# Lexam VG Gold Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

*This Management's Discussion and Analysis ("MD&A") is prepared as of March 22, 2017 and should be read in conjunction with the audited consolidated financial statements of Lexam VG Gold Inc. (the "Company" or "Lexam VG") for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information, including the Annual Information Form can be found on SEDAR,* www.sedar.com*. All amounts are in Canadian dollars.*

**Overview**

Lexam VG Gold Inc. ("the Company", or "Lexam VG") was incorporated under the laws of Ontario through a Plan of Arrangement on January 1, 2011, amalgamating Lexam Explorations Inc. and VG Gold Corp.

The principal business of Lexam VG is to explore gold properties in Timmins, Ontario, Canada and to acquire additional gold properties in the Timmins area. The Buffalo Ankerite, Fuller and Davidson Tisdale properties are 100% owned. The Company also has a 60.98% interest in the claims forming the Paymaster property. For more information see the Company's web site: www.lexamvggold.com.

Lexam VG is listed and traded on the TSX under the symbol "LEX" and on the OTCQX in the United States as "LEXVF". Lexam VG also trades on the Frankfurt Exchange as "VN3A". The corporate office is located at 150 King Street West, Suite 2800, Toronto, Ontario, Canada, M5H 1J9.

In this report, "gpt" represents grams per metric tonne, "Au" represents gold, "VG" represents visible gold, "m" represents metres and "km" represents kilometres.

**Friendly Acquisition**

On February 13, 2017, McEwen Mining Inc. ("McEwen Mining") and Lexam VG Gold Inc. entered into an agreement pursuant to which McEwen Mining would acquire all of the issued and outstanding securities of Lexam VG by way of plan of arrangement (the "Arrangement") and Lexam VG would become a wholly-owned subsidiary of McEwen Mining. Pursuant to the Arrangement, each Lexam VG common share would entitle the holder to receive 0.056 of McEwen Mining share ("Exchange Ratio").

The Arrangement agreement includes customary deal protection and non-solicitation provisions in favour of McEwen Mining, including a break fee of US$2.1 million payable to McEwen Mining in certain circumstances, and fiduciary out provisions for the benefit of Lexam VG. Lexam VG is entitled to a reverse break fee of the same amount payable in certain other circumstances.

This proposed Arrangement is subject to approval by the shareholders of Lexam VG and scheduled for completion by May 23, 2017.

**Exploration and Development Activities**

<u>Operational Outlook</u>

The Company did not conduct any exploration activities during 2016. Comparatively in 2015 the Company spent $424,900 on exploration at the Davidson Tisdale and Fuller properties.

For the year ended December 31, 2016 care and maintenance expenditures incurred totaled $66,200, compared to the budget of $50,000. Care and maintenance costs include security, rent, and other property holding costs necessary to maintain the properties in good standing. The Company's budget for care and maintenance costs is $60,000 for 2017.

For the year ended December 31, 2016 the Company incurred approximately $660,700 (2015 - $808,000) in office, general and administrative expenditures which include salaries and benefits, professional fees, regulatory and stock exchange fees, rent, insurance and director fees, among other things. The budget was $756,300. For 2017 the Company expects to incur a total of $1,100,000 in office, general and administrative expenditures, which includes costs associated with executing the Arrangement.

Davidson Tisdale Property Acquisition

On March 3, 2015, the Company announced the acquisition of SGX Resources' 31.5% minority interest of the Davidson Tisdale property, along with full interest in adjoining mineral claims (Kinch claims) to the north, west and south for $157,630. This amount included $130,000 in cash and $27,630 from amounts receivable owed to the Company by SGX Resources. The cash payment occurred on March 25, 2015. The acquisition increased the Company's interest in Davidson Tisdale from 68.5% to 100%.

Paymaster Property

On September 20, 2013 the Company received formal notification from Goldcorp indicating that they would not be participating in the 2013 exploration budget. Since this time there has been limited exploration on the project, however, the Company has contiuned to incurr property holding costs. As such, the Company is diluting Goldcorp's ownership in accordance with terms stipulated in the joint venture agreement. Through dilution of Goldcrop's interest, the Company increased its interest in the property from 60.95% to 60.98%.

**Results of Operations**

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Net Loss | $ (785,783) | $ (844,351) | $ (643,423) |
| Net Loss per share (basic and diluted) | (0.00) | (0.00) | (0.00) |
| Total Assets | 40,208,473 | 40,947,726 | 41,194,026 |
| Non-Current Liabilities | 1,096,720 | 1,036,469 | - |

The Company recorded a net loss of $785,783 ($0.00 per share) for the year ended December 31, 2016, compared to $844,351 ($0.00 per share) during the corresponding period in 2015. The decreased loss is the result of an decrease to office, general and administrative expenses. The increase in the net loss for 2015 compared to 2014 was attributable to an increase to office, general, and administrative expenses, and care and maintenance expenditures.

