



**NEVADA SUNRISE GOLD CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)**  
**For the three months ended December 31, 2016**

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A includes certain forward-looking statements or information. All statements other than statements of historical fact included in this MD&A including statements relating to the potential mineralization or geological merits of the Company's mineral properties and the future plans, objectives or expectations of the Company are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include among other things, statements regarding future commodity pricing, estimation of mineral reserves and resources, timing and amounts of estimated exploration expenditures and capital expenditures, costs and timing of the exploration and development of new deposits, success of exploration activities, permitting time lines, future currency exchange rates, requirements for additional capital, government regulation of mining operations, environmental risks, anticipated reclamation expenses, timing and possible outcome of pending litigation, timing and expected completion of property acquisitions or dispositions, and title disputes. They may also include statements with respect to the Company's mineral discoveries, plans, out-look and business strategy. The words "may", "would", "could", "should", "will", "likely", "expect", "anticipate", "intend", "estimate", "plan", "forecast", "project" and "believe" or other similar words and phrases are intended to identify forward-looking information.

Forward-looking statements are predictions based upon current expectations and involve known and unknown risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Actual results/future events could differ materially from those anticipated in such statements.

Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to the actual results of exploration programs, fluctuating commodity prices, the possibility of equipment breakdowns and delays, the availability of necessary exploration equipment including drill rigs, exploration cost overruns, general economic or business conditions, regulatory changes, and the timeliness of government or regulatory approvals to conduct planned exploration work, political events, fluctuations in mineralization grade, geological, technical, mining or processing problems, future profitability on production, the ability to raise sufficient capital to fund exploration or production, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments, inability to obtain permits, environmental liability for work programs, general volatility in the equity and debt markets, accidents and labor disputes and the availability of qualified personnel. Additionally, the Company is not the operator of the Kinsley Mountain joint venture and factors that could affect the Kinsley Mountain joint venture and the Company's interest therein include: the Company does not control the timing, cost or nature of the work programs; the Company may be subject to unexpected cash calls relating to the operation of the Kinsley Mountain joint venture; if the Company is unable to fund its share of the work programs it will suffer dilution to its interest; and the Company cannot guarantee that the operator will conduct successful work programs or further develop the Kinsley Mountain property.

Although the Company has attempted to identify all of the factors that may affect our forward-looking statements or information, this list of the factors is not exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks and uncertainties detailed throughout this MD&A. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except where required by applicable securities laws.

## **PRESIDENT’S MESSAGE**

Nevada Sunrise has been active in the acquisition, exploration and evaluation of mineral properties, all focused in Nevada, one of the best mining jurisdictions in the world. As a complement to its Nevada gold and silver properties, the Company made the decision in 2015 to explore for lithium brines near North America’s only producing lithium mine at Silver Peak. The Company intends to maintain and explore its Nevada precious metals properties, and at the same time offer our shareholders the potential rewards that new lithium discoveries may bring.

In November 2015, a resource estimate for the Kinsley Mountain Gold Project was produced by the Pilot Gold Inc. - Nevada Sunrise joint venture and filed on SEDAR. Pilot Gold Inc. has developed new drill targets by 3-D modeling of integrated geological, geochemical and geophysical data and completed a drilling program at Kinsley Mountain. A property-wide airborne VTEM survey was flown at Kinsley Mountain in late 2016 that should provide an important exploration database for future exploration at the property.

In conjunction with the receipt of approval from the BLM for a ten-year Plan of Operations for the Golden Arrow Project in 2016, Nevada Sunrise has compiled a vast historical archive of historical exploration data and created a 3-D model for the project. We believe the production of this 3-D model is an important step to potentially find and develop new mineralized zones to complement Golden Arrow’s known gold and silver resources. The Company is currently presenting the 3-D model to parties interested in participating in an option or joint venture agreement for Golden Arrow.

The Company advanced its 100% owned Roulette Gold Project in 2016 by way of a soil geochemical survey and a follow-up ground geophysical survey that helped define high-priority drill targets. In February 2017, Nevada Sunrise received approval to drill up to 9 holes at Roulette on the most promising target areas developed from the Company’s previous work, and expects to begin an initial drilling program in the spring of 2017.

In the field of lithium, demand for lithium ion batteries in automobiles, energy storage, and other chargeable devices is increasing month by month, and lithium prices rose substantially in 2016. Nevada Sunrise was an early participant in a staking rush and now has over 20,000 acres under claim for lithium exploration in Nevada. The Company recently signed a letter of intent for a new lithium brine prospect, the Salt Wells Lithium Project, near Fallon, Nevada, and is conducting due diligence on the property.

In March 2016, the Company signed an option to acquire a 1,770 acre/feet/year water right to complement its three Clayton Valley properties. The Company believes that this acquisition is a pre-requisite for any exploration or development of lithium brine properties in the Clayton Valley. The water right was declared forfeited by the State of Nevada in November 2016 due to lack of beneficial use, and the Company is currently appealing that decision.

The Company has optioned participating interests in its six lithium properties to new exploration partners Resolve Ventures Inc., American Lithium Corp. and Advantage Lithium Corp. in order to achieve a return of capital on our lithium investments, while exploring our lithium projects without incurring significant dilution to our Company’s shareholders. Exploration carried out in 2016 has advanced all of the lithium properties, particularly at the Clayton NE property where drilling has successfully intersected lithium-bearing brines.

At December 31, 2016, Nevada Sunrise had working capital of approximately CAD\$1.47 million. The outlook is positive for the Company's gold and lithium exploration activities, and we look forward to a new year of discovery success in Nevada.

Sincerely,

*"Warren Stanyer"*

Warren Stanyer, President and CEO

## INTRODUCTION

Nevada Sunrise Gold Corporation (“Nevada Sunrise” or the “Company”) is an exploration stage company whose common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol NEV. The Company’s business is the acquisition, exploration and evaluation of mineral properties located in the State of Nevada, USA. The Company has a wholly-owned Nevada subsidiary, Intor Resources Corporation (“Intor”), through which it conducts business in Nevada. Nevada Sunrise holds interests in three gold exploration properties, namely:

- 20.94% participating interest 513 mining claims at the Kinsley Mountain property located in White Pine County, near Wendover, with Pilot Gold Inc. (“Pilot Gold”) holding the other 79.06% interest;
- 100% interest in 374 mining claims at the Golden Arrow property in Nye County, near Tonopah;
- 100% interest in 120 mining claims at the Roulette property in White Pine County, near Ely.

The properties are each subject to certain royalties held by the property vendors.

Nevada Sunrise holds interests in six lithium exploration properties in Esmeralda County, namely:

- an option to purchase a 100% interest in the Neptune property;
- an option to purchase a 100% interest in the Clayton NE property;
- an option to purchase a 100% interest in the Jackson Wash property;
- an option to purchase a 100% interest in the Atlantis property;
- 50% interest in the Gemini property by way of claim staking;
- 100% interest in the Aquarius property by way of claim staking.

Four of the six lithium properties are subject to certain royalties held by the underlying vendors of the properties.

The Company also has an option to purchase water rights in the Clayton Valley, Nevada. The pre-existing water right allows for 1,770 acre/feet of water use for mining and milling per year.

This discussion and analysis of financial position, results of operations and cash flows of Nevada Sunrise for the three months ended December 31, 2016 includes information up to and including February 28, 2017 and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three months ended December 31, 2016 and the Company’s audited annual consolidated financial statements for the years ended September 30, 2016 and 2015. All the consolidated financial statements were prepared using International Financial Reporting Standards. All dollar figures are in Canadian dollars unless otherwise stated.

The reader is encouraged to review the Company’s statutory filings on [www.sedar.com](http://www.sedar.com) and to review other information about the Company and its properties on its website at [www.nevadasunrise.ca](http://www.nevadasunrise.ca)

## **GOLD PROPERTIES**

### ***Kinsley Mountain***

The Kinsley Mountain property (“Kinsley Mountain” or the “Project”) is located in eastern Nevada in Elko County between the towns of Ely and Wendover, Nevada. The Company’s Nevada subsidiary has the rights to a mining lease covering 141 unpatented lode mining claims on U.S. Bureau of Land Management (“BLM”) land covering an area of approximately 1,136 hectares (2,807 acres). New staking has increased the size of the Project to 513 unpatented lode claims on BLM land plus 6 leased patents totaling 4,213 hectares (10,410 acres), and hosts a past-producing mine with an extensive exploration database and numerous, untested gold targets.

Kinsley Mountain lies roughly 75 kilometres (45 miles) southeast of the Long Canyon property where the geological/technical team of Pilot Gold, then part of Fronteer Gold Inc. (acquired by Newmont Mining Corp. in 2011), defined a significant gold resource in what is now recognized as an emerging gold district.

On October 28, 2013, Nevada Sunrise announced the signing of the Kinsley Mountain joint venture agreement between the Company and Pilot Gold. A Delaware limited liability company, Kinsley Gold LLC, was formed to manage the joint venture with Pilot Gold as the operator.

Pilot Gold conducted exploration programs at Kinsley Mountain from 2011 to 2014, and as a result, earned a 79.06% interest in the property. The Company has contributed to exploration programs approved by the joint venture in 2014, 2015 and 2016 to maintain its current 20.94% interest in the Project.

### **History of Exploration**

Gold mineralization was discovered on Kinsley Mountain in 1984. Subsequent exploration defined sediment-hosted gold mineralization concentrated in the Kinsley trend, and includes at least five distinct deposits hosted in strata ranging from middle-to-late Cambrian in age. Gold mineralization occurs within a stratigraphic section of Middle to Upper Cambrian-age sedimentary rock units including limestone, dolomite and shale. This mineralization exhibits characteristics similar to other sedimentary rock-hosted “Carlin-type” gold deposits in Nevada. Gold enrichments occur in both preferred bedding strata and structurally-controlled zones as disseminated mineralization within altered sedimentary rocks.

Between 1994 and 1999, Alta Gold Co. (“Alta Gold”) produced approximately 138,000 ounces of gold at .042 opt gold (1.4 grams/tonne gold) from oxide ore in a heap leach operation at Kinsley Mountain. Mining by Alta Gold was restricted to a cluster of deposits aligned along a northwest-oriented fault zone. Exploration drilling has identified several other mineralized centres which are yet to be developed. Mining by Alta Gold ceased during a period of low gold prices.

Gold mineralization at Kinsley Mountain consists both of shallow low-grade oxide ore, which was mined and produced by Alta Gold, and deep higher-grade sulphide mineralization. This deeper mineralization was tested by a limited number of drill holes. Nevada Sunrise assembled a substantial historical archive for the Kinsley Mountain property, including records for 1,156 drill holes drilled prior to 2011, with a total length of 244,900 feet (74,700 metres) or an average depth of only 212 feet (64.7 metres).

***Kinsley Mountain*** – (cont'd)

*Development of the Kinsley Mountain Joint Venture, 2010-2013*

April 2010: option agreement (the “Kinsley Option”) with Animas Resources Ltd. (“Animas”), which gave Animas the right to earn a 51% interest in Kinsley Mountain by spending US\$1.5 million in exploration expenditures over three years. Animas agreed to spend US\$200,000 in exploration expenditures during 2010 to maintain the Kinsley Option, and would act as operator of exploration at Kinsley Mountain.

Nevada Sunrise and Animas agreed to form a joint venture upon Animas earning its 51% interest in Kinsley Mountain for further exploration work to be carried out on the property. After earning its 51% interest in Kinsley Mountain, Animas had the right to earn an additional 14% interest by spending US\$3.0 million in exploration expenditures within five years, which would bring its interest in Kinsley Mountain to 65%.

September 2011: Nevada Sunrise announced the purchase by Pilot Gold of the Kinsley Option from Animas. Pursuant to the amended terms of the Kinsley Option, Pilot Gold would have the exclusive right to earn a 51% undivided interest in Kinsley Mountain by incurring US\$1.18 million in exploration expenditures by March 30, 2013 (incurred). Pilot Gold could earn an additional undivided 14% interest in Kinsley Mountain by incurring an additional US\$3.0 million in exploration expenditures within five years of meeting the initial earn-in.

April 2013: Nevada Sunrise announced that Pilot Gold had completed US\$3,000,000 in eligible expenditures at Kinsley Mountain to increase its participating interest to 65%. In addition, the Company received an exploration program proposal for 2013 from Pilot Gold, which included diamond drilling, a resource estimate as drilling progressed, and metallurgical studies planned in connection with the resource estimate.

August 2013: the Company announced that it had elected not to finance its 35% portion of the 2013 budget. As a result, Pilot Gold solely financed a modified US\$3,400,000 exploration program. Pilot Gold's interest in Kinsley Mountain increased to 79.06% and the Company's interest in the joint venture was diluted to 20.94%.

October 2013: a definitive joint venture agreement was signed between Nevada Sunrise and Pilot for Kinsley Mountain. A Delaware limited liability company, Kinsley Gold LLC, was formed to manage the joint venture with Pilot as the operator.

***Kinsley Mountain – (cont'd)***

*2013 Exploration Highlights*

- Pilot Gold carried a follow-up drill program totaling 14,200 metres in 58 holes testing high-priority targets within the Western Flank, Candland Canyon, and the Main pit areas
- results showed that significant gold also occurs within a lower zone of silty limestone below the Candland Shale;
- a Plan of Operations permit was obtained allowing drilling on up to 70 acres for exploration and development drilling;
- initial results returned the highest grade intercept in more than 1,300 holes drilled to date at Kinsley Mountain in drill hole PK091CA.

