

# SITKA GOLD CORP

SITKA GOLD CORP.  
(AN EXPLORATION STAGE COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

## **Management Discussion and Analysis**

### **Year ended December 31, 2017**

This management's discussion and analysis ("MD&A") of Sitka Gold Corp. ("Sitka" or the "Company") provides an analysis of the Company's financial and operating results for the year ended December 31, 2017.

This MD&A should be read in conjunction with the Company's most recent audited consolidated financial statements and accompanying notes. Except where otherwise noted, all dollar amounts are stated in Canadian dollars. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### **Description of Business**

The Company is an exploration stage company with its head office located in Vancouver, British Columbia, Canada. The Company was incorporated on January 13, 2015 under the British Columbia Business Corporations Act and commenced business at that time. Subsequent to the year ended December 31, 2017, the Company completed its initial public offering (the "Offering") and began trading on the Canadian Securities Exchange on January 31, 2018 under the trading symbol "SIG".

The mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented in the end of this MD&A.

Sitka's disclosure of a technical or scientific nature has been reviewed and approved by Mr. Corwin Coe, P. Geo, a Director and CEO of the Company, and a Qualified Person under the definition of National Instrument 43-101.

#### **Nevada Adobe Gold Property**

Sitka acquired an option to earn a 100% interest in the Adobe Gold Property in Nevada on December 8, 2015. The Adobe Gold Property, located 50 km north of Elko, is situated in Nevada's prolific Carlin-type gold domain and has local geology that exhibits structural features within sediments that indicate the potential for Carlin-style gold mineralization to exist. This domain is the second most prolific gold producing region in the world and includes the Carlin Trend, one of the largest concentrations of gold in the western hemisphere. Since the discovery of disseminated gold mineralization in 1961, more than 84 million ounces of gold have been produced from the Carlin Trend (Muntean, 2016). Many new discoveries have been made since and there are currently about 30 mines operating in the area. Gold mines in Nevada account for about 81.4% of annual U.S. gold production and about 5.5% of the world's annual gold production (Nevada Mining Association website - 2016 figures). In addition to hosting an abundance of gold deposits, Nevada continues to be a safe and stable jurisdiction for mining companies to operate and has excellent infrastructure already in place.

In May and June of 2016, the Company completed its first phase mineral exploration program on its Adobe Property in Nevada. The program consisted of gully and ridge soil sampling and additional

mapping and outcrop sampling. A total of 286 soil and 95 rock outcrop samples were taken over a broad reconnaissance target area previously identified as being potentially fertile structurally controlled target areas for Carlin style gold mineralization. Compilation and interpretation of the first phase mineral exploration results has identified structurally controlled areas where anomalous pathfinder minerals and gold results have defined three target areas to be drill tested. The Company has staked additional mining claims in the area based on the interpretation of these results.

### **Proposed Future Work**

In January, 2017 the Company was granted approval by the Bureau of Land Management (BLM) for its drilling permit application to drill these target areas. A National Instrument Policy 43-101 technical report has been commissioned and received that recommends a 2 Phase exploration program totalling \$693,000 USD and consisting of a ground geophysical survey followed by 3000 metres of reverse circulation drilling to test the three target areas that have been identified so far on the Property.

### **Exploration History**

The Adobe Property has had no known drilling conducted in the past. Intercept Metals Inc. conducted geological mapping and limited gully and rock chip sampling in 2014 prior to optioning the property to Sitka.

