

# CARLIN GOLD CORPORATION

## Quarterly Financial Report

For the period ended

September 30, 2017





MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended September 30, 2017

Carlin Gold Corporation  
Suite 320 - 800 West Pender St.  
Vancouver, British Columbia, Canada  
V6C 2V6

Tel: (604) 638-1402 Fax: (604) 608-3878

[www.carlingold.com](http://www.carlingold.com)

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## **Description of Business and Report Date**

The information in this Management's Discussion and Analysis ("MD&A") is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of Carlin Gold Corporation (the "Company" or "Carlin"). This MD&A should be read in conjunction with the unaudited condensed interim financial statements of the Company, including the notes thereto, for the three and nine months ended September 30, 2017 and 2016 and the audited financial statements of the Company for the years ended December 31, 2016 and 2015, and MD&A of such financial statements, and other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's audited financial statements for the years ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has taken into account information available up to and including November 27, 2017. All monetary units herein are expressed in Canadian dollars unless otherwise noted.

Carlin is an exploration stage company engaged in the identification, evaluation, acquisition and exploration primarily of gold properties in Nevada, USA and Yukon, Canada. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol CGD.

This MD&A contains forward-looking statements. Please refer to the cautionary language at the end of this document.

## **Company Overview and Outlook**

The Company entered into an Exploration and Earn-In agreement with Barrick Gold Exploration Inc. ("Barrick") on the Cortez Summit property (the "Property") in November 2016. The completion of the agreement with Barrick is a positive development for the Company as Barrick's technical team can bring their expertise to bear on the exploration potential of Cortez Summit. Drilling by Barrick commenced on May 31, 2017 on the Company's Cortez Summit property, and the initial core hole, SJV17-1D, was completed July 29, 2017 to a depth of 5,171 ft. (1576 m). SJV17-1D was collared in the southwest portion of the Property in the vicinity of Carlin's previous shallow reverse circulation holes drilled into the upper plate in 2012, adjacent to an area referred to by Carlin geologists as the Fourmile structural corridor, a wide north-northwest trending zone defined by geological, geochemical and geophysical information. The hole encountered a 592 ft. (180 m) interval of highly anomalous arsenic at 328-920 ft. (100-280 m) averaging 480 ppm, with strongly anomalous Carlin-style pathfinder elements including mercury (to 17 ppm), antimony (to 173 ppm) and thallium (to 6.3 ppm). Gold values include a 10 ft. (3 m) wide zone at 694-704 ft. (211-214 m) grading 2.6 grams/tonne. This thick anomalous interval is contained in upper plate rocks consisting of variably clay-altered, iron-oxide stained, brecciated hornfels and lesser mudstone/siltstone, with the most intense clay alteration and iron-oxide development at 652-798 ft. (199-243m.). There are more modest zones of anomalous arsenic and thallium further down the hole, including a 415 ft. (127 m) interval of anomalous thallium straddling the base of the Roberts Mountain Thrust. Minor, local zones of brecciation, carbon development, and minor decalcification were also observed. No significant gold mineralization was encountered in the lower plate carbonate section.

The Company is encouraged by the exploration potential demonstrated in drill hole SJV17-1D, featuring strong alteration and pathfinder elements along with gold values in upper plate rocks along the Fourmile structural corridor. Carlin's 2012 drilling encountered similar alteration and anomalous geochemistry, although to a lesser degree. This "shallow" anomalous zone potentially represents the upper level of a mineralized structural conduit, which could be used as a guide to deeper gold mineralization in the lower plate carbonate rocks.

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### *Exploration and Earn-In Agreement*

Under the terms of this agreement, Barrick has the right to earn a 70% interest in the Property by making expenditures totaling US\$5 million by December 31, 2020, of which US\$500,000 was a firm commitment to be completed by September 1, 2017 and cumulatively of US\$1,000,000 by December 31, 2017. Upon expenditure by Barrick of US\$5 million, a limited liability company will be formed to own the Property with membership interests owned 70% by Barrick and 30% by Carlin. Carlin retains a 2% net smelter return royalty in addition to its 30% interest.

As of the date of this MD&A, Barrick has met the cumulative expenditure commitment of US\$1 million required by December 31, 2017.