Significant mineralized intersections included:

- 8.53 g/t Au over 36.6 metres, including 29.43 g/t Au over 7.6 metres in hole PK091CA;
- 15.6 g/t Au over 3.0 metres in hole PK083C;
- 2.21 g/t Au over 10.7 metres in hole PK073;
- 1.65 g/t Au over 24.4 metres in hole PK074;
- 2.51 g/t Au over 16.8 metres in hole PK102.

*2014 Exploration Highlights*

- 2014 exploration program was budgeted at US\$4.47 million and the Company elected to finance its US\$943,936 share of the proposed program;
- 2014 budget was subsequently increased to US\$6.04 million, of which the Company's share was US\$1,265,697;
- a total of 27,191 metres was completed in 81 holes;
- 1,080 acre/feet of water rights was secured.

Significant mineralized intersections from the 12-hole, 4,229 metre 2014 Phase 1 winter diamond drilling program at the Western Flank included:

- 6.85 g/t Au over 41.7 metres in PK127C;
- 10.5 g/t Au over 42.7 metres in PK131C;
- 7.53 g/t Au over 53.3 metres in PK132C;
- 10.6 g/t Au over 30.0 metres in PK133C;
- 1.44 g/t Au over 12.2 metres and 2.84 g/t Au over 18.9 metres in PK134C;
- 21.3 g/t Au over 29.0 metres in PK137C\*;
- 15.6 g/t Au over 38.7 metres in PK137CA\*.

*\*PK137C was lost in the mineralized zone due to poor ground conditions higher in the hole, and does not represent a complete intercept of the zone. PK137CA was wedged off the same hole from above the mineralized zone using NQ-size tools and was completed through the mineralized zone in a location immediately adjacent to PK137C, effectively representing a twin of PK137C and a complete intercept of the mineralized zone.*



***Kinsley Mountain*** – (cont'd)

Significant mineralized intersections from Phase 2 summer drilling at the Right Spot area included:

- 3.35 g/t Au over 41.1 metres in PK144, including 5.11 g/t over 4.6 metres;
- 3.08 g/t Au over 19.8 metres in PK138;
- 2.43 g/t Au over 19.8 metres in PK139;
- 1.75 g/t Au over 22.9 metres in PK142.

Step-out drilling to the north and west of the high-grade gold mineralization in the Western Flank area at Kinsley Mountain returned long intercepts of gold mineralization in multiple horizons. Highlights of Western Flank step-out drilling included:

- 5.59 g/t gold over 38.1 metres in PK158C (22m step out), including
  - 9.99 g/t gold over 16.8 metres (Secret Canyon Shale host);
- 1.12 g/t gold over 7.0 metres in PK141C (50m step out) (Candland Shale host), and
  - 2.46 g/t gold over 16.8 metres (Secret Canyon Shale host), and
  - 3.81 g/t gold over 30.5 metres (Secret Canyon Shale host);
- 2.89 g/t gold over 19.1 metres in PK151C (Candland Shale host) and
  - 8.35 g/t over 12.5 metres (Secret Canyon Shale host), including
  - 10.5 g/t over 2.8 metres (Secret Canyon Shale host).

In September and December 2014, the Company announced additional results from the Western Flank, the Secret Spot and Racetrack targets.

Significant mineralized intersections from drilling in late 2014 in the Western Flank area included:

- 6.19 g/t (grams per tonne) gold over 45.7 metres in PK175CA, including
  - 13.8 g/t gold over 19.2 metres;
- 3.91 g/t gold over 18.3 metres in PK159C, including
  - 8.15 g/t gold over 7.6 metres;
- 2.89 g/t gold over 19.1 metres in PK162C, including
  - 10.5 g/t over 2.8 metres;
- 10.1 g/t (grams per tonne) gold over 39.6 metres in PK186C, including
  - 17.4 g/t gold over 21.6 metres (Secret Canyon Shale host);
- 6.05 g/t gold over 30.5 metres in PK187C (Secret Canyon Shale host);
- 4.39 g/t gold over 29.2 metres in PK188C (Secret Canyon Shale host);
- 6.88 g/t gold over 6.1 metres in PK177C, including
  - 11.0 g/t gold over 3.0 metres (Candland Shale host);
- 6.15 g/t gold over 7.6 metres in PK200, including 8.73 g/t gold over 4.6 metres (Secret Canyon Shale host).

Drilling at the Secret Spot target, located 2 kilometres to the south of the Western Flank target, resulted in discovery of a wide zone of gold mineralization in the Secret Canyon Shale, which is the same host rock for high-grade mineralization in the Western Flank. The existence of gold mineralization in the same unit two kilometres from the Western Flank suggests that mineralization could be wide spread in the Secret Canyon Shale.

***Kinsley Mountain*** – (cont'd)

Secret Spot highlights included:

- 1.34 g/t gold over 25.9 metres *and* 1.09 g/t over 13.7 metres *and* 3.02 g/t over 6.1 metres in PK153;
- 2.03 g/t gold over 7.6 metres (shallow oxide mineralization in the Candland Shale host) in PK182.

The Racetrack zone is located 1.2 kilometres south of the Western Flank along a parallel north-northeast trending structure where surface mineralization in the Candland Shale was intersected over a 250 metre by 300 metre area by prior operators. Six holes were drilled, with PK180 returning mineralization in both the shallow oxide Candland Shale unit and the deeper Secret Canyon Shale.

Highlights from the Racetrack area included:

- 2.69 g/t gold over 7.6 metres (Shallow oxide mineralization in the Candland Shale host) and 1.25 g/t Au over 10.7 metres (Secret Canyon Shale host) in PK180

The 2014 drill program was designed to extend and delineate the high-grade Western Flank zone and test for mineralization in several stratigraphic horizons along a 2 kilometre-long, north-northeast trending corridor from the Western Flank discovery to the Right Spot and Secret Spot targets.

Results from the 2014 drilling in the Western Flank suggest a more complex, structurally-controlled body of mineralization than originally contemplated, with both an east-west and north-south elongation. In addition, a lower zone of mineralization, lying approximately 100 metres below the main high-grade zone was encountered in PK141C and PK158C.

**Metallurgical Test Results**

On January 19, 2015, Nevada Sunrise reported results from an initial metallurgical program designed to address the recovery of gold from the Secret Canyon host rock to produce a high-grade concentrate. The metallurgical test results demonstrated that high-grade sulphide mineralization from the Western Flank zone can produce a concentrate with excellent gold recoveries, at potentially low capital and operating costs.

Initial geochemical analyses of mineralized intercepts, including characterization of carbon and sulfur, ICP analysis and determination of the solubility of gold in cyanide demonstrated that the concentration of gold relative to sulfur is high, in comparison to other sediment-hosted, Carlin-style gold deposits. As well, petrographic work showed that pyrite, in which the gold is believed to be resident, is relatively crystalline, dense (non-porous) and that there is a very small quantity of sulfides that are <20 microns. These data and observations demonstrate potential for producing a high-grade flotation concentrate, which could then be evaluated for direct sale to commercial smelters or potentially to any one of several Nevada mine operators who can process refractory concentrates via roasting or autoclaving, for final recovery of the gold.

***Kinsley Mountain*** – (cont'd)

***Metallurgical Test Results*** – (cont'd)

Secret Canyon gold mineralization at Kinsley Mountain, unlike more typical Carlin-style deposits, is unique in several aspects:

- The sulfides at Secret Canyon are crystalline, dense (not porous) and the lack of sulfides <20 microns make them prime candidates for flotation.
- The total sulfide sulfur content of Secret Canyon material averages about 1.0%, which is low for a typical Nevada refractory resource, indicating that flotation concentration ratios can be high and consistently produce high grade concentrates.
- The ratio of gold, in grams/tonne - to sulfide sulfur, in percent (Ratio: Au/S) is very high, ranging from 7.8 to 19.2 for the four master composites. Since refractory gold treatment facility capital and operating cost are most affected by sulfide sulfur content, the low sulfide sulfur feed grade and the high ratio of Au/S are very favorable indicators for low capital cost facilities for on-site treatment and low relative operating cost for concentrate treatment whether processed on or off-site by other commercial entities.
- Concentrate grade ranged from 98.6 to 312 g/t gold. At a US\$1,200 gold price, the contained values of these concentrates range from \$3,800 - \$12,000 per tonne. Therefore, cost for on-site processing or shipping and processing concentrate at a commercial smelter or a local Nevada refractory treatment facility would only represent a small portion of the overall concentrate value.

On July 13, 2015, Nevada Sunrise reported additional metallurgical results designed to test the amenability of gold mineralization hosted in the Dunderberg (Candland) Shale to produce a saleable concentrate. The Dunderberg Shale was the primary host rock in the historical Kinsley Mountain mining operation, and is the shallow host rock at the Western Flank.

Pilot Gold states that these recent metallurgical test results demonstrate that Kinsley Mountain's main host rocks can produce medium to high-grade concentrates with very good to excellent gold recoveries and the potential of low capital cost options for possible mining and processing at the Project.

The test work, initiated in March 2015, used the same flowsheet developed for mineralization hosted in the Secret Canyon Shale. Summary highlights include:

Composite	Overall Au Recovery (%)	Concentrate Grade (g/t)	Calculated Feed Grade (g/t)
WF-CC#1	83.0	52.3	4.82
WF-CC#2	82.6	42.0	2.81

Concentrates were assayed for deleterious elements and were found to contain arsenic and antimony. Arsenic in the concentrate tested ranged from 1.55% to 3.14% and averaged 2.35% while antimony in the concentrate tested ranged from 0.048% to 0.067% and averaged 0.058%. While arsenic and antimony are elevated, it is believed the levels would not preclude direct sale to a typical Nevada refractory ore processing facility.

***Kinsley Mountain – (cont'd)***

*Gary Simmons, of GL Simmons Consulting, LLC (B.S. Extractive Metallurgy), a Qualified Professional with the Mining and Metallurgical Society of America is the Qualified Person, within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), has overseen the collection and verification of the metallurgical data and reviewed and approved this technical disclosure. Mr. Simmons is independent of Pilot Gold and Nevada Sunrise. Metallurgical testing was conducted at Hazen Research, Inc. in Denver, Colorado.*

2015 Exploration Highlights

- the 2015 exploration program and budget for Kinsley Mountain was approved by the joint venture at US\$2.0 million;
- an induced polarization ("IP") geophysical test survey was carried out in early 2015 to investigate a chargeability correlation of sulphide content, ranging up to 10%, associated with known gold mineralization in deeper portions of the Western Flank Zone;
- the current interpretation of the 2015 IP survey in conjunction with re-interpretation of historical I.P surveys has enhanced the understanding of the target model at Kinsley Mountain;
- A total of 5,075 metres of RC drilling in 13 holes was completed;
- Targets range from early stage tests in the Kinsley North area to fan drilling of the area between the Western Flank zone and the historical pits.

On June 23, 2015, Nevada Sunrise announced initial results from drilling within an area approximately 150 metres northeast of the high-grade Western Flank zone. High-grade gold was intercepted in two key stratigraphic horizons, indicating the presence of a new mineralized zone that remains open to the east and west.

Significant mineralized intersections included:

- PK208: 2.34 grams per tonne ("g/t") gold over 9.1 metres (Dunderberg shale host), and 3.46 g/t gold over 18.3 metres (Secret Canyon Shale host); including 13.7 g/t Au over 3.0 metres;
- PK210: 2.95 g/t Au over 13.7 metres (Secret Canyon Shale host).

The 2015 intercepts are from the Dunderberg Shale and the Secret Canyon Shale which contain most of the known gold mineralization at Kinsley Mountain and are believed to underlie a significant portion of the Project area. Pilot Gold believes the previously-discovered Western Flank zone is not an isolated occurrence and there is a high probability of ongoing discoveries at Kinsley Mountain, and that the 2015 results confirm their exploration model for the discovery of new areas of mineralization.

Mineral Resources Estimate Technical Report

On November 4, 2015, in conjunction with Pilot Gold, Nevada Sunrise announced the release of a NI 43-101 compliant technical report entitled "Updated Technical Report and Estimated Minerals Resources for the Kinsley Project" (the "Report"), effective October 15, 2015. The Report was subsequently filed on SEDAR dated December 16, 2015 and can be accessed at <http://www.sedar.com>.

***Kinsley Mountain*** – (cont'd)

The Kinsley Mountain resource estimate addresses well-explored mineralization in the historical Kinsley Mine area, as well as a significant high-grade component in the Secret Canyon shale unit in the Western Flank area at the northwest end of the Kinsley Mountain mine trend.

The resource estimate for all mineralization types, using multiple cut-offs, is:

Mineralization	<i>Indicated</i>			<i>Inferred</i>			Cutoff (g/t Au)
	oz Au	g/t Au	Tonnes	oz Au	g/t Au	Tonnes	
<i>All types</i>	405,000	2.27	5,529,000	122,000	1.13	3,362,000	-
Secret Canyon Shale sulphide	284,000	6.04	1,461,000	39,000	2.41	508,000	1.0
Dunderberg Shale sulphide and transitional	45,000	2.67	520,000	37,000	2.44	470,000	1.3
Oxide	76,000	0.66	3,548,000	46,000	0.60	2,384,000	0.2

Mineralization hosted in the Secret Canyon Shale in the Western Flank zone includes 284,000 Indicated ounces at an average grade of 6.04 g/t gold.

The resource estimate includes three separate cut-off grades, reflecting depth from surface, oxidation, and metallurgical considerations. These include shallow oxidized rock (0.2 g/t Au cut-off); shallow transitional and sulphide mineralization, primarily hosted in the Dunderberg Shale (1.3 g/t Au cut-off), and Secret Canyon Shale-hosted sulphide and transitional mineralization (1.0 g/t Au cut-off). Cut-off grades assume an open-pit mining scenario, using a pit floor elevation generated using Whittle software, reasonable assumptions for mining and milling costs, and a US\$1,300/oz gold price.

