberty Hill Gold mine and therefore terminated its "earn-in agreement". During the quarter ended September 30, 2015 the termination went into effect and the Company recorded \$308,448 as impairment on its assets.

The Company had 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 than initially expected in respect to the proposed ownership of the technology and its financing proposal.

The extensive due diligence process, 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 and financial matters. A letter to AEG to 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.

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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 its common shares are also co-listed on two other exchanges, Frankfurt Freiverkehr and OTC Pink Sheets.

As at April 19, 2016, the Company has 10,948,803 common shares outstanding, after the TSXV approved 127,557 bonus shares to Merfin Management, but its shares are presently halted on request of the company pending the outcome of the negotiations for funding and a possible acquisition referred to below.

**Highlights of Events**

The following are highlights of events occurring during the year ended December 31, 2015 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 is in the Company's best interest to formally terminate its "LOI" November 26, 2015.

During the due diligence process the Company actively investigated other alternatives within the natural gas and oil industry segment as well as waste -to-energy business to increase shareholders' value. MHI signed a Heads of Terms ("HOT" or "LOI") which on November 26, 2015 led to its execution with major shareholders of an energy company (the Target-Company). MHI intended to acquire 45% of the Target-Company's assets under terms and conditions to be disclosed upon completion of the final agreement and is subject to regulatory approval. The Target-Company is an 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 amended the previous HOT to a "Share Purchase Agreement" with several major shareholders representing 45% of the shareholdings in the Target-Company.

***Overall Performance***

**Financing**

During the first (1<sup>st</sup>) quarter of 2015 management received verbal commitments from overseas and domestic investors for 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 will be completed. Merfin is a holding company of which MHI's CEO is the President and beneficial part-owner, provided cash advances of \$68,290 in the year ended 2015 (2014: \$122,500) and 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. The claims are still held under the Company's name and exploration is still considered if appropriate funding can be obtained.

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During the fourth (4<sup>th</sup>) quarter of 2015, the company negotiated a possible reversed takeover ("RTO") with Avis Energy Global Holdings Inc. ("AEG"), including a significant private placement financing through the AEG group which was announced on November 17, 2014. Due to its complexity, the AEG structure and the size of the funding for a production facility to be erected in Canada, and the continuing misrepresentation by AEG the due diligence process was not completed as of December 31, 2015. Management of MHI realized that the RTO with the present AEG structure will not take place because MHI has been unable to satisfy itself on the validity of some ownership issues. During its due diligence review management was considering alternative solutions within the energy industry and also other green energy related industry sectors.

In the Company's search to find alternatives, 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 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. The parties to the SPA agreed that Mineral Hill Industries shall purchase the 45% of the outstanding share capital of CPS from the Shareholders-SPA and subsequently pursue a joint venture with the remaining 55% shareholders of CPS on a joint venture basis or acquire the 55% of the remaining shares of CPS under the terms and conditions outlined within the executed SPA.

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 2,250,000 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, 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 issue shall be based on the outcome of the NI51-101 report pursuant to the terms of the SPA.
4. the Shareholders-SPA specifically agree that the Pref-B Shares will be only convertible into common shares of the Company at \$1.05 per Pref-B share, if the Shareholders-SPA's collective conversion of the Pref-B Shares does not trigger an RTO under the Rules of the TSXV and upon prior approval of the TSXV;
5. the parties agreed that the common shares of the Company being issued as a result of the conversion of Pref-A Shares and Pref- B-Shares may be escrowed and subject to an escrow agreement imposed by the TSXV; and
6. the Shareholders-SPA agreed as a condition precedent of the transaction to procure a private placement consisting of common shares of the Company.

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On March 9, 2016 the Company received an advance of \$22,176 for a share subscription in a private placement that is part of the conditions of the SPA.