### *A Focus on Nevada Properties*

In addition to Cortez Summit, the Company controls two other properties in Nevada, JDS and Willow, both of which represent Carlin-type gold targets. The Company's Nevada properties are held by direct ownership of unpatented mining claims. In addition to maintaining its existing property portfolio, the Company is also evaluating additional project opportunities.

### *Cortez Summit Developments*

- 2013 - Significant Core Intersection by Carlin
- 2015 - Barrick's "Fourmile" target\*
- 2017 - Initial Barrick Core Hole

The Company completed a core hole at Cortez Summit in 2013 that intersected the stratigraphic section containing similar horizons which host the nearby major Cortez area deposits, supporting the excellent exploration potential of the Property. Potential was further augmented by two high grade holes drilled in 2015 at Barrick's "Fourmile" target\* north of their Goldrush resource and located adjacent to the Cortez Summit Property (see description below). Barrick's initial core hole at Cortez Summit, SJV17-1D, completed to 5,171 ft. (1,576 m), encountered the favorable lower plate carbonate section, and also a very thick zone in upper plate rocks containing strong alteration, highly anomalous Carlin-style pathfinder elements, and encouraging gold values to 2.6 gpt.

Carlin geologists are encouraged that favorable lower plate carbonate rocks are present near the projection of the gold-bearing Fourmile structural corridor and by the high grade holes at Barrick's "Fourmile" target. These features open up a variety of exploration opportunities at Cortez Summit. Only a small portion of the Property has been evaluated for gold mineralization in lower plate rocks.

*\*Note: Quotes used around "Fourmile" are to distinguish the area of Barrick's high grade gold intersections on Barrick's property adjacent to Cortez Summit from the Fourmile structural corridor interpreted by Carlin geologists on the southwest portion of the Cortez Summit Property.*

### **Cortez Summit Exploration Project, Nevada U.S.A.**

The Company's 100% owned Cortez Summit Property is centrally located on the Cortez Trend, in the middle of what has become the most active gold exploration area in Nevada. The Cortez Trend contains a major gold endowment that exceeds 50 million oz. total gold produced, reserves and resources (Nevada Bureau of Mines and Geology annual mineral reports, Barrick annual reports). Production in 2016 at Barrick's Cortez district operations was reported to be 1.05 million ounces of gold at an all-in sustaining cost (AISC) of US\$518 per oz (Barrick Q4 2016 Report).

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The Cortez Summit property consists of 142 unpatented claims located in the southern Cortez Mountains in Eureka County, Nevada, between the historic Buckhorn and Horse Canyon mines. Cortez Summit is located within 1 kilometer of Barrick's 11.5 million ounce Goldrush resource, of which 9.6 million oz grading 9.6 gpt are reported to be in the measured and indicated category (Barrick 2016 Q4 Report). The property is contiguous with Barrick claims on all sides and on the west boundary adjoins the "Fourmile" exploration target area described by Barrick in its February 22, 2016 News Release. Barrick has advanced Goldrush through the prefeasibility stage, and envisions annual underground production of 450,000 oz at average AISC of US\$665/oz. Barrick contemplates a mine life of 21 years with production beginning as early as 2021. The permitting process is scheduled to commence in 2018 (ref: Barrick news release Feb. 15, 2017). Permits to begin construction of the twin exploration declines have been received (Barrick 2016 Q4 webcast), and portal pad construction commenced Q3 2017 (Barrick Q3 2017 webcast). Barrick's Cortez Hills operation (11 million oz gold pre-production reserve/resource) lies 4.0 miles (6.4 km) west of the Property. Plans are underway to expand underground mining at Cortez Hills into the Deep South area, which is below the currently permitted mining activity (Barrick news release Feb. 15, 2017).

Carlin's primary target at Cortez Summit is Carlin-style mineralization in a structural and stratigraphic setting in Paleozoic sedimentary rocks similar to that at the nearby Goldrush resource. Much of this target is blind, being covered by Miocene-age post-mineral basaltic andesite and interlayered gravels. The Fourmile structural zone trends for 4,500 ft. (1,370 m) within the southwestern part of the Property, and extends an additional 4 miles (6.5 km) on Barrick property to the north. Barrick geologists have mapped a pattern of surface alteration and geochemical anomalies associated with this structural zone (Barrick 2016 Q4 webcast). At Cortez Summit, Carlin geologists encounter a similar alteration and geochemistry pattern in limited upper plate rock exposures along the Fourmile structural zone on the west edge of the Property. This pattern is concealed to the east by post-mineral Miocene gravels and basalts, in the vicinity of Barrick's initial core hole SJV17-1D.