### **Arctic Copper's Nunavut Coppermine River properties**

In April 2015, through its wholly owned subsidiary, Arctic Copper Corp., the Company staked over 50,000 hectares of mining claims in the Coppermine River area in Nunavut that exhibit exceptional potential to host economic grade copper and silver mineralization. A first phase exploration program was conducted on the Coppermine River Property at the end of the summer season comprised of prospecting, geological mapping and a gravity geophysical ground survey. Prospecting during the exploration program culminated in the discovery of a new sedimentary-hosted copper showing (the 'Copper Leaf' showing) and a coincident gravity anomaly over the mineralized area. The Copper Leaf showing is comprised of disseminated plus massive chalcocite and malachite mineralization within the Husky Creek sandstones. Samples were taken from several mineralized occurrences within the sandstone unit while prospecting the Gabbro-Sediment contact along a 2km stretch extending southward from the Copper Leaf showing. Copper and silver assays returned values as high as 13.45% Cu and 65 g/t Ag. This bodes well for the discovery of large sediment hosted copper deposits in this area, given that this dike-sediment contact extends for more than 12 kilometers through the Company's claims. The Company is in receipt of a technical report by Scott Close, P.Geo., dated December 15, 2015 on its Coppermine River Property that includes the most recent results of the 2015 exploration program.

During the first half of 2016, the Company submitted the appropriate paperwork to obtain a permit to conduct a modest exploration program on its Coppermine River property this season. However, during the permitting process the Company became aware that the Nunavut Planning Committee (NPC) was drafting changes regarding the designation of the Property's zoning in the proposed Nunavut Land Use Plan draft whereby the area would become protected and not available for mineral exploration. In June the NPC proposed that a large area, which includes our property, should be protected and inaccessible for mineral exploration. At present, the Coppermine River property is in a jurisdiction that allows for mineral exploration and development but these proposed changes in the Draft Nunavut Land Use Plan have created uncertainty regarding the ability to conduct future exploration work in this area. The Company has since elected to postpone any work on its Coppermine River property until this zoning uncertainty is resolved. At this point the NPC's suggestion to protect this area is a proposal only. The NWT and the Nunavut Chamber of Mines are voicing concerns on behalf of industry and are strongly opposing the NPC's attempt to protect this large area.

## Proposed Future Work

At present, the Coppermine River property is in a jurisdiction that allows for mineral exploration and development but these proposed changes in the Draft Nunavut Land Use Plan have created uncertainty regarding the ability to conduct future exploration work in this area. The Company has since elected to postpone any work on its Coppermine River property until this zoning uncertainty is resolved.

## Summary of Financial Information

A summary of annual financial information for 2017 is provided in the table below:

Annual Information	In accordance with IFRS	
	Year ended December 31, 2017	Year ended December 31, 2016
Total other income (loss)	\$nil	\$nil
Net Income (Loss) for the year	(182,075)	(114,680)
Net Income (Loss) per share	(0.02)	(0.01)
Total assets	406,802	302,909
Total long term liabilities	Nil	Nil
Cash dividends per share	Nil	Nil

For the year ended December 31, 2017, the company incurred a loss of \$182,075 (2016 -\$114,680) after settlement of flow-through share premium liability of \$1,113 (2016 - \$9,632).

The major components of expenses were administrative of \$32,653 (2016 - \$23,263), travel expenses of \$48,114 (2016 - \$55,213), professional fees of \$80,198 (2016 - \$16,305) and nil exploration expenditures in Yukon (2016- \$29,531).

During the year, the Company raised \$155,000 in equity financing (2016 - \$30,000) and incurred exploration and acquisition expenditures on mineral properties in Nunavut and Nevada of \$98,616 (2016 - \$101,098).

Selected quarterly information of the Company is presented in the table below:

Quarterly Information	In accordance with IFRS			
	Quarter ended December 31, 2017	Quarter ended September 30, 2017	Quarter ended June 30, 2017	Quarter ended March 31, 2017
Total other income (loss)	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss)	(66,281)	(27,102)	(53,695)	(34,997)
Profit (Loss) per share	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	406,802	400,350	381,613	422,369
Total long term liabilities	Nil	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil	Nil

Quarterly Information	In accordance with IFRS			
	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016
Total other income (loss)	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Profit (Loss)	(50,409)	(13,132)	(19,434)	(31,705)
Profit (Loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	302,909	358,406	331,328	318,543
Total long term liabilities	Nil	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil	Nil

For the quarter ended December 31, 2017, the Company incurred a loss of \$66,281 (2016 - \$50,409). The major components of expenses were administrative of \$10,246 (2016 - \$10,535), travel expenses of \$12,079 (2016 - \$14,073), professional fees of \$34,892 (2016 - \$5,907), listing fees of \$9,063 (2016 - Nil) and nil exploration expenditures in Yukon (2016- \$29,531).