*The Report was prepared by Michael M. Gustin, C.P.G., with Mine Development Associates, Inc. of Reno, Nevada; Gary Simmons, BSc, Metallurgical Engineering, of G L Simmons Consulting, LLC; and Dr. Moira Smith, Ph.D., P. Geo. Chief Geologist for Pilot Gold, all of whom are "Qualified Persons" as defined by NI 43-101. Mr. Gustin and Mr. Simmons are independent of Pilot Gold and Nevada Sunrise.*

***Kinsley Mountain*** – (cont'd)

2016 Exploration

Nevada Sunrise and Pilot Gold approved an amended 2016 exploration program and budget for Kinsley Mountain totaling US\$776,000. The Company's share of the 2016 budget was approximately US\$162,500.

Drill targets were developed by Pilot Gold for the 2016 program using 3-D modeling software, including the integration of new and historical geological, geochemical and geophysical data as detailed below. One drill target southwest of the Kinsley Main historic pit was tested with four reverse circulation ("RC") holes in the spring of 2016. The target contained similar attributes to the Western Flank deposit, including:

- The intersection of the NW-striking Kinsley fault zone with a swarm of NE-striking steep faults
- A broad, deep historical induced polarization chargeability anomaly
- Anomalous pathfinder element geochemistry in surface soil and rock samples

All four of the 2016 drill holes intersected the target Secret Canyon Shale host horizon at the expected depth in the anticipated structural environment. All holes contained areas of moderate to strong jasperoid alteration, clay alteration and strong iron oxide and/or disseminated pyrite alteration, consistent with what is observed in the Western Flank zone. However, only anomalous gold content was encountered.

An airborne VTEM and magnetic survey consisting of 854 line kilometres was flown in late 2016 at 200 metre spacing over the northern area of Kinsley Mountain, and at 100 metre line spacing over the southern half, which includes the area where the Western Flank gold discovery was made in 2014. VTEM is known for its ability to detect sulphides at depths exceeding 300 metres, and can assist in defining mineralized trends, and related structures. Interpretation of the survey data will utilize the geophysical signature of the Western Flank Zone to assist in identifying further drill targets. Final interpreted results are anticipated in the first quarter of 2017.

### **Golden Arrow**

The Golden Arrow property (“Golden Arrow”) is located in Nye County, Nevada and consists of 357 unpatented lode mineral claims and 17 patented lode mineral claims. In total, Golden Arrow covers an area of 5,684 acres. Golden Arrow has a number of favorable attributes for exploration: gentle topography, mild climate, available ground water and close proximity to highways and towns. Historical exploration has resulted in the discovery and subsequent drill-definition of two centers of gold-silver mineralization. A large exploration database shows exceptional exploration potential.

Golden Arrow is situated along the eastern margin of the Walker Lane structural zone and along the western margin of the Kawich volcanic caldera. The Walker Lane has past production and defined resources of more than 30 million ounces of gold and 400 million ounces of silver. Notable districts include the Comstock Lode, Rawhide, Paradise Peak, Santa Fe, the historic Tonopah and Goldfield districts, and Round Mountain, one of the most significant gold mines in Nevada.

Gold and silver mineralization at Golden Arrow includes mineral zones typical of both low-sulphidation quartz-adularia veins and high-sulphidation hot-spring type mineralization. Historic production was realized from discrete high-grade ore shoots within larger fault-controlled quartz-adularia-gold veins in andesite of the volcanic basement. More recent exploration has mainly focused upon definition of large-tonnage disseminated mineralization, with the discovery and delineation of two centers of mineralization – the Gold Coin and Hidden Hill deposits. The Gold Coin deposit outcrops and extends northwestward from the Confidence Mountain rhyolite flow dome. The Hidden Hill deposit, located approximately 300 metres northwest from Gold Coin, is largely hosted in silicified rhyolite-arkose maar sediments deposited in a basin extending away from the rhyolite center. Much of the higher grade mineralization is spatially associated with pepperite breccia at the margin of latite dikes.

A considerable array of geophysical information has been collected on Golden Arrow over the years using various methods of measurement, including gravity, ground and aeromagnetic surveys, airborne EM, IP-resistivity, and radiometrics. During 2007, the Company reprocessed most of the original digital geophysical data to complete three-dimensional interpretive geophysical models for the Golden Arrow district. The known deposits occur in distinct geologic settings, with discernable geophysical signatures. The geophysical models define additional exploration targets for drill testing.

The historical archive that has been assembled by the Company includes drill core and cuttings, as well as technical data, for 291 drill holes – 281 RC percussion holes and 10 diamond core holes – for a total of 45,141 metres of drilling. Of this, approximately 90% of the drilling has been concentrated within the Gold Coin and Hidden Hill deposits. All of the available core and cuttings were re-logged in a consistent format by the Company’s geologists; the resulting geologic model formed the foundation for a Mineral Resource estimate.

Mine Development Associates of Reno, Nevada completed a NI 43-101 compliant Mineral Resource Estimate for the Golden Arrow property in a report entitled “Updated Technical Report on the Golden Arrow Project, Nye County, Nevada, USA”, co-authored by Steve Ristorcelli, C.P.G., and Odin Christensen, Ph.D., C.P.G. dated May 1, 2009. Geo-statistical modeling was completed by zones for the Hidden Hill and Gold Coin deposits. This defined the deep high-grade structurally-controlled mineralization from the near-surface horizontal disseminated mineralization. Geologically-defined mineral zones separated the gold and silver resource blocks.

**Golden Arrow – (cont'd)**

In the table below are the Mineral Resources estimated and effective May 1, 2009, as contained in the Technical Report, republished for the convenience of investors. Investors are requested to refer to the Technical Report for a fulsome discussion of the Mineral Resource estimates along with all assumptions, parameters and methods used to prepare the Mineral Resource estimates and risk associated with relying on the Mineral Resource estimates.

**Golden Arrow Project Total Gold and Silver Resources**

		<i>Oxidized</i>				
Cutoff oz AuEq/ton	Tonnes	AuEq oz/t	Au oz/t	Au Ozs	Ag oz/t	Ag Ozs
Variable	1,099,000	0.029	Measured 0.024	26,600	0.26	291,000
Variable	5,637,000	0.022	Indicated 0.018	102,600	0.22	1,263,000
Variable	6,736,000	0.023	Measured and Indicated 0.019	129,200	0.23	1,554,000
Variable	2,040,000	0.013	Inferred 0.009	17,700	0.25	510,000
		<i>Un-Oxidized</i>				
Cutoff oz AuEq/ton	Tonnes	AuEq oz/t	Au oz/t	Au Ozs	Ag oz/t	Ag Ozs
Variable	751,000	0.047	Measured 0.034	25,800	0.67	505,000
Variable	4,685,000	0.038	Indicated 0.030	141,500	0.42	1,949,000
Variable	5,436,000	0.039	Measured and Indicated 0.031	167,300	0.45	2,454,000
Variable	1,750,000	0.026	Inferred 0.019	32,700	0.42	739,000
		<i>Total (Revised)</i>				
Cutoff oz AuEq/ton	Tonnes	AuEq oz/t	Au oz/t	Au Ozs	Ag oz/t	Ag Ozs
Variable	1,850,000	0.036	Measured 0.028	52,400	0.43	796,000
Variable	10,322,000	0.029	Indicated 0.024	244,100	0.31	3,212,000
Variable	12,172,000	0.030	Measured and Indicated 0.024	296,500	0.33	4,008,000
Variable	3,790,000	0.019	Inferred 0.013	50,400	0.33	1,249,000

Note: Silver to gold ratio is 55 to 1; variable cut-off grades are 0.01 oz/t gold for oxide and 0.015 oz/t gold for un-oxidized material.

*The technical information related to and including the reported Mineral Resources for the Golden Arrow Project was reviewed and approved by Steven Ristorcelli, C.P.G., a qualified person as defined by NI 43-101.*



**Golden Arrow** – (cont'd)

2012 Exploration by Nevada Sunrise

In October 2012, the Company reported the results from a total of 5,570 metres of RC drilling in 21 holes completed during the 2012 drill campaign. The program was designed primarily to evaluate areas in the vicinity of the previously-defined resources at Hidden Hill and Gold Coin for additional potential centers of gold mineralization. Targets were chosen to be less than 300 metres in depth and were based primarily on the previously completed Orion 3D DCIP/MT geophysical survey over an approximately 8 square kilometre area performed by Quantec Geoscience in November 2011.

Eight holes in two areas about 300 metres west of Hidden Hill defined a new target region with the following highlights:

- Hole GA12-361 intersected 7.6 metres containing 1.00 g/t Au;
- Hole GA12-356 intersected 7.6 metres containing 0.54 g/t Au, including 6.1 metres containing 0.61 g/t Au;
- Hole GA12-355 intersected two separate intervals, 4.7 metres containing 0.42 grams g/t Au and 4.6 metres containing 0.83 g/t Au, the latter includes 3.1 metres of 1.05 g/t Au;
- Hole GA12-363 intersected 4.6 metres containing 0.55 g/t Au.

2013 Mining Lease Amendment

On December 30, 2013, Nevada Sunrise announced an amendment to a mining lease on the Golden Arrow property. Several claim blocks at Golden Arrow totalling 185 unpatented lode mining claims are held through a mining lease between Intor and Nevada Eagle Resources LLC, a subsidiary of Newmont Mining Corp. In 2010, the mining lease was extended from its previous expiry date of December 31, 2011, for an additional five years to December 31, 2016, with additional one-year extensions of the mining lease at the option of Nevada Sunrise. The additional one-year extensions under the previous mining lease terms resulted in a doubling of the advance royalty payment for each one-year extension, beginning January 1, 2017. The terms of the amendment to the mining lease were as follows:

- The advance minimum royalty payment is now reduced, from \$50,000 to \$25,000 per year, for the remainder of the term of the mining lease. The mining lease can be extended year to year at the Company's option by making the advance royalty payments, which are capped at \$25,000 per year.
- The advance royalty payment due on Jan. 1, 2014, was deferred to July 1, 2014. Each subsequent annual advance royalty payment of \$25,000 is due and payable on January 1 of each succeeding calendar year.
- The production royalty, currently at 2.0 %, is increased by one percentage point to 3.0 %.
- Nevada Sunrise may purchase one percentage point of the amended production royalty from Nevada Eagle Resources LLC for US\$1,000,000 at any time during the remaining term and any subsequent terms. All other provisions of the mining lease continue in full force and effect.

**Golden Arrow – (cont'd)**

2014 Activities

In 2014, Nevada Sunrise conducted a data compilation program of historical geophysical and drilling results for Golden Arrow. Drilling samples from selected mineralized areas were re-analyzed with the goal of identifying target areas that may contain extensions of known mineralization. Concurrently, biological and cultural surveys were undertaken at Golden Arrow as key components of the Company's Plan of Operations application.

Plan of Operations Approved

In early 2015, Nevada Sunrise submitted a Plan of Operations (the "Plan") for Golden Arrow to the BLM. The Plan contemplated approximately 73,000 metres (240,000 feet) of drilling in 240 holes to explore for areas of new gold mineralization at Golden Arrow, and to further refine the known gold resources. The submission of the Plan was the culmination of a process initiated by the Company in June 2014, when biological surveys commenced at Golden Arrow. During the summer and fall of 2014, a cultural survey was carried out in conjunction with the biological surveys to meet the requirements for the Plan. A geological review was also initiated by Nevada Sunrise which included the design of the surface drilling program and surface sampling and mapping. In August 2015, an Environmental Assessment was filed by the Company in support of the Plan, and the Company received and replied to comments from the BLM during the fall of 2015. After a public review period, the Plan was approved by the BLM in May 2016. The Company is required to increase the reclamation bond on Golden Arrow to US\$94,011 from the current amount of US\$18,037 upon commencement of exploration.

On May 11, 2016, the Company was granted a 10 year right of way to access the Golden Arrow property for exploration and drilling. The Company has paid US\$4,262 to prepay the right of way for the entire 10 year term, which begins in July 2016 and carries through to June 2025.

The Company is assessing its options for an exploration program at Golden Arrow and is actively seeking a joint venture or option partner for the property. The Company is currently presenting the 3-D model to parties interested in participating in an option or joint venture agreement for Golden Arrow.

**Roulette**

The Roulette Gold Project ("Roulette") consists of 120 unpatented claims covering 2,400 acres (971 hectares) located approximately 30 miles north of Ely, Nevada at the southeast end of the Carlin Trend in an active area of mineral exploration. In November 2014, the Company announced an option agreement to acquire 15 unpatented claims at Roulette and added an additional 105 claims by staking.

To the north of Roulette is McEwen Mining Inc.'s Limousine Butte project which hosts a measured plus indicated resource of 241,080 ounces of gold, and an inferred resource of 50,700 ounces of gold in three separate deposits (source: "NI 43-101 Technical Report for the Limousine Butte Project, White Pine County Nevada," dated July 1, 2009, authored by Telesto Nevada Inc.). To the northwest, Freeport McMoran Inc. ("Freeport") holds a large claim block (approximately 30,000 acres or 12,000 hectares) prospective for porphyry copper/gold deposits, which encompasses the Butte Valley copper prospect Freeport acquired in 2012 from Quaterra Resources Inc.