**Office, General and Administrative Expenses**

| | Three months ended December 31, 2016 | Three months ended December 31, 2015 | For the years ended December 31, 2016 | For the years ended December 31, 2015 |
|---|---|---|---|---|
| Salaries and benefits | $ 35,274 | $ 36,855 | $ 156,038 | $ 206,258 |
| Professional fees (accounting, audit and legal) | 6,810 | 14,595 | 53,261 | 126,349 |
| Public company fees and investor relations | 12,325 | 13,477 | 106,317 | 131,052 |
| Director fees | 17,500 | 17,500 | 70,000 | 70,000 |
| Office and general | 75,286 | 72,608 | 275,100 | 274,317 |
| | $ 147,195 | $ 155,035 | $ 660,716 | $ 807,976 |

Office, general and administrative expenses decreased by 5%, or $7,840, for the three months ended December 31, 2016 with the comparative period in 2015. This quarter on quarter decrease pertains to decrease in professional fees.

Annually, office, general and administrative expenses decreased by 18%, or $147,260 in comparison to 2015. The decrease for the year was attributed to a decrease in salaries and benefits, professional fees and public company fees.

**Exploration Expenditures**

| | Fuller 2016 | Fuller 2015 | Davidson Tisdale 2016 | Davidson Tisdale 2015 | Buffalo Ankerite 2016 | Buffalo Ankerite 2015 | Paymaster 2016 | Paymaster 2015 | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Geological | $ - | $ 15,902 | $ - | $ 67,063 | $ - | $ - | $ - | $ - | $ - | $ 82,965 |
| Drilling | - | - | - | 168,984 | - | - | - | - | - | 168,984 |
| Land & Holding | - | - | - | 161,770 | - | - | - | - | - | 161,770 |
| Other | - | 1,518 | - | 9,685 | - | - | - | - | - | 11,203 |
| | $ - | $ 17,420 | $ - | $ 407,502 | $ - | $ - | $ - | $ - | $ - | $ 424,922 |

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures capitalized for the year ended December 31, 2016, totaled $nil (December 31, 2015 - $424,922). There were no exploration expenditures for the year ended December 2016 due to the fact that the Company did not conduct an exploration program, as a result all expenditures associated with maintaining the properties were expensed to care and maintenance. The expenditures in 2015 relates primarily to the exploration program on the newly acquired claims of Davidson Tisdale property and on the Fuller property.

The Company incurred expenditures of $nil (2015 - $17,420) on the Fuller property, $nil (2015 - $407,502) on the Davidson Tisdale property, $nil (2015 - $nil) on Buffalo Ankerite property, and $nil (2015 - $nil) on the Paymaster property.

**Summary of Quarterly Results**

Selected financial information for the eight previous fiscal quarters:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net Loss | $ (175,517) | $ (178,269) | $ (182,855) | $ (249,142) | $ (169,563) | $ (142,491) | $ (222,761) | $ (309,536) |
| Net Loss per share (basic and diluted) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |

**Liquidity and Capital Resources**

As at December 31, 2016, the Company had cash of $133,959 compared to $241,499 at December 31, 2015, representing a decrease of $107,540. The cash decrease of $107,540 is made up of $700,072 generated from investing activities, offset by $807,612 used in operating activities.

Cash from investing activities relates to $700,072 proceeds from the redemption of short-term investments. The Company's short-term investments as of December 31, 2016, of $493,770, are a fixed income investment, registered with a Canadian Bank and can be liquidated as needed.

Current spending projections, primarily relating to exploration and general and administrative expenditures are dependent on the Company's ability to raise additional funds in the future or the successful completion of the arrangement described in note 12 of the Company's Audited Consolidated Financial Statement for the Year Ended December 31, 2016.

**Additional Funding Requirements**

Mineral properties of Lexam VG are in the exploration and development stage. The Company has no source of operating cash flow and is dependent on raising additional funds to complete exploration and development. There is no assurance that Lexam VG will be able to raise additional funds at reasonable terms. The development of ore deposits found on the exploration properties of Lexam VG depend on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration and development programs of Lexam VG are successful in identification of economically viable resources, additional funds will be required to develop the properties and, if successful, additional funds will be required to place them in commercial production. The only source of future funds presently available to Lexam VG is the sale of equity capital of Lexam VG or the sale by Lexam VG of an interest in any of its properties in whole or in part. The ability of Lexam VG to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as on the business performance and prospects of the Company.