During the quarter ended December 31, 2017, the Company incurred exploration and acquisition expenditures on mineral properties in Nunavut and Nevada of \$2,105 (2016 - \$20,603).

### Mineral Exploration Properties

The Company has classified its exploration properties into two separate geographical locations, namely Nunavut, Canada and Nevada, USA.

A continuity of the Company's exploration and evaluation assets is as follows:

	Coppermine River Property, Nunavut	Adobe Gold Property, Nevada	Total
Balance, December 31, 2015	\$ 144,319	\$ 14,066	\$ 158,385
Claim fees	-	19,458	19,458
Geological and analytical costs	117	52,590	52,707
Geophysics	3,993	-	3,993
Travel and accommodation	-	9,176	9,176
Equipment and supplies	-	716	716
Total exploration costs	4,110	81,940	86,050
Acquisition costs	48	15,000	15,048
Total 2016 additions	4,158	96,940	101,098
Balance, December 31, 2016	\$ 148,477	\$ 111,006	\$ 259,483

	Coppermine River Property, Nunavut	Adobe Gold Property, Nevada	Total
Balance, January 13, 2016	\$ 148,477	\$ 111,006	\$ 259,483
Claim fees	-	42,937	42,937
Geological and analytical costs	3,500	20,900	24,400
Travel and accommodation	-	4,930	4,930
Equipment and supplies	-	1,349	1,349
Total exploration costs	3,500	70,116	73,616
Acquisition costs	-	25,000	25,000
Total 2017 additions	-	95,116	98,616
Balance, December 31, 2017	\$ 151,977	\$ 206,122	\$ 358,099

See Note 5 in the Notes to the Audited Financial Statements for details of the above mineral exploration properties.

### **Disclosure of Outstanding Share Data**

The Company has an unlimited number of common shares without par value authorized for issuance. As of April 4, 2018, the Company had 10,367,000 common shares and 7,917,000 warrants outstanding.

### **Liquidity and Capital Resources**

As of December 31, 2017, the Company held cash and cash equivalents of \$19,621 (2016 – \$41,281), had GST receivables of \$2,807 (2016 - \$2,145), had cumulated expenditures on mineral exploration properties of \$358,099 (2016 - \$259,483) and had accounts payable of \$118,298 (2016 - \$46,600). As of December 31, 2017, the Company had working capital of (\$104,978) compared with (\$4,287) as of December 31, 2016.

The Company's continuing operations are totally dependent upon the Company's ability to obtain the necessary financing or making alternative financial arrangements to meet its obligations and pay its liabilities.

Subsequent to year ended December 31, 2017, the Company completed its initial public offering ("IPO") of 6,000,000 units at a price of \$0.20 per IPO Unit for gross proceeds of \$1,200,000.

### **Risk Factors**

The Company is subject to a number of risks due to the nature of its business and the present stage of explorations. The following factors should be considered:

#### *Mineral Exploration and Development*

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the

discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery and the development of commercial mineable mineralized deposits. Most exploration projects do not result in the discovery of commercially mineralized deposits.

### *Trends*

The Company's financial success is dependent upon the discovery of mineral resources that could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public market place. Other than as disclosed herein, the company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's results or financial position.

### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in any of which events the Company could incur significant costs that could have a material adverse effect upon its financial condition.

### *Economics of Developing Mineral Properties*

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operation or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### *Environmental Factors*

The Company conducts exploration activities in various parts of Canada and has previously conducted exploration activity within the United States. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. Extensive environmental legislation has been enacted in Canada by federal, provincial and territorial governments and in the United States by federal and state governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance,

more stringent environmental assessments of proposed properties 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 the Company's operations. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held or formerly worked by the Company. The approval of new mines in Canada is subject to detailed review through a clearly established public hearing process, pursuant to both the Federal Canadian Environmental Assessment Act and the provincial and territorial Environmental Review Agencies. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. Failure to comply with the legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offense under such legislation.