On April 7, 2016 the Company entered a property assessment for the transfer of 100% legal and beneficial interest in 22 lithium claims that had been impaired in 2014 to a mining exploration company in return for a 1% Net Smelter Returns ("NSR") royalty and the exclusive right to purchase Mineral Hill's 1% NSR on the properties for \$200,000 at any time and at the mining exploration company's sole discretion.

On April 19, 2016 the Board of Directors approved the transfer of 100% legal and beneficial interest in 7 additional lithium claims that had been impaired in fiscal 2014 to a mining exploration company under the same conditions as the previous 22 claims. The mining exploration company has the exclusive right to purchase the Company's 1% NSR on the properties for \$200,000 at any time and at their sole discretion.

## **PROPERTY OVERVIEW**

### **Québec Lithium Properties**

*Mineral: Lithium*

The Company filed on February 9, 2010 on Sedar ([www.sedar.com](http://www.sedar.com)) an independent NI 43-101 Technical Report completed by Michel Broily PhD, P.Geo, pertaining to the mineral potential of three lithium and molybdenum properties located in the Abitibi subprovince of Québec and associated with the Preissac-Lacorne Batholith Complex. The Preissac-Lacorne area is a well-known Lithium, Beryllium, Tantalum and Molybdenum mining camp characterized by numerous showings exposing granitic pegmatite dykes, albitites and quartz veins. Three former molybdenite mines and one lithium mine, the Quebec Lithium, operated from the 1950 to the 1970's.

The Company allowed 4 claims to lapse during final 2015, and subsequent to year-end, allowed the remaining claims to lapse.

#### ***Chubb Property, Québec***

The Chubb Lithium Property, which is located in the Archean Abitibi Greenstone belt in the La Corne Township (NTS sheet 35C05) about 32 km northwest of Val d'Or, Quebec.

The Chubb Property was submitted to ground based magnetic and IP/PP surveys, the latter allowing the identification of six NNW-oriented chargeability anomalies whose surface projections correspond to the broad trend defined by the strike of spodumene-bearing granitic pegmatite dykes. Geochemical sampling of three dykes display variable but generally elevated  $\text{Li}_2\text{O}$  concentrations (0.01-2.84 wt. %; Average:  $0.89 \pm 0.77$  wt. % (n=59)). The Main Dyke, which is 300m long, has a somewhat higher average  $\text{Li}_2\text{O}$  concentrations ( $1.00 \pm 0.79$  wt. %; n=41) than the other two smaller dykes ( $0.70 \pm 0.66$  wt. % (n=8) and  $0.56 \pm 0.78$  wt. % (n=8)).

Subsequent to the year ended December 31, 2015, 16 claims were still active and in good standing. The Company decided not to renew any expiring claims.

#### ***International Property, Québec***

The International Property consists of two main lithium showings: Bouvier and International. It is located in the Saint-Mathieu municipality, Figuery Township and extends 1 km westward from the left bank of the Harricana River, 13 km south of the town of Amos. Magnetic and IP surveys, carried out on the Bouvier showing, identified three NE to EW-oriented chargeability anomalies that display a broad orientation parallel to the general strike of exposed and buried granitic pegmatite dykes. One anomaly overlies new trenches that exposed an EW-oriented spodumene-bearing granitic pegmatite dyke. This dyke reveals variable but generally elevated  $\text{Li}_2\text{O}$

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concentrations (0.04-2.91 wt. %; Average:  $1.51 \pm 0.91$  wt. % (n=20)). Results from the International showing pegmatite dyke define variable and moderate Li concentrations (0.01-2.65 Li<sub>2</sub>O wt. %; Av:  $0.38 \pm 68$  (n=17)).

During fiscal 2015, the Company decided not to renew any expiring claims.

***Athona Property, Québec***

The Athona Property comprises 29 mineral claims covering around 1,283 hectares located in the Landrienne Township. In consulting with the geologist who was working on the claims, management decided not to renew certain claims within the Athona Property as they were perceived not to fall within the Company's qualifying criteria. Therefore the Company let 21 mineral claims in this category expire during the year ended December 31, 2014. The remaining claims were also reevaluated during the year 2014 and the company determined not to renew any of the Athona claims which expired during 2015.