**Roulette** – (cont'd)

For the option to earn up to a 100% interest in Roulette, Nevada Sunrise agreed to pay the following cash payments (the “Option Payments”) to the vendors on the anniversaries of the agreement (all dollar figures are in US dollars) as follows:

- On signing definitive agreement: \$ 7,500 (paid)
- 1st Anniversary: \$ 12,500 (paid)
- 2nd Anniversary \$ 20,000 (paid)
- 3rd Anniversary \$ 25,000
- 4th Anniversary \$ 30,000
- 5th Anniversary \$ 35,000 (or a \$200,000 buyout as described below)

Nevada Sunrise can elect to pay 50% of any future Option Payment in common shares of Nevada Sunrise (plus a 20% surcharge in favour of the vendors if common shares of the Company are elected for 50% of the Option Payment), with the exception of the initial down payment. On the fifth anniversary, the Company would have the right to purchase a 100% interest (the “Ownership Interest”) in Roulette for a total of \$200,000 (the “Option Purchase”), subject to a 2.5% net smelter returns royalty (“NSR”). At any time before a decision to commence production, Nevada Sunrise would have the right to purchase 1.0% of the NSR for \$1,000,000, and the remaining 1.5% NSR for \$2,000,000.

In August 2014, John R. Kerr, P. Eng., Nevada Sunrise’s Qualified Person, carried out a site visit and collected two chip samples from a jasperoid outcrop on Roulette known as the Parlay showing, which returned the following gold values:

- 4.44 ppm gold over sample length of 3.30 metres (10 feet)
- 1.045 ppm gold over sample length of 2.64 metres (8 feet)

Historical exploration on Roulette discovered gold-bearing jasperoids in outcrop in the 1980s. From 2007 to 2009 the original claims at Roulette were held by Columbus Gold Corporation who conducted extensive rock-chip sampling reporting gold and strong arsenic values within and associated with jasperoids. The conceptual target at Roulette is Carlin-type gold deposits.

Nevada Sunrise believes that Roulette is underexplored. There are no known ground or airborne geophysical surveys in the public record, and any historical drilling is unconfirmed as to drill hole location, footage or results.

Roulette shows geological similarities to the Alligator Ridge gold deposits located about 24 miles to the west, part of the Bald Mountain gold mine now owned by Kinross Gold Corporation. The Alligator Ridge mine was discovered in the mid-1970s in an area of no previous exploration or mining history after a mineralized outcrop was found by a prospector. The area was subsequently mapped, sampled and drilled. Production of approximately 700,000 ounces of gold from three deposits at Alligator Ridge was reported by various operators into the 1990s, until its assimilation into the Bald Mountain mine.

### ***Roulette – (cont'd)***

Roulette and Alligator Ridge share certain sedimentary rock formations known to host Carlin-style mineralization, namely a sequence of Devonian/Mississippian limestones and shales, including the Guilmette limestone, Pilot shale, Joana limestone and Chainman shale. Nevada Sunrise believes that the potential exists for undiscovered gold mineralization at Roulette, with Alligator Ridge as a model for future exploration on the project.

### **2015 Exploration**

In May 2015, the Company completed a Volterra 3-D IP survey at Roulette. The survey consisted of 17 line kilometres and was intended to map the geophysical properties, resistivity and chargeability of the subsurface rocks. In addition, 3.4 kilometres of reconnaissance 2-D IP lines in the southern half of the project was completed. A magnetic survey on all the surveyed lines was also completed to assist in the mapping of interpreted geological structures. The results of the IP survey show three strong chargeability anomalies:

- The largest chargeability high is located near the south end of the survey grid, east-northeast of the Parlay jasperoid gold showing.
- A second chargeability high is located in the north-central part of the grid, immediately east of a second jasperoid, known as Gambit.
- A third chargeability high is located on the northernmost line of the survey, on strike with the Parlay and Gambit jasperoids, and is open to the north.

Two of the three chargeability anomalies are observed to coincide with resistivity highs, which are commonly associated with jasperoid bodies. The high chargeability anomalies possibly reflect significant sulfide content within these bodies. Other resistivity anomalies located along strike of the two known jasperoid outcrops may reflect the presence of additional buried jasperoid bodies. The magnetic survey showed little contrast between the interpreted rock units, which is not unexpected due to the relatively homogenous sedimentary rocks present at Roulette. However, a strong magnetic anomaly was detected on the northern boundary of the survey grid. Other weaker magnetic anomalies within the grid may indicate a north-northeast-trending fault and possible contact zones. An animated 3-D view of the 2015 survey results can be viewed at the Company's website.

### **2016 Exploration**

The 2016 exploration consisted of multi-element geochemical sampling along 11.2 line kilometres (6.7 line miles) of grid. In addition, 4 kilometres (2.4 line miles) of Volterra 3D-IP ground geophysical surveying was completed as a follow up to a 2015 survey carried out by Nevada Sunrise. A total of 400 soil samples were taken at 25 metre intervals on lines spaced 200 metres apart to complement historical work by a predecessor company of McEwen Mining Inc., and Cordex Exploration Co., prior to the Company's acquisition of Roulette. The 2016 survey lines were extended to the north and east over interpreted faults. Anomalous values ranging up to 15.5 ppb gold, 205 ppm arsenic and 5.1 ppm antimony were found in the soils. The geochemical signature appears to be spatially associated with both jasperoid locations and along interpreted brittle structural faults. This may suggest an association of brittle structure and silicification, a characteristic also consistent with Carlin-type mineralization.

**Roulette** – (cont'd)

The 2016 3-D IP survey was designed as an extension of the work Nevada Sunrise performed in 2015 over a 1,500 metre-long area, where strong chargeability anomalies were detected in the southern part of the grid, and another chargeability anomaly was partially-surveyed within the northern end of the grid, short of the property boundary. In order to provide a suitable overlap with the latest survey results, data was gathered on the three northernmost lines of the Roulette grid, and then merged and blended with the 2015 results to produce a single, coherent model.

The 2015 survey had delineated three high chargeability anomalies along a NNE trending band of elevated chargeability values that closely follows the interpreted Joana-Pilot Shale contact. The two southern anomalies, known as A1 and A2, appear to be related to the Parlay and Gambit jasperoid showings. A third anomaly, A3, was mapped on the northernmost survey line along strike from the jasperoid showings. The 2016 survey shows that A3 continues to the north, becoming larger and higher amplitude. It is traced for some 300 plus metres strike length, where it terminates sharply forming an ENE striking lineation along its northern edge. This anomaly appears to form a pod shaped body, narrow and elongated to the northeast. Modelling suggests it has a depth extent on the order of 200 metres and appears to lie on top of the westerly dipping Guilmette formation limestone. Nevada Sunrise considers each of A1, A2 and A3 as prime drill targets.

Combined geological mapping, geochemistry and geophysics have provided three distinct targets for drilling nine proposed holes. In February 2017, Nevada Sunrise received approval from the BLM to drill up to 9 holes at Roulette. It is the Company's intention to drill three or four of these proposed holes as an initial phase, the remaining holes will only be drilled if initial results warrant.

*John R. Kerr, P.Eng., is the Company's designated qualified person for this MD&A within the meaning of NI 43-101 and has reviewed and approved the technical information contained in this MD&A for the Kinsley Mountain, Golden Arrow and Roulette projects.*

**LITHIUM PROPERTIES**

Nevada Sunrise has adopted an exploration strategy targeting desert basins, or playas, that exhibit similar geological and geophysical characteristics to the Clayton Valley basin where brines containing economic contents of lithium are known to accumulate in faults and porous lithologic traps in sub-basins. Such sub-basins can be delineated by gravity surveys that detect strong gravity lows.

In 2013, the USGS released a paper describing the Clayton Valley's potential to host lithium deposits based on the hypothesis that lithium is liberated by weathering of host rocks or derived from hydrothermal fluids from a variety of rock sources within a closed basin. The floor of Clayton Valley has an area of about 100 square kilometres and a catchment of about 1,400 square kilometres, and is the topographically lowest of at least five adjacent basins that are hydrologically linked by groundwater flow (Zampirro, 2004). It is the combined area of all five linked catchments that matters, making the effective area of the Clayton Valley lithium-brine system much larger than the footprint of the Clayton Valley proper (source: from USGS open file 13-1006, 2013).

### ***Neptune***

On August 21, 2015, the Company entered into an option agreement to purchase a 100% interest in the Neptune lithium exploration property located in the Clayton Valley, Esmeralda County, Nevada.

Neptune is located 37 miles (55 kilometres) southwest of Tonopah, Nevada, in an active area of lithium exploration and mining. The Silver Peak lithium brine mine, now owned by Albemarle Corporation (“Albemarle”), has extracted lithium minerals from brines continuously since 1966 and is 10 miles (16 kilometres) to the north of the Neptune property. The Silver Peak mine is the only operating lithium mine in North America. Pure Energy Minerals Ltd., a Canadian-based exploration company, has recently published a technical report on an inferred lithium resource for its Clayton Valley South project located near the Silver Peak mine.

The Company agreed to pay the following consideration to the vendors on TSXV acceptance of the agreement (received) and on subsequent anniversaries of the agreement:

- On receipt of TSXV acceptance of the agreement: 200,000 common shares (issued)
- On the first anniversary of the agreement: 300,000 common shares (issued)
- On the second anniversary of the agreement: 500,000 common shares

Neptune is subject to a 3% gross overriding royalty (“GOR”). On the third anniversary of the agreement, the Company has the right to purchase 1% of the GOR for US\$1,000,000.

In October, 2015, Nevada Sunrise carried out a re-staking program that expanded the size of Neptune to 316 unpatented 20-acre placer claims totaling 6,320 acres (2,557 hectares). Under the terms of the Neptune option agreement, a 1.5-mile (2.25-kilometre) area of interest applies to the property.

The southern Clayton Valley area demonstrates enrichment in lithium in the nearby mountain ranges, desert sediments and in local plants. Nevada Sunrise has carried out ASTER (advanced space-borne thermal emission and reflection radiometer) spectral analysis of satellite imagery over the property and surrounding areas of the Clayton Valley. Results indicate that hectorite, a lithium-bearing clay mineral is derived from bedrock in areas to the north, west and southeast of Neptune. Biogeochemical data collected by the Company in October 2015 have confirmed anomalous lithium concentrations ranging from 11 parts per million (ppm) up to 35 ppm in a specific desert plant common to the Clayton Valley and sampled near the planned Neptune drill holes.

***Neptune*** – (cont'd)

Historical reports acquired by Nevada Sunrise indicate that geologic formations and structures exist at Neptune that are similar to lithium-bearing brine deposit models present elsewhere in the Clayton Valley. Ground gravity and controlled source audio-frequency magnetotellurics (“CSAMT”) surveys were carried out over Neptune in 2011. CSAMT is a geophysical survey method that measures ground resistivity with considerable depth penetration and high lateral resolution suitable for the exploration of alluvial and sedimentary rock aquifers. Gravity surveys can outline basin depth and controlling structures. Brine-rich aquifers are expected to exhibit low resistivities and be stratiform in geometry, and the conductive layers interpreted from the CSAMT in the Neptune basin fit these criteria.

**2016 Drilling Program**

In January 2016, Nevada Sunrise received a drilling permit from the BLM for up to 10 exploration drill holes at Neptune. The Company posted a reclamation bond with the BLM of US\$18,132 as a guarantee of exploration site restoration at Neptune. The Company expects that at upon completion of exploration activities, the site will be restored and refund of the bond would be expected.

Nevada Sunrise completed two exploration holes at Neptune in late March 2016. In each of the completed holes, permeable sedimentary, lacustrine strata interbedded with volcanic ash and ejecta was logged at various levels throughout the holes. This type of sedimentary strata is interpreted as a requisite host horizon for lithium-bearing brines as seen in the northern Clayton Valley. A total of 45 water samples and 256 sediment cuttings samples were collected and submitted for multi-element analysis.

Preliminary analytical results indicate the water samples collected from the two completed holes contain sub-economic contents of lithium. However, in hole N-2016-1, the composited samples collected from the intersected strata contained lithium-bearing sediments that averaged 156 parts per million (“ppm”) lithium over 215 feet (65.5 metres) from 1285 feet (392.7 metres) to the end of hole at 1,500 feet (457.2 metres), reaching a peak value of 217 ppm lithium from 1365 to 1385 feet. A sharp increase of acidity was noted in several of the last water samples of hole N-2016-1, which Nevada Sunrise interprets as a potentially fertile leaching environment for the creation of lithium-bearing brines. A third hole up to 2,000 metres deep is planned approximately 1 mile (1.6 kilometres) to the east of hole N-2016-1 in an area interpreted from a 2016 geophysical survey to be a potential trap where denser, lithium-bearing brines could migrate and pool. If results from the third hole warrant, a drill pad and access road have been prepared for a fourth hole location.

**Neptune** – (cont'd)

Option Agreement – Resolve Ventures Inc.

On May 3, 2016, the Company entered into a definitive joint venture and option agreement with Resolve Ventures Inc. (“Resolve”) in which Resolve can earn up to a 50% interest in the Neptune property. The definitive agreement supersedes the interim agreement between the companies dated March 2, 2016.

Under the terms of the definitive agreement, Resolve has earned an initial 25% interest in Neptune by making cash and share payments to the Company and by financing exploration expenditures as follows:

- \$50,000 upon execution of the interim agreement (paid);
- \$50,000 upon delivery by the Company of a co-addressed NI 43-101 compliant technical report in a form acceptable to the TSX Venture Exchange (paid);
- 200,000 common shares of Resolve issued to the Company on the execution of the definitive agreement (issued);
- \$300,000 for exploration and evaluation expenditures to be incurred by the Company according to the recommendations in the NI 43-101 report (paid).