The Company has also evaluated existing ground and airborne geophysical survey data which has been helpful in better defining the Fourmile structural corridor and identifying several other minor structures on the Property. The geophysical information supports continuation of the Fourmile structural corridor at depth below the post-mineral cover. The Fourmile zone represents a high-quality target for classic Carlin-style mineralization where it intersects the favorable lower plate carbonate stratigraphy. Additional prospective northwest-trending structural zones are located parallel and east of the Fourmile structural corridor. Carlin geologists are encouraged by the additional exploration opportunities represented by these geological targets.

#### *2012 Drilling*

In August/September 2012 the Company completed an initial drill program on the southwest portion of the Property. The program consisted of seven vertical reverse circulation drill holes totaling 11,720 ft. (3573 m) ranging in depth between 1,500 and 1,800 ft. (450-550 m). Drilling confirmed Carlin-type geology, alteration and geochemistry in the limited area tested in upper plate rocks, but did not test lower plate stratigraphy. This drilling did encounter the contact metamorphic effects of the Mill Creek stock, an important feature with respect to potential for a new high grade target similar to Barrick's "Fourmile" success (see below).

#### *2013 Drilling*

In 2013, in order to explore for the deeper part of the stratigraphy which hosts mineralization at the Goldrush deposit, Carlin re-entered reverse circulation drill hole CS-12-2 with a core drill rig. This hole, CS12-2C, deepened from 1,760 ft. (536 m) to 4,032 ft. (1,229 m), encountered 373 ft. (114 m) of lower plate carbonate

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rocks below the Roberts Mountain Thrust. Carlin-type alteration features were encountered, including decalcification, clay alteration and calcite veining.

Core hole CS12-2C intersected the stratigraphic section which contains gold-bearing horizons of the nearby major Cortez area deposits, establishing the excellent exploration potential at Cortez Summit. The potential was augmented by two high grade drill holes at Barrick's "Fourmile" target, north of their Goldrush resource and located adjacent to the Cortez Summit Property. Barrick states that these holes have encountered mineralization "well above the average grade of the indicated and inferred resources at Goldrush", for example 14.3 meters(m) grading 31.7 grams per tonne (gpt) and 5.8m grading 49.6 gpt (Barrick Feb. 22, 2016 news release). Mineralization at "Fourmile" is a different style than at Goldrush; it is contained in similar lower plate units, but within the contact metamorphic zone adjacent to the Mill Canyon stock. Barrick points out similarities in mineralization style to the Deep Star and Deep Post mines on the Carlin Trend, two high grade underground operations. This is a positive development for the Company because it represents an additional, high grade, deposit type to target at the Cortez Summit Property. The six westernmost reverse circulation holes drilled by Carlin at Cortez Summit have encountered contact metamorphic alteration interpreted to be related to the Mill Canyon stock. Barrick's initial "Fourmile" success means that, in addition to the classic, Carlin-type replacement style mineralization style displayed at Goldrush, Cortez Summit also has excellent potential for higher grade mineralization in calc-silicate altered rocks within the metamorphic aureole of the Mill Canyon stock.

#### *2017 Drilling*

Barrick commenced drilling May 31, 2017, collaring vertical core hole SJV17-1D along the east side of the Fourmile structural corridor in the vicinity of Carlin's shallow holes drilled in 2012. SJV17-1D was completed on July 31, 2017 to a depth of 5,171 ft. (1,576 m).