***Canadian and McNeely Property, Québec***

The Canadian and McNeely property is located on the contact zone of the Lacorne batholiths, approximately 40 kilometres northwest of the mining town of Val d'Or and approximately 700 metres east-southeast of the old Quebec lithium mine property boundary line. It exhibits the potential to host viable lithium mineralization and add more potential to the other three lithium properties.

The major rock units found on the property are hornblende granodiorite-monzonite, associated with the early-intrusive phase of the Preissac-Lacorne batholith, andesitic to rhyolitic lavas and tuffs (Aurora group), and metasediments (biotite schists) of the Lac Caste group. The lithium mineralization is found in granitic pegmatite dikes, containing spodumene as the economic mineral.

Within the property boundary, there are numerous parallel pegmatite dikes trending east-southeast in the contact area between the metasediments and the intrusives of the Lacorne batholiths. The most important of these are three parallel dikes located on the extreme south of lots 25 to 27. These dikes have northwest strikes and they extend toward the south. Their widths vary from 100 to 300 feet. Spodumene-bearing pegmatite bodies have been discovered in several areas on the property and on all contiguous properties. The Canadian Lithium prospect and its extension are considered the most promising exploration target.

In 1955, Canadian Lithium Co. Ltd. drilled a total of 66 diamond-drill holes in the area of the Canadian Lithium prospect, eight of which are located on claims. Best intersections include: 0.98 weight per cent Li<sub>2</sub>O over three metres, 0.48 weight per cent Li<sub>2</sub>O over 6.5 metres and 0.51 weight per cent Li<sub>2</sub>O over 6.5 metres. The Martin McNeely prospect is located approximately 700 metres directly east of the Canadian Lithium prospect. Spodumene-bearing granitic pegmatite dikes with secondary lepidolite and molybdenite intersect amphibolitized peridotite and mafic-volcanic rocks.

*There are no known mineral resources on the property, and there can be no assurance that any mineral resources will be discovered on the properties, and if discovered there is no assurance that any mineralization may be economically extracted. Michel Boily, PhD, PGeo, a qualified person as such term is defined by National Instrument 43-101, has reviewed and approved the technical information on the Québec Lithium properties.*

During fiscal 2015, the Company allowed the claims to lapse.

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Due to not having sufficient funding for exploration no work was performed on any of the properties. The Company therefore decided to impair all lithium properties.

**Liberty Hill Mine, Nevada County, California USA ("LHM")**

*Mineral: Gold*

The Company has signed on September 30, 2010 an earn-in option agreement (EIO Agreement) and a joint venture encompassing 127 gold and precious-metal mining claims of the LHM project, located in the Nevada County, California eight miles north east of Dutch Flat, within easy access of Interstate-80. The LHM project was in production when in 1999, it had to cease due to a litigation which, in 2007, was clarified through the courts. Under the EIO-Agreement, the company is required to raise \$1 million toward the acquisition price of the LHM project and \$1.5 million toward processing a previous stockpiled bulk sample of 40,000 cubic yards and the preparation for processing of a further 1.4 million cubic yards of previously exposed material within the gold-bearing channel.

The Company engaged an independent consulting firm of engineers and geologists in California to revise a comprehensive reclamation plan and Plan of Operation for the Liberty Hill Mine for re-filing with the various regulatory agencies in California for review and permitting. The Company continues to make the ongoing property payments to the Californian Governmental Authorities and the onsite watchman on behalf of the operator in order to keep the property in good standing.

The Company engaged Dr. Stewart Jackson in 2013, a Qualified Person compliant with National Instrument 43-101, to complete a technical report on the Company's Liberty Hill Mine project in California and filed the NI 43-101 technical report on SEDAR on September 20<sup>th</sup>, 2013. The NI 43-101 report addresses the company's Liberty Hill Mine gold project in California.