The Company will act as the operator and will charge a 10% fee on exploration expenditures. All claim maintenance payments due by September 1, 2016 will be split 75/25 between the companies.

In order to proceed with the second option to earn an additional 25%, Resolve must provide notice to the Company 60 days before the first anniversary of TSXV acceptance of the definitive agreement. If Resolve does not elect to proceed with the second option, a standard dilution formula will apply to its 25% interest, if additional exploration expenditures are incurred.

Upon election to proceed, Resolve can earn an additional 25% interest in Neptune by making cash or share payments to the Company and by financing exploration expenditures as follows:

- \$100,000 or 300,000 common shares of Resolve, at Resolve's option;
- \$700,000 for exploration and evaluation expenditures to be incurred by the Company according to the recommendations in the NI 43-101 report on or before the second anniversary of TSXV acceptance of the definitive agreement, which Resolve may satisfy by paying in cash to the Company on or before the first anniversary of TSXV acceptance of the definitive agreement.

After completion of the exploration expenditures for both options and the payment of the cash and the common shares as detailed above, Resolve will earn a 50% interest in the Neptune lithium property and a joint venture will be formed. The Company would be the operator of the joint venture and would be responsible for administrating all exploration activities, including drilling, geophysical surveys, consulting and payment of claim maintenance fees according to usual business practice for a joint venture. Under the terms of the definitive agreement, the companies have agreed that, if the joint venture exercises the US\$1,000,000 royalty buy-down, it will be paid by both companies according to their respective interests.



### ***Clayton Northeast***

On December 3, 2015, the Company entered into an option agreement to purchase a 100% interest in the Clayton Northeast lithium exploration property (“Clayton NE”) located in the Clayton Valley, Esmeralda County, Nevada.

After additional staking completed in late 2016, the Clayton NE property consists of 55 unpatented placer claims totaling approximately 1,080 acres (473 hectares) and is contiguous to the Silver Peak lithium mine property operated by Albemarle. Several Silver Peak lithium production wells are located close to the Clayton NE western boundary.

The Company agreed to pay the following consideration to the underlying vendors on TSXV acceptance of the agreement (received) and on subsequent anniversaries of the agreement:

- On receipt of TSXV acceptance of the agreement: 100,000 common shares (issued)
- On the first anniversary of the agreement: 150,000 common shares (issued)
- On the second anniversary of the agreement: 250,000 common shares

Clayton NE is subject to a 3% GOR. On the third anniversary of the agreement, the Company has the right to purchase 1% of the GOR for US\$1,000,000.

### **2016 Exploration**

In September 2016, an 11.0 line-km Volterra 3D-IP ground geophysical survey was carried out over the Clayton NE project area. The geophysical survey successfully imaged highly-conductive horizons to the survey limit of approximately 800 metres depth, and these conductive zones are interpreted as possible brine formations. The northeast trending Angel Island fault appears to bound the conductive horizons parallel to and proximal to the eastern claim boundary at Clayton NE.

On October 18, 2016, Nevada Sunrise and its exploration partner, Advantage Lithium Corp. (“Advantage”) (TSXV: AAL) announced the commencement of a drilling program at Clayton NE, which continued until the third week of December 2016. Three RC holes totaling 1,536.2 metres (4,650 feet) were completed on high-priority lithium brine targets close to the Silver Peak mine border and several of Albemarle’s production wells.

**Clayton Northeast** – (cont'd)

2016 Exploration – (cont'd)

CNE16-01 was completed to a depth of 518.2 metres (1,700 feet), intersecting the base of the Clayton Valley salar sedimentary basin at 506 metres. Drilling intersected typical Clayton Valley strata consisting of alternating layers of gravel, volcanic ash and clay. A total of 27 grab groundwater samples were collected as brine-bearing formations were encountered. Anomalous lithium results were obtained from brine formations intermittently intersected over a 331.3 metre section (from 168.6 to 499.9 metres) within the Main Ash, Lower Aquifer System, and Lower Gravel Aquifer systems. The highest grade results were obtained in the Lower Aquifer System with peaks up to 218 milligrams per litre (“mg/l”) lithium (224.0 to 227.1 metres), while the widest intervals were reported in the deeper Lower Gravel Aquifer System, including a 103.7 metre wide interval (from 396.2 to 499.9 metres) averaging 134.8 mg/l lithium. In addition, drill cuttings were collected for each 1.5 metre interval and have been submitted for analysis.

CNE-16-02 was collared approximately 3.43 kilometres (2.13 miles) northeast of CNE-16-01. The hole was terminated within a massive clay formation within the Clayton Valley salar sedimentary basin at a depth of 426.7 metres (1,400 feet). As was observed in hole CNE-16-01, drilling intersected typical Clayton Valley strata consisting of alternating layers of gravel, volcanic ash and clay. A total of 32 grab groundwater samples were collected as brine-bearing formations were encountered. Potentially economic lithium values were obtained from a 188.9 metre-wide brine-bearing formation intersected from 207.2 to 396.2 metres within the Lower Aquifer System. This 188.9 metre interval averaged 164.2 mg/l lithium, including a higher grade interval averaging 202.8 mg/l lithium over 109.7 metres (286.5 metres to 396.2 metres) and was associated with strong brine flows of up to 120 gallons per minute between 304.8 to 396.2 metres. In addition, drill cuttings were collected for each 6.1 metre interval and have been submitted for analysis.

CNE-16-03 was completed to a depth of 591.3 metres (1,940 feet), intersecting the base of the Clayton Valley salar sedimentary basin at 584.62 metres. Drilling has intersected typical Clayton Valley strata consisting of alternating layers of gravel, volcanic ash and clay. A total of 62 grab groundwater samples were collected as brine-bearing formations were encountered. Potentially economic lithium values with average concentration of 243.66 mg/l were obtained from brine-bearing formations intersected over a 387.69 metre section (from 209.23 to 596.92 metres) within the Main Ash, Lower Aquifer System, and Lower Gravel Aquifer. The highest grade results were obtained in the Lower Aquifer System with peaks up to 322 mg/l lithium (332.31 to 338.46 metres), and in the deeper Lower Gravel Aquifer, with peaks up to 316 mg/l (504.62 to 510.77 metres). In addition, drill cuttings were collected for each 1.5 metre interval and have been submitted for analysis.

**Clayton Northeast** – (cont'd)

2016 Exploration – (cont'd)

Groundwater samples were sent to Western Environmental Testing Laboratory in Reno, Nevada for analysis. General chemistry testing included analysis for specific gravity, total hardness and alkalinity, bicarbonate, carbonate, hydroxide, TDS and electrical conductivity. Anions (chloride, sulfate) were analyzed by ion chromatography. Trace metals (lithium, magnesium, boron, calcium, potassium and sodium) were analyzed by ICP-OES. TDS values obtained in the field are measured with a handheld YSI Model 556 Multiparameter Meter, which meets Good Laboratory Practice (as proscribed by the Organization for Economic Cooperation and Development) for calibration and measurement. All depth measurements reported, including sample and interval widths are down-hole. As holes are oriented vertical and geologic stratigraphy is primarily horizontal to sub-horizontal, downhole measurements are assumed to be close to true thickness.

Based on the successful results of the 2016 drilling program, Advantage Lithium made the decision to drill up to three additional holes at Clayton NE. , On January 17, 2017, to the Company announced the commencement of a Phase 2 drilling program at Clayton NE.

Drilling will be comprised of a total of approximately 1,800 metres (5,905 feet) in three reverse circulation (“RC”) holes expected to test depths of a minimum 600 metres each. Using a similar approach to the successful Phase 1 program that hit wide intercepts of lithium brine with strong brine flow rates, these new holes that will focus on high-priority conductive horizons identified and imaged in the 2016 3-D resistivity survey and confirmed by drilling to be lithium-bearing brines. All three holes are adjacent to Albemarle’s Silver Peak lithium brine mine.

**Aquarius**

Aquarius consists of 83 unpatented placer claims totaling 1,660 acres (672 hectares) located in the Clayton Valley, approximately 3 miles (5 kilometres) southwest of the Silver Peak Mine. Nevada Sunrise owns a 100% interest in Aquarius with no applicable royalties. Aquarius was acquired by staking in January and May 2016 following a review of the results of proprietary gravity surveys carried out by a geological team led by Dr. John Oldow of the University of Texas, Dallas, which outlined a significant gravity low indicative of a deep, faulted sub-basin.

A follow-up time domain electromagnetic (“TDEM”) survey carried out by Nevada Sunrise in March 2016 detected conductive horizons at depths ranging between 250 and 450 metres in the western portion of the property. Nevada Sunrise has received a permit from the BLM for a drill program to test for lithium brines at Aquarius.

**Water Rights – Clayton Valley**

On January 25, 2016, the Company entered into a letter agreement for an option to purchase water rights in the Clayton Valley, Nevada. The pre-existing water right allows for 1,770 acre/feet of water use for mining and milling per year (the “Permit”). In consideration for the option to purchase the Permit, the Company agreed to pay the vendors a combination of cash, common shares and share purchase warrants on the following schedule:

Date of Payment	Cash	Common Shares	Share Purchase Warrants
US\$50,000 to be paid upon execution of a letter agreement (paid) and a further US\$75,000 to be paid upon execution of a definitive agreement (paid)	US\$125,000	200,000 on execution of a definitive agreement (issued)	750,000 @ CDN\$0.50 750,000 @ CDN\$0.70 750,000 @ CDN\$1.00 Issuable on execution of a definitive agreement (issued)
December 21, 2016	US\$150,000 (paid)	250,000 (issued)	n/a
December 21, 2017	US\$175,000	300,000	n/a
December 21, 2018	US\$200,000	350,000	n/a
December 21, 2019	US\$300,000	400,000	n/a
December 21, 2020	US\$350,000	500,000	n/a
Total	US\$1,300,000	2,000,000	2,250,000

Nevada Sunrise acquired the Permit prior to commencing exploration for lithium brines in the Clayton Valley, and the Company believes that the acquisition of water rights is a prerequisite for future lithium brine resource development in the area. In December, 2015, Nevada Sunrise received a written appraisal from an independent appraiser certified in the state of Nevada, which valued the rights at US\$1.42-million. According to the appraisal report, the Clayton Valley basin is currently "over-appropriated" and any new application for water use in an over-appropriated basin would be carefully reviewed by the Nevada Division of Water Resources (“NDWR”). It is uncertain if any new applications for water rights would be granted in the Clayton Valley.

On March 16, 2016, Nevada Sunrise entered into a definitive water right purchase agreement and on March 29, 2016, the Company received TSXV acceptance of the agreement. On March 30, 2016, the Company issued 200,000 common shares for the initial option payment on the Permit. The shares had a fair value of \$36,000.

***Water Rights – Clayton Valley – (cont'd)***

On March 30, 2016, the Company issued 2,250,000 share purchase warrants with respect to the water right purchase agreement as follows:

Number of Warrants	Exercise Price	Expiry Date
750,000	\$0.50	March 30, 2018
750,000	\$0.70	March 30, 2019
750,000	\$1.00	March 30, 2020

The share purchase warrants had a fair value of \$210,000 calculated using the Black-Scholes Option Pricing Model.

In addition to the above, the definitive water right purchase agreement included the following terms:

- If within 10 years after the execution of the agreement, the Company sells the Permit to a third party, the vendor will receive 50% of the proceeds of such sale, less the amounts already paid to the vendor in cash and common shares, with the common shares valued by way of a 20 day volume weighted average price (the "VWAP"), with the VWAP to begin following the day the 4 month hold has expired for each tranche of common shares released. Upon a sale of the Permit in total to a third party, the Company's obligations under the agreement will terminate.
- The payment of US\$75,000 and 200,000 common shares made upon execution of the agreement will be refundable to the Company within the first year from the date of execution of the letter agreement should the Company's ability to use the Permit to its fullest extent be restricted by any regulation or statute.
- The Company will have the right to accelerate the timing of cash payments and common share payments to the vendor, at its discretion.

***Protests of Nevada Sunrise Water Rights Transfer Application***

On April 22, 2016, Nevada Sunrise, through its Nevada subsidiary, Intor, filed an application to transfer the Permit from its current location in the adjacent mountain range to a location due east on the desert floor within the boundaries of the Company's Aquarius project. The proposed place of use and point of diversion lies approximately five kilometres (three miles) from the town of Silver Peak and Albemarle's Silver Peak lithium mine and eight kilometres (five miles) from its nearest lithium brine production well.

***Water Rights – Clayton Valley – (cont'd)***

On April 29, 2016, Albemarle filed a protest with the NDWR against the Application. In the exhibits to its protest Albemarle contends that:

- the Application is deficient and does not specify how lithium brine will be developed or processed;
- based on Albemarle's information and belief the Permit has been forfeited due to a lack of beneficial use in the last 5 years;
- State law precludes a conversion of groundwater from "fresh water aquifer" to "brine aquifer";
- the applicant lacks financial ability and any reasonable expectation to construct a processing plant, the design of which is not yet known or proven;
- reinjection of spent fluids following the extraction of lithium from brines is similar to fracking and would have unknown effects upon the unstructured playa system and near bedrock injection;
- the application would conflict with the existing and permitted and certificated groundwater rights of Albemarle, with adverse impacts such as lowering of the groundwater, dilution of the brine ore body rendering it useless, causing Albemarle a loss of efficiency and destruction of the lithium ore deposit;
- no mine permits have been obtained by the applicant;
- there is no available water for the Application and additional consumption would exceed the safe yield for the Clayton Valley basin;
- the applicant is speculating on the success of the Application;
- the contemplated method of recovery is extremely high in energy use and environmentally unsound, and will cause pollution to the brine aquifer.