SJV17-1D encountered a wide 567 ft. (173 m) zone at 333-900 ft. (102-274 m) in upper plate rocks consisting of variably clay-altered, iron oxide-stained, brecciated hornfels and lesser mudstone/siltstone, with the most intense clay alteration and iron oxide development at 652-798 ft. (199-243 m). Associated with this alteration is a very thick interval, 592 ft. (180 m), of highly anomalous arsenic at 328-920 ft. (100-280 m) averaging 480 ppm, with accompanying additional strongly anomalous Carlin-style pathfinder elements including mercury (to 17 ppm), antimony (to 173 ppm) and thallium (to 6.3 ppm). Gold values in this alteration zone include a 10 ft. (3 m) zone at 694-704 ft. (211-214 m) grading 2.6 gpt. The favorable lower plate carbonate section was encountered at a depth of 4,234 ft. (1,290 m), although no significant gold values were detected.

The Company is encouraged by the strong alteration and pathfinder elements along with encouraging gold values encountered in upper plate rocks adjacent to the Fourmile structural corridor. This "shallow" anomalous zone potentially represents the upper level of a mineralized structural conduit, which could be used as a guide to deeper gold mineralization in lower plate carbonate rocks.

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## Results of Operations

In the nine month period ended September 30, 2017, the Company incurred net expenditures of \$44,694 (2016-\$61,641) on exploration properties.

The Company's consolidated net loss for the nine months ended September 30, 2017 was \$332,169 (2016-\$235,663), which includes \$44,694 in exploration property writedowns (2016-\$35,498). The Company's \$294,319 in operating costs for the nine months ended September 30, 2017 included \$105,010 in non-cash share-based payments (2016-41,736). Cash operating costs of \$189,309 for the period continue to remain in the same range as previous years (2016-\$161,158). The Company does not foresee a significant increase to quarterly operating costs for remainder of the year.

## Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight quarters:

	September 30	June 30	March 31	December 31
<i>Fiscal Quarter ended</i>	2017	2017	2017	2016
Net income (loss)	\$ (204,332)	\$ (56,496)	\$ (71,341)	\$ (92,458)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	2,100,433	2,002,664	2,021,612	2,141,292

  

	September 30	June 30	March 31	December 31
<i>Fiscal Quarter ended</i>	2016	2016	2016	2015
Net income (loss)	\$ (92,224)	\$ (51,594)	\$ (91,845)	\$ (79,116)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	1,884,232	1,860,557	1,817,255	1,829,123

In the three months ended September 30, 2017, the Company incurred net expenditures of \$35,857 (2016-\$44,916) on exploration properties.

A net loss of \$204,332 was recorded for the three months ended September 30, 2017 (2016-\$92,224), which included non-cash share based payment costs of \$105,010. For the three months ended September 30, 2016, the Company's cash operating expenses were \$63,499 (2016-\$51,728).

## Financial Condition, Liquidity and Capital Resources

The Company's cash position at September 30, 2017, was \$15,953 (December 31, 2016-\$236,623). The Company's working capital at September 30, 2017 was \$267,962 (December 31, 2016-\$275,736).

At September 30, 2017, current assets excluding cash consisted of accounts receivable, prepaid expenses, and available-for-sale securities which totaled \$334,506 (December 31, 2016-\$371,933). The Company's \$320,000 (December 31, 2016-\$120,000) in available-for-sale securities represent a significant portion of the Company's working capital. The value of this investment is subject to market fluctuations and is therefore highly variable.

At September 30, 2017, the Company had \$82,497 (December 31, 2016-\$96,917) in current liabilities, of which \$36,853 (December 31, 2016-\$59,611) was due to related parties.

The Company is not in commercial production on any of its exploration and evaluation properties and accordingly, it does not generate cash from operations. The Company is dependent on raising funds through

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the issuance of shares, obtaining debt financing and/or attracting joint venture partners in order to undertake further exploration and development of its exploration and evaluation properties. There can, however, be no assurance the Company will be able to raise funds in the near future, in which case management may delay future exploration activities until funds become available.

**Off-Balance Sheet Arrangements**

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

**Proposed Transactions**

There are no proposed transactions as of the date of this MD&A.

**Transactions with Related Parties**

Key management personnel compensation consists of the Chief Executive Officer, Chief Financial Officer ("CFO") and the Vice-President of Exploration. Aggregate compensation for the nine months ended September 30, 2017 was \$125,227 (2016-\$125,677) for management and other fees, as described below.