In August the Company paid the annual fees to the Nevada County on behalf of the Company's joint venture partner in order to keep the project in good standing. These annual payments will be repaid by the joint venture partner once the mine commences production again.

The Company is prepared not to proceed with the acquisition of the Liberty Hill project at this time.

During the year ended December 31, 2015 the termination went into effect and the Company recorded \$308,488 as impairment on assets.

**Stock Options**

On December 17, 2015 the Company granted 610,500 options at a strike price of \$0.14 with a three year life to directors, officers and a consultant.

**Results of operations**

**Year ended December 31, 2015 compared to year ended December 31, 2014.**

Net loss and comprehensive loss for the year ended December 31, 2015 was \$484,882 (loss per share - \$0.04) compared to \$1,044,082 (loss per share - \$0.10) for the year ended 2014. Being at the exploration stage, the Company did not generate any revenue from operations. The decrease in loss of \$581,057 was mainly attributable to:

1. an increase of \$14,983 in interest and bank charges from \$55,042 in 2014 to \$70,025 in 2015, due to larger amount of loan from Merfin in 2015 compared to 2014.
2. a decrease of \$2,658 in insurance from \$2,658 in 2014 to \$Nil in 2015, due to the reduced Company's business activities and certain insurance becoming unnecessary in the current year;
3. a decrease of \$12,167 in consulting fees from \$12,167 in 2014 to \$Nil in 2015, due to the agreement of Infogen Research Limited ("Infogen") and Merfin Management Limited

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- ("Merfin") that any payments due under the related agreements will be halted until such time sufficient funds are raised.
4. a decrease of \$2,393 in rent from \$5,993 in 2014 to \$3,600 in 2015 due to the Company's reallocation to a new office with a lower monthly rent;
  5. an increase of \$5,666 in professional fees from \$22,293 in 2014 to \$27,959 in 2015;
  6. an increase of \$10,430 in office expenses from \$5,790 in 2014 to \$16,220 in 2015 due to the reduced activities of the Company;
  7. a decrease of \$97,888 in stock based compensation from \$145,719 in 2014 to \$47,831 in 2015 mainly due to the grant of 721,295 bonus shares to Merfin Management Ltd in 2014 for having provided cash contributions to the Company since September 2012 to enable it to meet its minimum administrative obligations and required fees to regulatory bodies;
  8. a decrease of \$376,584 in impairment of assets from \$685,072 in 2014 to \$308,488 in 2015 due to the impairment of the Liberty Hill Mine;
  9. an increase of \$37,367 on settlement of debt from \$Nil in 2014 to \$37,367 in 2015;
  10. an increase of impairment of marketable securities of \$21,875 from \$Nil in 2014 to \$21,875 in 2015.

**Selected annual information**

<b>Summary of Annual Results</b>	<b>December 31 2015</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
	\$	\$	\$
<b>Net revenue</b>	-	-	-
<b>Loss from operations</b>			
- in total	(484,882)	(1,044,082)	(405,563)
- on a per-share basis	(0.04)	(0.10)	(0.04)
- on a diluted per-share basis	(0.04)	(0.10)	(0.04)
<b>Net loss</b>			
- in total	(484,882)	(1,044,082)	(405,563)
- on a per-share basis	(0.04)	(0.10)	(0.04)
- on a diluted per-share basis	(0.04)	(0.10)	(0.04)
<b>Total Assets</b>	34,159	357,851	1,012,221

The change in total assets from 2013 to 2014 was due to \$685,072 in impairment. This was also the primary factor for the change in net loss in 2014 as compared to 2013.