There can be no assurance that Lexam VG will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares of the Company, control of Lexam VG may change and shareholders may suffer additional dilution. If adequate financing is not available, Lexam VG may be required to delay, reduce its scope, eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause Lexam VG to forfeit its interests in some or all of its properties and to reduce or terminate its operations.

**Off-Balance Sheet Arrangements**

As at December 31, 2016, the Company does not have off-balance sheet arrangements.

**Outstanding Share Data**

The following schedule outlines the number of shares outstanding.

| | 2016 | 2015 |
|---|---|---|
| Common Shares | 226,570,860 | 226,570,860 |
| Stock Options | 969,000 | 969,000 |

The total common shares outstanding as of March 22, 2017, are 226,570,860.

**Contractual Obligations**

| | Less than 1 year | 1 - 3 years | 4 - 5 years | After 5 years | Total |
|---|---|---|---|---|---|
| Decommissioning liabilities | $ - | $ - | $ - | $ 1,096,720 | $ 1,096,720 |
| Accounts payable and accrued liabilities | 41,565 | - | - | - | 41,565 |
| | $ 41,565 | $ - | $ - | $ 1,096,720 | $ 1,138,285 |

**Transactions with Related Parties**

The Company agreed to share services with McEwen Mining Inc. including rent, personnel, office expenses and other administrative services, on an ongoing basis. Mr. McEwen is the Chief Executive Officer of McEwen Mining and holds a 25% ownership in McEwen Mining, a publicly listed company, trading on the New York Stock Exchange and the Toronto Stock Exchange. Mr. McEwen also owns 27% of the Company.

For the year ended December 31, 2016, McEwen Mining reimbursed the Company $112,800 (2015 – $23,600) for net shared services, which include rent, personnel office expenses and other administrative services.

These transactions are in the normal course of business.

Remunerations of key management personnel were as follows:

| | 2016 | 2015 |
|---|---|---|
| Short-term benefits to management and Directors [1] | $ 86,000 | $ 89,000 |
| Share-based compensation | 19,922 | 1,700 |
| Total | $ 105,922 | $ 90,700 |

[1] Short-term benefits include salaries, bonuses payable and other annual employee benefits.

Key management personnel are defined to be Chief Financial Officer and members of the Board of Directors.

**Environmental Risks and Hazards**

All phases of Lexam VG's mineral exploration operations are subject to environmental regulations pertaining to the City of Timmins and the province of Ontario in Canada. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Lexam VG's operations. Environmental hazards may exist on the properties on which Lexam VG holds interests, which are unknown to Lexam VG at present and which may have been caused by previous or existing owners or operators of the properties. Lexam VG may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with Lexam VG's operations. To the extent that such approvals are required and not obtained, Lexam VG may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The future costs of retiring mining assets include dismantling, remediation, ongoing treatment and monitoring of the site. These are reconciled and recorded as a liability at fair value. The liability is accreted, over time, through periodic charges to earnings. In addition, decommissioning liabilities are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Lexam VG and could cause increases in exploration expenses, capital expenditures and production costs. They may also cause a reduction in levels of production at producing properties or they may require abandonment or delays in development of new mining properties.

Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the environment, Lexam VG may become subject to liability for hazards against which it cannot be insured. The Company is subject to all environmental acts and regulations at the federal and provincial levels. These include, but are not limited to, the following:

| Federal level (Canada) | Provincial Level (Ontario) |
|---|---|
| Canadian Environmental Protection Act | Environmental Protection Act |
| Fisheries Act | Mining Act |
| Navigable Waters Protection Act and Regulations | |

**Future accounting pronouncements**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory and would be applicable to the Company for annual periods on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial instruments ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in

IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions.

IFRS 16 – Leases – The standard was issued by the IASB in January 1, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from contracts with customers has also been applied.

**Management's Evaluation of Disclosure Controls**

Management is responsible for the design and operating effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer (or Chairman of the Board of Directors, in absence of Chief Executive Officer) and Chief Financial Officer have each evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at December 31, 2016 and have concluded that these controls and procedures are appropriately designed and have operated effectively.