On June 7, 2016, a protest was filed by Esmeralda County (the "County") with the NDWR against the Application. The protest by the County states that:

- it is concerned that additional pumping will induce saline groundwater from the valley floor aquifer into the area of municipal fresh water wells used by the community of Silver Peak;
- drawdown induced from proposed pumping may be detrimental to the operation of the County's wells and could cause level of land subsidence that are damaging to existing County facilities;
- insufficient details are provided of the proposed mining and milling operation and use of groundwater;
- the magnitude of the temporary water right transfer should be limited to only a small duty necessary to undertake testing;
- assurances be made that the fresh water relied upon by the County will not be detrimentally impacted.

Nevada Sunrise has engaged Nevada legal counsel for representation and sought a hearing with the NDWR to make a formal response to the protests to the Application by Albemarle and the County.

***Water Rights – Clayton Valley – (cont'd)***

On December 1, 2016, Nevada Sunrise received written notice that the NDWR had issued a ruling of forfeiture against the Company's water rights, citing a lack of beneficial use for a period of five years. Nevada Sunrise is in the process of gathering evidence of water use that the NDWR requires, which will be presented during the appeal process. The Company filed an appeal against the forfeiture in late December 2016.

The Application and protest documents can be accessed on the NDWR website at <http://water.nv.gov/data/permit/permit.cfm?page=4&app=86141T>

***Jackson Wash***

On December 17, 2015, the Company entered into an option agreement to purchase a 100% interest in the Jackson Wash lithium exploration property located in the Jackson Valley to the southeast of the Clayton Valley, Esmeralda County, Nevada.

Jackson Wash is situated on a flat, desert basin having the potential to host lithium brine deposits in aquifers beneath the valley floor. Nevada Sunrise is not aware of any modern exploration or drilling for lithium-bearing brines at Jackson Wash. With additional staking completed in May 2016, Jackson Wash consists of 166 unpatented placer claims totaling 3,300 acres (1,335 hectares) and is located on the east side of the Montezuma Range 20 miles (30 kilometres) southeast of the Silver Peak lithium brine mine.

Historical exploration on the property in 2011 discovered widespread deposits of obsidian fragments on the valley floor, possibly derived from tertiary felsic rhyolite and tuff volcanic rock units present in the Montezuma Range to the north and west of Jackson Wash. Fragments at six locations were sampled and returned lithium values ranging from 97.3 ppm lithium to 117 ppm lithium (R. M. Allender Jr., 2011). Weathering of the felsic volcanic rocks containing lithium is believed to be the source of lithium contained in subterranean brines.

The results of a detailed gravity survey and two CSAMT lines surveyed in 2011 by a previous operator were interpreted as a layered sequence of unconsolidated, saturated alluvial sediments filling a deep basin beneath the valley floor. The Jackson Wash basin is believed to be related to north-south basin and range fault systems. Drilling and sampling of the sediments and groundwater in the interpreted basin are the next steps in the exploration process for Jackson Wash. In February 2016, Nevada Sunrise received approval from the BLM to drill up to 10 exploration holes over a two year period. The Company is planning the first test of the Jackson Wash basin with a three-to-four hole drill program to at least 400 metres deep to test specific structural and stratigraphic targets believed prospective for lithium brine deposits.

### ***Jackson Wash*** – (cont'd)

The Company agreed to pay the following consideration to the vendors on TSXV acceptance (received) of the agreement and on subsequent anniversaries of the agreement:

- On receipt of TSXV approval of the agreement: 100,000 common shares (issued)
- On the first anniversary of the agreement: 150,000 common shares (issued)
- On the second anniversary of the agreement: 250,000 common shares

Jackson Wash is subject to a 3% gross GOR. On the third anniversary of the agreement, the Company has the right to purchase 1% of the GOR for US\$1,000,000.

In September 2016, Nevada Sunrise completed a ground TDEM survey at Jackson Wash to better define conductive zones outlined by the historical CSAMT surveys. The TDEM survey confirmed the CSAMT results and has provided valuable information for drill targeting for a permitted drilling program.

### ***Gemini***

Nevada Sunrise acquired a 100% interest in the Gemini lithium exploration property (“Gemini”) located in the western Lida Valley, Esmeralda County, Nevada by claim staking in the months of November and December 2015. Gemini is located 6 miles (10 kilometres) east of the town of Lida, Nevada and consists of 247 placer claims totaling 4,940 acres (2,000 hectares), in two non-contiguous claim groups (Gemini West and Gemini East). The Gemini West and East claim groups are separated by a Solar Energy Reserve administered by the BLM. Placer and mining claims are prohibited within the Solar Energy Reserve.

The Lida Valley is a flat, desert basin with a similar geological setting to the Clayton Valley basin which hosts the Silver Peak mine 40 kilometres (26 miles) to the northwest. Previous ground gravity surveys in the Lida Valley area were widely-spaced and limited in scope, however in 2012 and 2013 a geological research team led by Dr. John Oldow of the University of Texas, Dallas collected approximately 500 gravity measurements along 7 transects crossing the Lida Valley.

The detailed gravity survey results indicate significant gravity lows within two, faulted sub-basins approximately 7 kilometres (4.5 miles) apart, each interpreted to be hundreds of metres deep. Nevada Sunrise made the decision to acquire claims covering the available land after reviewing the geophysical results in conjunction with favourable local geology, namely late Miocene felsic volcanic tuffs adjacent to Gemini. These rocks provide the source of lithium for trapped, lithium-rich saline ground-waters (brine) within the sub-basins.

Two separate follow-up TDEM surveys over Gemini West and Gemini East carried out in early 2016 by Nevada Sunrise have each detected conductive zones within the sub-basins interpreted to represent conductive brines at depth located well below the non-conductive sediments at and near surface. Nevada Sunrise has submitted a permit application, and an amendment to the application, to the BLM for a drill program to test for lithium brines at Gemini. Nevada Sunrise has received a permit from the BLM for a drill program to test for lithium brines at Gemini.



***Gemini*** – (cont'd)

On January 20, 2016, the Company entered into an interim agreement with Eureka Resources Inc. (“Eureka”), a public company with directors and officers in common with the Company, to sell a 50% participating interest in the Gemini. The interim agreement was subject to the satisfaction of certain conditions and approvals all of which were met. The agreement was a non-arm’s length transaction under TSXV policies. The non-independent directors abstained from voting on the agreement.

Pursuant to the terms of the interim agreement, Eureka had the right to acquire a 50% participating interest in Gemini by reimbursing the Company for 50% of the Gemini acquisition and evaluation costs (\$96,794 received). In addition, Eureka would issue the Company 500,000 common shares, with 300,000 shares to be issued on receipt of regulatory acceptance of the agreement and 200,000 to be issued on the first anniversary of such acceptance.

On May 4, 2016, the companies signed an addendum to the interim agreement in which they agreed that the companies had completed their due diligence review on Gemini and that in the event that one of the companies divests of its 50% interest in Gemini, the remaining company would become the operator at Gemini by default.

On June 6, 2016, the companies received TSXV acceptance of the interim agreement and its addendum and Eureka issued 300,000 common shares with a fair value of \$28,500 to the Company.

On September 21, 2016, the Company entered into a definitive joint venture agreement with Eureka, with both parties’ initial participating interests at 50% each.

***Option Agreement - Advantage Lithium Corp.***

On June 20, 2016, Nevada Sunrise announced a letter of intent (“LOI”) to grant an option to Advantage to earn working interests in five of its lithium exploration projects located in Esmeralda County, Nevada. Advantage will also have an option to acquire the Company’s Clayton Valley water right by assuming the Company’s financial obligations related to its purchase of the Permit.

Advantage will be granted the option (the “Initial Option”) to earn the following interests in the Jackson Wash, Clayton NE, Aquarius properties (collectively, the “Optioned Projects”, or the “Projects”) and the Gemini property, as follows:

- 51% of Nevada Sunrise’s interest in Jackson Wash (subject to the Jackson Wash underlying option);
- 51% of Nevada Sunrise’s interest in Clayton NE (subject to the Clayton NE underlying option);
- 51% of Aquarius (subject to Nevada Sunrise retaining a 3% GOR for divesting its interest); and
- 50% of Gemini (subject to the terms of the joint venture agreement with Eureka and to Nevada Sunrise retaining a 2% GOR for divesting its interest).

***Initial Option Consideration***

Advantage will earn up to a 51% working interest from Nevada Sunrise in the Optioned Projects if Advantage makes the following cash and share payments to Nevada Sunrise and incurs exploration expenditures at the Projects as follows:

1. Cash payments totaling CDN\$600,000 as follows (the “Cash Payments”), which includes a non-refundable cash payment of CDN\$100,000 due upon execution of this LOI (paid), and an additional cash payment of CDN\$500,000 (paid) upon receipt of TSXV acceptance of this LOI (the “Effective Date”);
2. Issuing common shares of Advantage (the “Consideration Shares”) equal to 4.9% of the issued and outstanding common shares of Advantage (issued), such percentage to be calculated on the day following the completion of the next equity financing by Advantage totaling not less than CDN\$2.0 million (the “Issuance Date”). The Consideration Shares shall be issued to Nevada Sunrise on the Issuance Date, but subject to hold periods expiring as follows:
  - 25% of the Consideration Shares shall be released from the hold period (“Released”) on the later of the Issuance Date and the Effective Date;
  - 25% of the Consideration Shares shall be Released on the date that is 12 months after the Effective Date;
  - 25% of the Consideration Shares shall be Released on the date that is 18 months after the Effective Date; and
  - 25% of the Consideration Shares shall be Released on the date that is 24 months after the Effective Date.

***Option Agreement - Advantage Lithium Corp. – (cont'd)***

3. Within 24 months of the Effective Date, completing minimum exploration expenditures of CDN\$1,500,000 on the Projects (the “Initial Expenditures”), such Initial Expenditures to include claim maintenance fees for all of the Projects that are or become payable to the BLM and Esmeralda County.

Subject to Advantage making all of the payments when due to an underlying property owner, upon Advantage completing the Cash Payments, issuing the Consideration Shares, and completing the Initial Expenditures, Advantage will have earned a 51% interest in each of the Optioned Projects. Thereafter, Advantage will have the option to either form a joint venture with Nevada Sunrise in respect of the Optioned Projects, or to proceed with the Second Option.

*The Second Option*

If Advantage has exercised the Initial Option, Advantage will have the right to increase its interest in the Optioned Projects to a 70% interest, by completing, within 48 months of the Effective Date, exploration expenditures totaling C\$3,000,000 (which includes the Initial Expenditures). Thereafter, the parties will form a joint venture with Advantage holding a 70% interest, and Nevada Sunrise holding a 30% interest, for the purposes of the further development of the Optioned Projects.

*Gemini Option*

A definitive agreement will provide that the Parties will agree to make the expenditures required to be made by Nevada Sunrise in order for Nevada Sunrise to maintain its interest in the Gemini joint venture with Eureka, with any such expenditures being deemed to be Initial Expenditures. Provided that Advantage has made sufficient expenditures to maintain Nevada Sunrise’s interest in the Gemini joint venture, upon exercise of the Initial Option by Advantage, Nevada Sunrise will assign to Advantage Nevada Sunrise’s interest in the Gemini joint venture in consideration for a 2% GOR in the same form as that provided by Nevada Sunrise to the underlying vendor in the Neptune property agreement.

*Neptune Option*

Nevada Sunrise will also grant Advantage the right to earn up to a 50% interest in Neptune, subject to:

- Resolve waiving its right to earn a further 25% interest in Neptune;
- Nevada Sunrise, Resolve and Advantage entering into an amending agreement to the Neptune agreement with Resolve on terms acceptable to all three parties;
- Advantage incurring exploration expenditures of CDN\$700,000 on Neptune; and Advantage exercising the Initial Option.

Expenditures made by Advantage on Neptune will be included as part of the calculation of total expenditures required to be made to earn its interest in the Projects. Following the expenditure of \$700,000 by Advantage, a joint venture would form between Advantage (50%), Nevada Sunrise (25%) and Resolve (25%), on the terms set out in the current agreement Nevada Sunrise holds with Resolve.

***Option Agreement - Advantage Lithium Corp. – (cont'd)***

*Aquarius Royalty*

Upon formation of a joint venture, the joint venture will grant to Nevada Sunrise a 3% GOR on Aquarius.

*Exploration Expenditures*

Excess exploration expenditures incurred in any one period shall be credited to expenditures requirements in the following period. The expenditures may be accelerated at any time at the sole option of Advantage and its interests acquired earlier. During the period that Advantage is incurring exploration expenditures:

- Advantage shall be the operator on the Projects and shall have the right to determine budgets and exploration programs for the purposes of completing exploration expenditures; and
- Nevada Sunrise shall be the manager of all exploration programs on the Projects and will be entitled to charge a fee of 10% on all exploration expenditures.

*Underlying Payments*

In order to maintain the Initial Option and the Second Option, Advantage will assume responsibility for all government and contractual maintenance costs and all payments required to maintain the Projects and underlying agreements in good standing.

For location and exploration maps of the Company's lithium projects, please visit "Projects – Nevada Lithium" at: <http://www.nevadasunrise.ca/projects/nevadalithium/>

*Water Rights*

Intor, a wholly-owned subsidiary of Nevada Sunrise, holds a 100% interest in the Permit, subject to the terms of a water rights purchase agreement between Robert E. Mori ("Mori"), Nevada Sunrise and Intor dated March 15, 2016, which was assigned by Mori in April 2016 to Dedicated Mining Technology, Inc.