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**Selected Quarterly Information**

Three months ended	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total assets	56,034	61,998	\$ 371,450	\$ 367,686	357,851	1,152,749	1,067,028	\$1,030,570
Exploration and evaluation assets	-	885	308,488	308,488	305,273	986,713	960,906	956,959
Working capital	(996,659)	(910,690)	(887,126)	(880,569)	(848,625)	(698,604)	(769,279)	(713,335)
Shareholders' equity	(981,501)	(897,102)	(565,395)	(558,587)	(524,450)	316,569	270,030	306,469
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(51,785)	(333,040)	(52,227)	(47,830)	(893,394)	(28,830)	(62,992)	(58,866)
Earnings (loss) per share	(0.00)	(0.04)	(0.00)	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)

**Fourth Quarter Result**

During the quarter ended December 31, 2015, the Company incurred a loss of \$51,785 compared to a loss of \$893,394 for the comparative period.

Significant movements in operating and administrative expenses for the three-month period ended December 31, 2015 include amortization of \$162 (2014 - \$679), bank charges and interest of \$18,554 (2014 - \$15,316), consulting fees of \$Nil (2014 - \$Nil), investor relations of \$2,125 (2014 - \$5,478), rent of \$900 (2014 - \$1,310), salaries and wages of \$Nil (2014 - \$Nil), stock based compensation \$24,753 (2014 - \$122,534), gain on settlement of debt \$37,367 (2014 - \$Nil). Impairment of assets of \$Nil (2014 - \$685,071).

**Liquidity**

The Company's working capital and deficit positions at December 31, 2015 and December 31, 2014 were as follows:

	December 31 2015	December 31 2014
	\$	\$
Working capital (deficit)	(996,659)	(848,625)
Deficit	(18,119,188)	(17,634,306)

The balance of cash and equivalents available at December 31, 2015 was \$10,184, Marketable Securities valued at \$Nil with a working capital deficit of \$996,659.

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 has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset

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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, 2015, there were 10,821,246 (2014: 10,821,246) common shares without par value, and a consolidated deficit of \$18,119,188 (2014: \$17,634,306), resulting in a shareholder's equity of (\$981,901) (2014: \$524,450).

**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 loss and comprehensive loss and Deficit included in its audited consolidated financial statements for the years ended December 31, 2015 and 2014 which are available on SEDAR at '[www.SEDAR.com](http://www.SEDAR.com)'.

**Related Party Transactions**

During the year ended December 31, 2015, the Company entered into the following transactions with related parties.

***Key management personnel compensation***

The remuneration of key management personnel during the years ended December 31, 2015 and 2014 were as follows:

	Note	December 31		December 31
		2015		2014
Consulting fees and salaries	(i)	\$	-	\$ 55,852
Stock based compensation	(ii)	\$	43,305	\$ 131,489

- (i) The Company paid or accrued consulting services for \$Nil (2014: \$9,167) to "Merfin", a private company controlled by the Chief Executive Officer. The Company paid or accrued consulting services for \$Nil (2014: \$3,000) to Infogen Research & Consulting Limited ("Infogen"), a private company controlled by a related party. During the year ended December 31, 2015 the Company paid salaries of \$Nil (2014: \$43,685) to the Chief Financial Officer. See also note on recovery of expenses below.
- (ii) 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.
- (iii) Included in the amounts payables is \$19,539 (2014 - \$2,625) due to related parties.

***Other related party transactions***

During the year ended December 31, 2015

- (i) the Company charged, as a recovery of expenses, Nass Valley Gateway Ltd., and Kirkland Precious Metals Corp., companies related by common directors and officers, a total amount of \$29,534 (2014: \$15,162) with respect to shared costs relating to office expenses; office rent, and utilities.
- (ii) The Company paid \$11,875 with respect to the salary of the corporate secretary to Nass Valley Gateway Ltd. (in 2014 (i) and (ii) were combined in \$15,162)

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

	<b>December 31 2015</b>	December 31 2014
Island Gateway Ltd.	\$ 405	\$ 405
Gitxat'in MHind World Link	44	
Nass Valley Gateway Ltd.	4,368	4,638
Nass Energy	90	-
Kirkland Precious Metals Corp.	9,913	4,379
	<b>14,820</b>	<b>9,422</b>