The Company paid or accrued a total of \$45,000 (2016-\$45,000) for management and administration services to NS Star Enterprises Ltd., a company controlled by the president, during the nine months ended September 30, 2017. The Company paid or accrued a total of \$45,000 for accounting, management and administration services to Morfopoulos Consulting Associates Ltd., a company controlled by the CFO, during the nine months ended September 30, 2017 (2016-\$45,000). The Company paid or accrued a total of \$35,227 (2016-\$35,677) to Mr. Robert Thomas, Vice-President of Exploration, for technical consulting and management and administration services during the nine months ended September 30, 2017.

As at September 30, 2017, a total of \$16,853 (December 31, 2016-\$63,472) is due to director Mr. Thomas for fees, technical consulting services and expenses incurred on behalf of the Company. As at September 30, 2017, the Company also has \$10,000 in accrued liabilities for accrued management fees from NS Star Enterprises Ltd. (4016-\$57,500) and \$10,000 in accrued liabilities from Morfopoulos Consulting Associates Ltd. (2016-\$37,500). These amounts are unsecured, without interest or stated terms of repayment.

In September 2017, the Company issued 1,400,000 stock options to the above key management, with an aggregate fair value of \$57,653.

**Outstanding Share Data**

Carlin's authorized capital is an unlimited number of common shares without par value.

As at September 30, 2017 and as of the date of this report, the Company has 88,939,464 common shares outstanding.

The Company's outstanding stock options as at September 30, 2017 were as follows:

	Number	Exercise Price Weighted Average	Expiry Date
Issued in 2017	2,550,000	\$0.08	September 12, 2017
Issued in 2016	5,500,000	\$0.05	February 26, 2021
	8,050,000		

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As of the date of this report, the Company's stock options outstanding are 8,050,000 options.

The Company's outstanding warrants as at September 30, 2017 were:

	September 30, 2017		December 31, 2016	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	26,404,467	\$0.16	21,404,467	\$0.16
Issued	-	-	5,000,000	\$0.10
Expired	(21,404,467)	\$0.16	-	-
Outstanding, end of period	5,000,000		26,404,467	

As of the date of this report, the Company has 5,000,000 warrants outstanding with an exercise price of \$0.10 each.

### Management of Capital

The Company manages its cash, common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

### Use of Judgments and Estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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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:

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Critical Accounting Judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence by the subsidiary on the Company for financial support.

Exploration and evaluation properties

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indicators of impairments. The Company considers both internal and external sources of information when

making the assessment of whether there are indications of impairment for the Company's exploration and evaluation properties.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

## **Financial Instruments**

### *Financial Assets*

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss, loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

#### *Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise accounts receivable.

#### *Available-for-sale ("AFS") financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income/loss and classified as a component of equity. AFS assets include investments in marketable securities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income/loss are included in profit and loss.

### *Financial Liabilities*

The Company classifies its financial liabilities in the following categories:

#### *Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the

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amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade payables and accrued liabilities and amounts due to related parties.

### **Risk Factors**

Companies operating in the mining industry face many and varied kind of risks. Following are the risk factors most applicable to the Company.

#### *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash balance of \$15,953 (December 31, 2016-\$236,623) to settle current liabilities of \$82,497 (December 31, 2016-\$96,197). All of the Company's financial liabilities have maturities of 30 days or are due on demand and are subject to normal trade terms.

The Company is dependent on raising funds through the issuance of shares, obtaining debt financing and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties and finance office and administrative expenditures. There can be no assurance the Company will be able to raise funds in the future.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash. However, this risk is minimized as all amounts are held with major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2017	December 31, 2016
Cash – Canada	\$ 10,625	\$ 152,692
Cash – USA	5,688	83,931
Total	<b>\$15,953</b>	<b>\$ 236,623</b>

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

##### **(i) Interest rate risk**

The Company is not exposed to significant interest rate risk. The Company's bank accounts earn interest at variable rates. Future cash flows from interest income on cash will be affected by interest rate fluctuations.

**(ii) Foreign currency risk**

As at September 30, 2017, certain of the Company's financial instruments are held in US dollars. The Company has operations in Nevada, USA. As a result, the Company is exposed to foreign currency risk from fluctuations between the Canadian and US dollar.