**Internal Control over Financial Reporting**

Management, under the supervision of the Chief Executive Officer (or Chairman of the Board of Directors, in absence of Chief Executive Officer) and the Chief Financial Officer, is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Based on a review of its internal controls, management believes its internal controls over financial reporting are appropriately designed and operating effectively as at December 31, 2016. There were no changes in the Company's internal controls during the quarter ended December 31, 2016 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

**Financial Instruments**

The Company manages its exposure to a number of different financial risks arising from operations as well as from the use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up to date market information.

(a) Market Risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an ongoing basis and adjusting operating and exploration budgets accordingly.

(b) Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash and cash equivalents and short-term investments. These funds are primarily used to finance working capital, exploration expenditures, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows required for operating activities, exploration and evaluation expenditures, and holding adequate amounts of cash and cash equivalents and short-term investments, which can readily be converted to cash. Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at December 31, 2016 the Company held cash and cash equivalents of $133,959 (2015 - $241,499) and short-term investments of $493,770 (2015 – $1,188,378) to settle current liabilities of $41,565 ($2015 - $83,227).

(c) Interest Rate Risk

Interest rate risk is the risk associated with interest bearing assets or liabilities as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents and short-term investments include highly liquid investments that earn interest at market rates. The Company does not have any interest-bearing liabilities.

Although the Company endeavours to maximize the interest income earned on excess funds, the Company's policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day to day basis. The Company's policy limits the investing of excess funds to liquid term deposits, treasury bills and banker's acceptances.

Fluctuations in market interest rates have not had a significant impact on the Company's results of operations due to the short-term maturities of investments held.

(d) Foreign Exchange Risk

Foreign exchange risk arises from the Company's exposure to currency fluctuations relative to Canadian dollars on expenditures that are denominated in US dollars. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. However, the Company does not carry significant monetary assets and liabilities denominated in foreign currencies, as a result fluctuations in foreign exchange rates have not had a significant impact on the Company's results of operations.

(e) Credit Risk

Credit risk arises from cash and short-term investments held with banks and financial institutions and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the quality of its counter parties, taking into account their creditworthiness and reputation, past experience and other factors.

(f) Fair Value

Cash and cash equivalents and short-term investments are accounted for at fair value through profit and loss. Amounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities, and measured at amortized cost, which approximate fair value due to their short-term nature.

Cash and cash equivalents are classified as level 1 under the fair value hierarchy, and short-term investments are classified as level 2 under the fair value hierarchy. Short-term investments are held with Canadian banks with terms to maturity at acquisition of between three and twelve months, which have no active markets.

**Use of Estimates and Judgment**

The preparation of annual consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the annual consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of the consolidated financial statements include:

(a) Mineral Resources

The estimates relating to mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous estimates in determining the mineral resource estimate. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions, such as metal prices and market conditions, could have a material effect in the future ability to develop such projects.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

(b) Income Taxes

In assessing the probability of realizing income tax assets and the related recognition, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its judgments, management gives additional weight to positive and negative evidence that can be objectively verified. At the end of each reporting period, the Company reassesses unrecognized tax assets.

(c) Impairment of Exploration & Evaluation ("E&E") Assets

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. The Company assesses its E&E assets at each financial reporting period date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of E&E assets recoverable amount is made, which is the higher of the fair value less costs of disposal and estimated value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Using this criteria, the Company assessed its E&E assets at December 31, 2016 and 2015 and determined that there were no indicators of impairment.

(d) Decommissioning Liabilities

The Company's decommissioning liabilities represent management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, and the applicable risk-free interest rates for discounting the future cash outflows. Changes to the above factors can result in a change to the provision recognized by the Company.

Management uses its judgment in determining if a present obligation exists at the reporting period by considering all evidence, including the opinion of independent experts. Management also uses its judgment in evaluating variables that are used in determining the present value of the liabilities.

**Risks and Uncertainties**

The Company's business of exploring and developing mineral properties is highly uncertain and risky by its very nature. In addition, the ability to raise funding in the future to maintain the Company's exploration and development activities is dependent on financial markets, which often fail to provide necessary capital.

Regulatory standards continue to change making the review process longer, more complex and more costly. Even if an apparently mineable deposit is developed, there is no assurance that it will ever reach production or be profitable, as its potential economics are influenced by many key factors such as commodity prices, foreign exchange rates, equity markets and political interference, which cannot be controlled by management. As a result, the Company's future business, operations, and financial condition could differ materially from the forward-looking information contained in this MD&A and described in the Forward-Looking Statements section below. For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's Annual Information Form, dated March 22, 2016, filed on www.sedar.com.

**Forward Looking Statements**

*This report may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, capital and operating costs varying significantly from estimates, delays or failure in obtaining governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law.*