***Advances received from related party***

During the year ended December 31, 2015, the Company received advances of \$60,500 (2014: \$122,500) from Merfin and converted accounts payable of \$Nil (2014: \$28,494) into loans. The promissory notes bear interest at 8.5% per annum. As at December 31, 2015 an amount of \$130,082 (2012: \$69,589) was accrued as interest. The loan is due on the date of completion of a financing of a minimum of \$800,000. Subject to regulatory approval, the loan may be converted into common shares at the option of the "Merfin".

During the year ended December 31, 2015, the Company received an advance of \$Nil (2014: \$Nil) from Knight Castle Mercantile Inc., a private company controlled by a director at the time of the loan granted. The promissory note bears interest at 8.5% per annum. As at December 31, 2015 an amount of \$2,483 (2014: \$1,469) was accrued as interest. The loan is due at the date of completion of financing of a minimum of \$400,000. The loans are convertible into common shares of the Company at the option of the lender, subject to regulatory approval. The Company calculated the fair value of the convertible feature at \$Nil.

During the year ended December 31, 2015 the Company converted accounts payable of \$Nil due to Infogen (2014: \$3,173) into loans due to Infogen. The promissory notes bear interest at 8.5% per annum. As at December 31, 2015 an amount of \$13,749 (2014: \$7,905) 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 agrees to pay the lenders the bonus permitted by TSX Venture Exchange policies on the date the loans are repaid. The bonus shall be paid in cash, shares, warrants or a combination at the election of the lenders.. Subsequent to December 31, 2015, the Company's Board of Directors approved to issue 127,557 bonus shares for having provided cash contributions to Mineral Hill Industries so it could meet its minimum administrative obligations and required fees to regulatory bodies.

**Off Balance Sheet Arrangement**

The Company does not have any off balance sheet arrangement.

**Directors and Officers**

Dieter Peter	President, CEO and Director
Andrew H. von Kursell	Director, Chair of Audit Committee
Rafael Pinedo	Director, member of Audit Committee
Grant A Hendrickson	Director
Eric Peter-Kaiser	Director, member of Audit Committee (elected November 27, 2014)
Milo Filgas	Director
Andrew H. von Kursell	Interim Chief Financial Officer

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**Containing information up to and including April 19, 2016**

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**Outstanding Share Data as at April 19, 2016**

	<b>Number outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Common shares	10,948,803		
<b>Common shares issuable on exercise:</b>			
Warrants <sup>(2)</sup>	3,048,750	\$0.30	December 14, 2016 <sup>(3)</sup>
Share options	749,500	\$0.15	September 4, 2016
Share options	578,675	\$1.00	November 27, 2016
Share options	610,500	\$0.14	December 17, 2018

<sup>(2)</sup> Equivalent of warrants to purchase one common share

<sup>(3)</sup> Due to the halt on trading by the TSXV, a one year extension of the warrants was granted.

**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 is engaged in the exploration of mineral deposits. The Company's financial success will be dependent upon the discovery or acquisition of mineral resources and mineral reserves. These activities involve significant risks which are even with careful evaluation, experience and knowledge may not, in some cases, 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 metal commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire mineral properties throughout the world;
- No assurance about the economic viability, it is 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 property 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 mineral properties, if indeed resources or reserves exist on the properties;
- The rights to the mineral 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, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless

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otherwise noted, it is management's opinion that the Company is 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, receivables and due 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 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 anticipated it will need additional capital in the future to finance ongoing exploration of its properties, 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 minimal 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 estimates are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 8(b) in the financial statements

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(ii) *Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

**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.

You 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

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FORM 51-901F**

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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 April 28, 2015.

**Proposed transactions**

The Company has no proposed transactions.

*"Dieter Peter"*

On behalf of the Board

Dieter Peter

Chief Executive Officer

April 19, 2016