Canadian provincial and territorial state mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of the public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and, in particular, the cost of long term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements after the termination or suspension of production.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is currently engaged in exploration with minimal environmental impact.

#### *Title*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title. Land may be transferred by the State to businesses and citizens for possession and use based on leases.

#### *Canadian Aboriginal Land Claims*

Canadian Aboriginal rights may be claimed on properties or other types of tenure with respect to which mining rights have been conferred. The Company is aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is generally supportive of measures established to achieve such cooperation. While there is, to the Company's knowledge, no specific existing claim in respect of any of its properties, the advent of any future aboriginal land claims and the outcome of any aboriginal land claims

negotiations or related issues cannot be predicted.

### *Competition and Agreements with Other Parties*

The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties on terms it considers acceptable. The Company competes with other companies that may have substantially greater financial resources than the Company. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

### *Governmental Regulation*

Operations, development and exploration on the Company's properties are affected to varying degrees by:

(i) government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property.

There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral land or to stake a claim) in any Canadian province or territory in which it is carrying out work. Mineral exploration primarily falls under provincial or state jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdictions, such as the Fish and Wildlife Act in Canada and the Environmental Protection Agency in the United States.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

### *Metals Prices*

The Company's revenues, if any, and ability to attract equity financing is expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in the last three years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved

mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and other and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot accurately be predicted.

### *Management and Directors*

The Company is dependent on its key management personnel. Loss of the key person could have an adverse effect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

### *Conflicts of Interest*

Certain of the Directors and Officers of the Company are also in their personal capacities, or as Directors or Officers of other companies, engaged in mineral exploration and development. Accordingly, exploration opportunities or prospects of which they become aware may not necessarily be made available to the Company. The Directors and Officers intend to allocate opportunities or prospects from time to time on the basis of prudent business judgment. The Directors are required by law to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a Director for the approval of such transaction.

### *Price Fluctuations: Share Price Volatility*

In recent years, the international securities markets have experienced high levels of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that the continual fluctuations in market price will not occur which may impact the Company's market capitalization as well as its ability to facilitate equity financing.

### *Legal Proceedings*

As at December 31, 2017 and the date of this document, there were no legal proceedings against or by the Company.

### **Subsequent Events**

On January 31, 2018, the Company completed its IPO and issued 6,000,000 units of the Company (the "IPO Units") for gross proceeds of \$1,200,000. Each IPO Unit is comprised of one (1) common share of the Company and one-half (1/2) of one transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.30 until January 30, 2020. The lead agent for the Offering was PI Financial Corp. (the "Agent"). The Agent received a cash commission of \$96,000 as well as non-transferable warrants entitling the agent and members of its selling group to purchase up to an aggregate of 480,000 common shares of the Company at a price of \$0.30 per common share until January 30, 2020. The Agent also received a corporate finance fee of \$25,000.

On February 8, 2018, the Company entered into an agreement with Objective Exploration LLC ("Objective") to acquire 100% of Objective's interest in the Alpha Gold Property ("the Property") located in Eureka County, Nevada. To acquire a 100% interest in the Property the Company must:

- (i) grant Objective a 1.5% NSR with the right to purchase all of the NSR for US\$3,000,000;

- (ii) pay Objective US\$10,000 annually as an advance royalty until 2039 or until purchase of the NSR;
- (iii) pay Objective US\$10,000 annually in cash or shares after 10,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR;
- (iv) pay Objective an additional US\$20,000 annually in cash or shares after 50,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR; and
- (v) pay all fees to file and maintain the property.

### **Notes Regarding Forward Looking Statements**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, amongst other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company’s properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

### **Additional Information**

For further information regarding Sitka Gold Corp., please refer to Company’s continuous disclosure filings with the Canadian securities regulatory authorities available under Sitka Gold’s company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Approval**

The Board of Directors of Sitka Gold Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and will be posted on our website at [www.sitkagoldcorp.com](http://www.sitkagoldcorp.com).

On behalf of the Board of Directors

(signed) “Corwin Coe”

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Corwin Coe  
Chief Executive Officer  
April 10<sup>th</sup>, 2018