To date, Nevada Sunrise has paid US\$275,000 of an agreed purchase price of US\$1,300,000, issued 450,000 common shares of an agreed 2,000,000 shares to be issued (the "Water Rights Share Payments") and issued 2,250,000 share purchase warrants exercisable at \$0.50, \$0.75, and \$1.00 over a 4-year period.

**Option Agreement - Advantage Lithium Corp. – (cont'd)**

*Water Rights – (continued)*

Nevada Sunrise will grant to Advantage the option to acquire a 100% interest in the Permit (the “Water Rights Option”), exercisable for a period of 120 days after the later of the date that Advantage exercises the Initial Option, and the date that the Nevada State Engineer approves the application to transfer the Place of Use and Point of Diversion of the Permit to the Aquarius Property.

In order to maintain the Water Rights Option, Advantage shall:

- Make all Water Rights Cash Payments required to be made after the date of this LOI and until the exercise of the Water Rights Option;
- Pay all legal and other costs associated with the application to transfer the Place of Use and Point of Diversion of the Permit; and
- Pay all legal and other costs required to maintain the Permit.

In order to exercise the Water Rights Option, Advantage shall pay to Nevada Sunrise an amount equal to the sum of:

- The Water Rights Cash Payments made by Nevada Sunrise prior to the grant of the Water Rights Option;
- The value of the Water Rights Share Payments made by Nevada Sunrise before the exercise of the Water Rights Option (which shall be established by multiplying the number of Nevada Sunrise shares issued by the 20-day volume weighted average price immediately prior to the date such Water Rights Share Payments were made);
- The legal and other costs incurred by Nevada Sunrise to acquire and make the application to transfer the location of the Permit; and
- USD\$200,000, payable in cash or a calculated value in shares, at Advantage’s option (the “Water Rights Option Payment”).

After exercise of the Water Rights Option, Advantage shall be solely responsible for making all remaining Water Rights Cash Payments and Water Rights Share Payments.

On August 26, 2016, the Company closed its transaction with Advantage. On closing, the Company received \$500,000 and 2,071,447 common shares of Advantage subject to the hold periods as detailed in the Initial Option Consideration above. The share issuance represented 4.9% of the issued and outstanding shares of Advantage and had a fair value of \$1,139,296.

The option of the Permit and the right to earn an interest in the Neptune property will be governed by further agreements to be settled among the Company, Advantage, and the water right vendor (with regard to the Permit) and Resolve Ventures Inc. (with regard to the Neptune property).

As a result of the NDWR ruling of forfeiture of the Permit, and the subsequent appeal filed by the Company, the Company’s ability to use the water right is uncertain, consequently, the Company and Advantage are currently re-negotiating the water rights option agreement.

### ***Atlantis***

On December 30, 2015, the Company entered into an interim agreement to purchase a 100% interest in the Atlantis lithium exploration property (“Atlantis”) located in Fish Lake Valley, Esmeralda County, Nevada. A definitive agreement for Atlantis was signed on February 17, 2016.

Atlantis comprises unpatented placer association claims totaling 2,882 acres (1,166 hectares) located 25 miles (38 kilometres) northwest of the Silver Peak lithium brine mine. A 1.5-mile (2.25-kilometre) area of interest applies to the property.

The Company agreed to pay the following consideration to the vendors on TSXV acceptance of the agreement and on subsequent anniversaries of the agreement:

- On receipt of TSXV acceptance of the agreement: 100,000 common shares (issued)
- On the first anniversary of the agreement: 150,000 common shares (issued)
- On the second anniversary of the agreement: 250,000 common shares

Atlantis is subject to a 3% GOR. On the third anniversary of the agreement, the Company has the right to purchase 1% of the GOR for US\$1,000,000.

Nevada Sunrise made the decision to acquire Atlantis after a review of geological mapping that shows the presence of lithium-bearing rocks in the ranges draining into the property, and historical ground gravity data that show a distinct gravity low in the heart of the Atlantis claims. Nevada Sunrise believes that the interpreted gravity low indicates the presence of a deep, sub-basin that could host lithium-bearing brines. Geophysical exploration at Atlantis in the form of detailed gravity and electromagnetic surveys would assist in determining if conductive brines are present at depth, followed by exploratory drilling of interpreted geophysical targets.

As part of a regional lithium exploration program, the United States Geological Survey reported in Open File Report 81-962 (1981) that historical drill hole FL-11a is located outside the eastern boundary of the property, three miles (4.5 kilometres) east of the centre of the interpreted sub-basin. Hole FL-11a was drilled to a depth of 450 feet (147 metres) and encountered lithium values in sediments ranging from 10 parts per million to 115 ppm and averaging 61.7 ppm for 67 samples analyzed. Lithium in sampled ground water ranged from trace at the end of the hole to 21 ppm at a depth of 55 feet (18 metres). Nevada Sunrise believes that drilling deeper holes at Atlantis within the area of the interpreted sub-basin could intersect aquifers potentially hosting trapped brines with higher contents of lithium than were encountered in the relatively shallow USGS hole drilled to the east of the gravity low anomaly. Also reported in USGS Open File Report 77-54 (1977) was the collection of 10 surface brine samples with lithium contents ranging 37 to 350 milligrams per litre (ppm), and averaging 159 mg/l to the north of the sub-basin.

**Atlantis** – (cont'd)

Option Agreement - American Lithium Corp

On March 14, 2016, the Company entered into a property option agreement with a private company for an option to earn an 80% interest in Atlantis.

The private company or its successor or assignee will have the option to earn an 80% interest in Atlantis by making payments of cash and common shares to the Company, by incurring exploration and evaluation expenditures on the property and by meeting certain other conditions, as follows:

- US\$48,050 to reimburse the Company for all its expenditures incurred related to the acquisition of Atlantis (paid);
- \$100,000 on receipt of satisfactory evidence of the recording of additional claims staked by the Company at Atlantis (paid);
- US\$1,000,000 in exploration and evaluation expenditures on the property, consisting of US\$100,000 on or before the first anniversary of the agreement, an additional US\$250,000 on or before the second anniversary of the agreement and an additional US\$650,000 on or before the third anniversary of the agreement;
- Completion of a going-public transaction (on May 6, 2016, the private company was acquired by American Lithium Corp, a TSX Venture Exchange listed company);
- 1,250,000 common shares of American Lithium Corp. issued to the Company, with 250,000 common shares issuable on closing (issued), 500,000 common shares issuable on or before March 21, 2018 and 500,000 common shares issuable on or before March 21, 2019. All the common shares will be subject to no more than a four month hold period from their date of issue.

Should American Lithium Corp. not make future common share payments to the Company or not incur the required exploration and evaluation expenditures, the property option agreement will terminate without notice. Any shortfalls in exploration expenditures in any year may be paid to the Company in cash to keep the option in good standing. Any excess amounts of exploration expenditures incurred in a year can be applied to future years.

2016 Exploration

In June 2016, Dr. John Oldow was retained to expand on the gravity model initiated by Nevada Sunrise. Additional gravity data was collected by American Lithium Corp. and the model was updated with the new data. Concurrent with the geophysical work, a permit application was made with the BLM to drill up to five drill holes on the Atlantis property. A sonic drill was chosen due to its ability to drill up to 500 feet, take continuous core, and cleanly sample ground water.

**Atlantis** – (cont'd)

2016 Exploration – (cont'd)

In late August 2016, hole N-16-5 was drilled to approximately 490 feet in depth, encountering various horizons of sand, gravel and clays. Field resistivity monitoring indicated that the water encountered during the drilling was fresh. American Lithium Corp. has advised the Company that deeper drill holes are planned for Atlantis.

**Salt Wells**

On February 16, 2017, the Company announced a Letter of Intent (the "LOI") with Lithium Corporation of Elko, Nevada (OTCQB: LTUM) on the Salt Wells lithium brine prospect ("Salt Wells") located in Churchill County, Nevada. Salt Wells consists of 43 placer claims covering an area of approximately 3,440 acres (1,392 hectares) in a desert salt flat located approximately 75 miles (120 kilometres) east-southeast of Reno, Nevada.

Under the terms of the LOI, Nevada Sunrise may earn a 100% interest in Salt Wells, subject to a 2.0% NSR, by making staged payments of cash and common shares of Nevada Sunrise over the next two years, on the following terms:

- US\$10,000 non-refundable deposit upon execution of the LOI;
- US\$15,000 and issuance of 400,000 common shares of Nevada Sunrise on the later of TSX Venture Exchange acceptance of the LOI or the signing of a formal definitive agreement (the "Effective Date");
- US\$50,000 and 500,000 shares on the 1st anniversary of the Effective Date;
- US\$75,000 and 600,000 shares on the 2nd anniversary of the Effective Date.

Nevada Sunrise is currently carrying out due diligence on Salt Wells, and if satisfied with the results of that due diligence will give notice to Lithium Corporation that it wishes to proceed to a definitive agreement. The Company will pay all claim and other property-related fees during the earn-in phase of the Salt Wells definitive agreement, and will also retain the right to purchase one-half (1%) of the NSR at any time up until the third anniversary of the signing of the definitive agreement for \$1,000,000.

Lithium Corporation conducted past exploration at Salt Wells that culminated in a multiple phase, shallow direct push drilling program in 2011. The target model at that time was near-surface lithium brines. Nevada Sunrise plans to pursue a deeper sub-basin target, which is interpreted from historical gravity survey work. Recent field work conducted by the Company at Salt Wells consisting of surface sediment and water sampling returned values in soils ranging from 51 to 691 parts per million lithium, and a water sample that contained 34.1 milligrams/litre lithium. The Company intends to carry out a geophysical survey to locate conductive zones that may indicate the presence of brines and perform follow-up drilling, if warranted.

***John R. Kerr, P.Eng., and Robert M. Allender, Jr., CPG, RG, SME are the Company's designated qualified persons for the Company's lithium projects within the meaning of NI 43-101 and have reviewed and approved the technical information contained in this MD&A.***



## SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information for the Company for the years ended:

	Sept. 30 2016 \$	Sept. 30 2015 \$	Sept. 30 2014 \$
Revenues	Nil	Nil	Nil
Exploration and evaluation costs	(1,046,128)	(1,067,069)	(1,398,464)
Share-based payments	(387,900)	(164,932)	(678,600)
Comprehensive loss	(247,194)	(973,115)	(2,306,738)
Basic and diluted loss per share	(0.01)	(0.07)	(0.15)
Total assets	7,177,637	4,219,371	4,881,653
Non-current financial liabilities	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

All the consolidated financial statements were prepared using International Financial Reporting Standards. All figures are in Canadian dollars.

## DISCUSSION OF OPERATIONS

The Company recorded a comprehensive loss of \$303,541 for the three months ended December 31, 2016 compared to \$260,173 for the three months ended December 31, 2015.

The Company recorded a foreign currency translation gain of \$85,053 for the three months ended December 31, 2016 compared to \$139,725 for the three months ended December 31, 2015. The Company's foreign currency translation gain or loss is due to the fluctuation of the Canadian dollar in relation to the US dollar, and as the Company's exploration and evaluation assets are incurred in US dollars while the Company does not have significant US dollar denominated liabilities, the translation adjustment amount can vary widely from period to period.

Expenses for the three months ended December 31, 2016 were \$270,656 compared to \$399,898 for the three months ended December 31, 2015.

Exploration and evaluation costs were \$59,258 for the three months ended December 31, 2016 compared to \$82,124 for the three months ended December 31, 2015.

Share-based payments decreased to \$Nil for the three months ended December 31, 2016 compared to \$104,000 for the three months ended December 31, 2015. The Company granted 520,000 options in the three months ended December 31, 2015.

## DISCUSSION OF OPERATIONS – (cont'd)

During the three months ended December 31, 2016, the Company recorded management fee income of \$31,598 in connection with the management of Advantage's expenditure commitment under the option agreement with the Company. The companies are currently drilling at Clayton Northeast.

During the three months ended December 31, 2016, the Company recorded an unrealized loss on its marketable securities portfolio of \$150,000. The Company adjusts its marketable securities to their market value at the end of each reporting period.

During the three months ended December 31, 2016, the Company incurred property acquisition costs of \$168,884 and issued 250,000 common shares with a fair value of \$67,500 with respect to the acquisition of water rights. During the three months ended December 31, 2016, the Company incurred property acquisition costs of \$60,067 on Golden Arrow and Roulette.

## SUMMARY OF QUARTERLY RESULTS

The figures for the quarters ended September 30, 2016 and 2015 are derived from the Company's audited annual consolidated financial statements. All other quarterly figures are derived from the Company's unaudited condensed interim consolidated financial statements. All the financial statements were prepared using International Financial Reporting Standards. All figures are in Canadian dollars.

	December 31 2016 \$	September 30 2016 \$	June 30 2016 \$	March 31 2016 \$
Revenues	Nil	Nil	Nil	Nil
Comprehensive income (loss)	(303,541)	928,861	299,948	(1,215,830)
Basic and diluted income (loss) per share	(0.01)	0.03	0.01	(0.04)

	December 31 2015 \$	September 30 2015 \$	June 30 2015 \$	March 31 2015 \$
Revenues	Nil	Nil	Nil	Nil
Comprehensive income (loss)	(260,173)	(46,559)	(662,686)	114,820
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.04)	0.00

Significant variances in quarterly results can be due to the following items occurring within a quarter:

- higher than normal exploration and evaluation costs
- property option payments received
- large fluctuations in the Canadian dollar versus the US dollar
- share-based payments
- large fluctuations in the market value of the Company's marketable securities

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has financed its operations and mineral property exploration and evaluation programs to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity, debt financing and the sale or joint venture of its assets.

The Company's consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its exploration programs. The continued uncertainty in the capital markets, especially as it relates to the speculative junior mining industry may make it difficult to raise capital through the private placement of shares. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

### ***Commitments - Gold Properties***

Some of the Company's gold property interests are acquired by way of option or lease agreements with ongoing cash obligations. At present, the Company has cash commitments on the Golden Arrow property of US\$50,000 per year. In addition, the Company estimates the annual claim maintenance fees on the Golden Arrow property to be approximately US\$60,000. The Company has an option payment commitment of US\$25,000 due on the Roulette property in 2017. In addition, the Company estimates the annual claim maintenance fees on the Roulette property to be approximately US\$20,000.

At December 31, 2016, the Company had \$6,499 (September 30, 2016 - \$21,816) in exploration advances to Kinsley Gold LLC. The Company has not received the 2017 exploration budget from Pilot Gold for the Kinsley Mountain property at the time of writing this MD&A.

### ***Commitments - Lithium Properties***

On March 16, 2016, the Company signed a definitive agreement for an option to purchase water rights in the Clayton Valley, Nevada. The definitive agreement had an effective date of December 21 for all cash and share payments. The agreement contains the following cash commitments:

December 21, 2017	US\$175,000
December 21, 2018	US\$200,000
December 21, 2019	US\$300,000
December 21, 2020	US\$350,000
Total	US\$1,025,000

In addition, the Company estimates the annual claim maintenance fees on its lithium properties due in August 2017 to be approximately US\$136,000. As discussed earlier in this MD&A, the Company has entered into option and joint venture agreements on all of its lithium properties in order to reduce its exposure on the carrying costs of its lithium properties.

**LIQUIDITY AND CAPITAL RESOURCES – (cont'd)**

The Company estimates that the administration of its corporate affairs will cost in the order of \$900,000 for the year ended September 30, 2017.

At December 31, 2016, the Company had working capital of \$1,474,032. The Company may require equity financings to meet its future exploration and administrative commitments.

***Financing Activities Subsequent to December 31, 2016:***

*Finder's Warrants Exercised*

- The Company issued 6,675 common shares at \$0.18 per share for proceeds of \$1,202 pursuant to the exercise of 6,675 finder's warrants. In addition, the Company issued 3,338 share purchase warrants exercisable at \$0.30 until September 18, 2018.
- The Company issued 9,000 common shares at \$0.18 per share for proceeds of \$1,620 pursuant to the exercise of 9,000 finder's warrants. In addition, the Company issued 4,500 share purchase warrants exercisable at \$0.30 until October 20, 2017.
- The Company issued 2,000 common shares at \$0.165 per share for proceeds of \$330 pursuant to the exercise of 2,000 finder's warrants. In addition, the Company issued 2,000 share purchase warrants exercisable at \$0.25 until November 6, 2018.

*Warrants Exercised*

- The Company issued 2,000 common shares at \$0.25 per share for proceeds of \$500 pursuant to the exercise of 2,000 share purchase warrants exercisable at \$0.25 until November 6, 2018.

***Financing Activities During the Three Months Ended December 31, 2016:***

*Warrants Exercised:*

- The Company issued 35,000 common shares at \$0.25 per share pursuant to the exercise of 35,000 share purchase warrants for proceeds of \$8,750.

**LIQUIDITY AND CAPITAL RESOURCES – (cont'd)**

***Financing Activities During the Year Ended September 30, 2016:***

*Private Placements:*

- The Company issued 4,000,000 common shares pursuant to the private placement of 4,000,000 units at \$0.15 per unit for gross proceeds of \$600,000. Each unit contained one common share and one warrant entitling the holder to purchase an additional common share at \$0.25 until November 6, 2018. In connection with the private placement, the Company paid finder's fees of \$8,288, issued 55,250 finder's warrants and incurred filing and legal costs of \$18,995. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.165 until November 6, 2018.
- The Company issued 1,130,000 common shares pursuant to the private placement of 1,130,000 units at \$0.18 per unit for gross proceeds of \$203,400. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at \$0.30 until February 24, 2018. In connection with the private placement, the Company paid finder's fees of \$6,480.
- The Company issued 1,135,833 common shares pursuant to the private placement of 1,135,833 units at \$0.18 per unit for gross proceeds of \$204,450. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at \$0.30 until September 18, 2017. In connection with the private placement, the Company paid finder's fees of \$7,457 and issued 41,430 finder's warrants. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.18 until September 18, 2017.
- The Company issued 1,664,166 common shares pursuant to the private placement of 1,664,166 units at \$0.18 per unit for gross proceeds of \$299,550. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at \$0.30 until October 20, 2017. In connection with the private placement, the Company paid finder's fees of \$5,400 and issued 30,000 finder's warrants. Each finder's warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.18 until October 20, 2017.
- The Company issued 2,500,000 common shares pursuant to the private placement of 2,500,000 units at \$0.20 per unit for gross proceeds of \$500,000. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.32 until June 16, 2018.

**LIQUIDITY AND CAPITAL RESOURCES – (cont'd)**

***Financing Activities During the Year Ended September 30, 2016:*** – (cont'd)

*Warrants Exercised:*

The Company issued 3,055,875 common shares pursuant to the exercise of share purchase warrants as follows:

- 2,650,000 common shares at \$0.15 per share for proceeds of \$397,500
- 365,875 common shares at \$0.25 per share for proceeds of \$91,469
- 40,000 common shares at \$0.30 per share for proceeds of \$12,000

*Options Exercised:*

The Company issued 312,500 common shares pursuant to the exercise of stock options as follows:

- 100,000 common shares at \$0.17 per share for proceeds of \$17,000
- 100,000 common shares at \$0.175 per share for proceeds of \$17,500
- 52,500 common shares at \$0.19 per share for proceeds of \$9,975
- 60,000 common shares at \$0.22 per share for proceeds of \$13,200

*Finder's Warrants Exercised:*

The Company issued 320,350 common shares pursuant to the exercise of finder's warrants as follows:

- 294,000 common shares at \$0.10 per share for proceeds of \$29,400
- 5,875 common shares at \$0.165 per share for proceeds of \$969
- 20,475 common shares at \$0.18 per share for proceeds of \$3,686

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements to report.

#### **PROPOSED TRANSACTIONS**

The Company has no proposed transactions to report.

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

There were no changes in the Company's significant accounting policies during the three months ended December 31, 2016 that had a material effect on its consolidated financial statements. The Company's significant accounting policies are disclosed in Note 3 to its unaudited condensed interim consolidated financial statements for the three months ended December 31, 2016.

#### **TRANSACTIONS BETWEEN RELATED PARTIES**

##### Directors and Officers

At February 28, 2017, the directors of the Company are Warren Stanyer, Cory Kent, Michael Sweatman, Suraj Ahuja and Charles Roy. The officers of the Company are Warren Stanyer, President and CEO, Michael Sweatman, Chairman, Brent Petterson, CFO and Christina Boddy, Corporate Secretary.

Warren Stanyer receives a management salary of \$8,000 per month, Brent Petterson receives accounting fees of \$3,000 per month, Christina Boddy receives management fees of \$1,800 per month, Michael Sweatman receives director's fees of \$1,500 per month and Suraj Ahuja and Charles Roy each receive director's fees of \$1,250 per month. Cory Kent is a partner at McMillan LLP, who is the Company's corporate lawyer.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of its CEO, CFO and Corporate Secretary.

Remuneration attributed to key management personnel or companies controlled by key management personnel during the three months ended December 31, 2016 and 2015 is summarized as follows:

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		2016		2015
Accounting fees	\$	19,000	\$	16,200
Management fees and salaries		54,400		57,720
Share-based payments		-		32,000
	\$	73,400	\$	105,920

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**TRANSACTIONS BETWEEN RELATED PARTIES – (cont'd)**

The Company incurred the following charges by directors of the Company and by a law firm in which a director of the Company is a partner during the three months ended December 31, 2016 and 2015:

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		2016		2015
Director's fees	\$	12,000	\$	12,000
Legal		7,347		14,056
Legal – share issue costs		-		13,673
Share-based payments		-		48,000
	\$	19,347	\$	87,729

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During the year ended September 30, 2016, Eureka Resources Inc. (a public company with directors in common with the Company) issued 300,000 common shares to the Company related to a joint venture agreement on the Gemini property. The fair value of the common shares was \$28,500.

At December 31, 2016, the Company held 300,000 common shares of Eureka Resources Inc.

At December 31, 2016, due to related parties includes \$6,488 (September 30, 2016: \$26,258) for legal fees and expenses due to a law firm in which a director of the Company is a partner.

The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.



## **CRITICAL ACCOUNTING ESTIMATES**

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to but are not limited to the following:

### Exploration and Evaluation Assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

### Share-based Payments

Share-based payments expense is calculated using the Black-Scholes option pricing model as measured on the grant or issuance date to estimate the fair value of stock options and finder's warrants. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

### Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and future income tax provisions or recoveries could be affected.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's reclamation bonds and right of way also approximate its carrying value.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2016 and September 30, 2016:

	Level 1	Level 2	Level 3
December 31, 2016:			
Cash and cash equivalents	\$ 662,230	\$ -	\$ -
Marketable securities	\$ 1,829,140	\$ -	\$ -
September 30, 2016:			
Cash and cash equivalents	\$ 1,015,474	\$ -	\$ -
Marketable securities	\$ 1,979,140	\$ -	\$ -

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

The Company's cash and cash equivalents are held with large financial institutions. The Company's receivables consist of interest receivable on guaranteed investment certificates, sales tax receivable from the Government of Canada, and exploration expenses incurred on behalf of third parties.

Management believes that credit risk concentration with respect to receivables is remote. The composition of receivables is as follows:

	December 31, 2016	September 30, 2016
Interest receivable	\$ -	\$ 200
Sales tax receivable	3,475	4,451
Expenses on behalf of third parties	40,749	182,696
	<u>\$ 44,224</u>	<u>\$ 187,347</u>

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – (cont'd)**

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash and cash equivalents of \$662,230 to settle current liabilities of \$210,661. Management believes the Company has sufficient funds to meet its current liabilities as they become due. See going concern discussion in Note 2.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### a) Interest rate risk

The Company has cash balances which are not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

#### b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents and accounts payable and accrued liabilities that are denominated in US dollars.

#### c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings, or ability to obtain equity financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company's marketable securities are subject to price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, lithium, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### *Sensitivity Analysis*

The Company operates in the United States and is exposed to exchange risk from changes in the US dollar. At December 31, 2016, a 10% fluctuation in the US dollar against the Canadian dollar would affect comprehensive income or loss by approximately \$17,300.

A 10% fluctuation in the fair value of the Company's marketable securities would affect comprehensive income or loss by \$182,900.

## **RISKS AND UNCERTAINTIES**

In addition to the risks and uncertainties outlined earlier in this management discussion, the Company is also subject to other risks and uncertainties including the following:

### *General Risk Associated with the Mining Industry*

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Exploration and development activities involve risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio of properties and a strategy of possible joint ventures with other companies which balances risk while at the same time allowing properties to be advanced.

### *Dependence on Key Personnel*

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals are intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

### *Option or Lease Agreements*

The Company is currently earning some of its interests in its mineral properties through option or lease agreements and acquisition of title to the property is only completed when the option or lease conditions have been met. These conditions generally include making property payments and incurring exploration expenditures on the properties and can include the completion of pre-feasibility studies. If the Company does not satisfactorily complete its option conditions in the time frame laid out in the option agreement, the Company's title to the mineral property will not vest and the Company will have to write-down the previously capitalized costs related to that property.

**OUTSTANDING SHARE DATA**

*Number of issued and outstanding common shares at February 28, 2017* 38,450,720

Options

At February 28, 2017, there were 3,302,500 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of options outstanding	Exercise Price	Expiry Date
70,000	\$0.50	March 13, 2017
120,000	\$0.50	May 10, 2017
130,000	\$0.50	December 4, 2017
50,000	\$0.50	August 29, 2018
10,000	\$0.50	October 28, 2018
657,500	\$0.19	January 30, 2019
650,000	\$0.50	May 20, 2019
200,000	\$0.50	October 8, 2019
100,000	\$0.17	September 10, 2020
430,000	\$0.22	November 23, 2020
100,000	\$0.185	February 8, 2021
785,000	\$0.37	September 6, 2021
<u>3,302,500</u>		

Warrants

At February 28, 2017, there were 12,913,313 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of warrants outstanding	Exercise Price	Expiry Date
1,500,000	\$0.50	March 20, 2017
1,105,000	\$0.50	May 13, 2017
571,255	\$0.30	September 18, 2017
836,583	\$0.30	October 20, 2017
545,475	\$0.30	February 24, 2018
750,000	\$0.50	March 30, 2018
3,605,000	\$0.25	November 6, 2018
750,000	\$0.70	March 30, 2019
750,000	\$1.00	March 30, 2020
2,500,000	\$0.32	June 16, 2018
<u>12,913,313</u>		

**OUTSTANDING SHARE DATA – (cont'd)**

*Finder's Warrants*

At February 28, 2017, there were 82,655 finder's warrants outstanding entitling the holders thereof the right to purchase one unit for each finder's warrant held as follows:

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Number of finder's warrants		
Outstanding	Exercise Price	Expiry Date
14,280	\$0.18	September 18, 2017
21,000	\$0.18	October 20, 2017
47,375	\$0.165	November 6, 2018
<hr/> 82,655		
<hr/> <hr/>		