The Company does not use derivatives or similar techniques to manage currency risk.

As at September 30, 2017, the Company is not exposed to significant foreign currency risk and the weakening or strengthening of the Canadian dollar against the US dollar would result in an insignificant increase/decrease of comprehensive loss for the period.

**(iii) Other price risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from currency risk or interest rate risk. The Company's AFS investments are carried at market value and are, therefore, directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 40% (2016-40%) change in market prices would change other comprehensive income/loss by approximately \$128,000 (2016-\$48,000).

*Industry*

Exploring and developing mineral resource projects bears a high potential for a variety of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is not feasible or practical to proceed.

Although the Company has taken steps to verify the title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

*Metal Prices*

The principal activity of the Company is the exploration and development of gold resource properties. The feasible development of such properties is highly dependent upon the price of gold. A sustained and substantial decline in commodity gold prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors which could affect gold commodity prices in order to assess the feasibility of its resource projects.

*Political Risk*

The resource properties on which the Company is pursuing its exploration and development activities are located in Nevada, U.S.A. and Yukon, Canada. While the political climate is considered by the Company to be stable, there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company funds its Nevada operations on an as-needed basis. The Company does not presently maintain political risk insurance for its U.S. exploration projects.

### *Environmental*

Exploration and development projects are subject to the environmental laws and regulations of the country within which the Company is conducting its operations. As such laws are subject to change, the Company carefully monitors proposed and potential changes and management believes the Company remains in compliance with current environmental regulations in the relevant jurisdictions.

### **Changes in Accounting Policies**

There were no changes to the Company's accounting policies during the year ended September 30, 2017.

### **Forward-Looking Statements**

Some of the statements in this MD&A constitute "forward looking statements". Where Carlin expresses an expectation or belief as to future events or results, including management plans and objectives, and projections of exploration results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions. While these statements represent management's best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, the specifics of which are detailed in disclosures with the heading "Risk Factors" in the Company's periodic filings with securities regulators. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements in this MD&A are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents, and Carlin does not assume the obligation to update any forward looking statement.

### **Approval**

Mr. Robert Thomas, a director of the Company and a Qualified Person in compliance National Instrument 43-101, has reviewed and approved the technical information contained in this report.

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **Additional Information**

Additional disclosures pertaining to the Company's technical reports, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).



## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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**Notice to Reader:**

These condensed consolidated interim financial statements of Carlin Gold Corporation (the “Company”) have been prepared by management and reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.



Condensed Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	September 30 2017	December 31 2016
<b>Assets</b>		
Current assets:		
Cash	\$ 15,953	\$ 236,623
Accounts receivable	4,006	7,935
Available-for-sale investments (Note 4)	320,000	120,000
Prepaid expenses	10,500	7,375
	<b>350,459</b>	<b>371,933</b>
Exploration and evaluation properties (Note 5)	1,714,431	1,704,882
Reclamation bonds	35,543	64,477
	<b>\$ 2,100,433</b>	<b>\$ 2,141,292</b>
<b>Liabilities</b>		
Current liabilities:		
Trade payables and accrued liabilities	\$ 45,644	\$ 36,586
Amounts due to related parties (Note 7)	36,853	59,611
	<b>82,497</b>	<b>96,197</b>
<b>Equity</b>		
Share capital (Note 6)	10,603,291	10,603,291
Reserves - Stock options and warrants (Note 6b)	1,231,232	1,126,222
Reserves - Available-for-sale-investments (Note 4)	320,000	120,000
Deficit	(10,136,587)	(9,804,418)
	<b>2,017,936</b>	<b>2,045,095</b>
	<b>\$ 2,100,433</b>	<b>\$ 2,141,292</b>

*"K. Wayne Livingstone"*  
Director

*"Robert Culbert"*  
Director

See accompanying notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Loss and Comprehensive Loss  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
Expenses:				
Accounting and audit	\$ 4,500	\$ 4,500	\$ 14,840	\$ 13,860
Insurance	3,125	3,042	9,375	9,292
Legal fees	8,773	1,711	13,006	7,540
Management and administration fees	30,000	30,000	90,000	90,000
Office	4,506	4,504	12,245	5,470
Regulatory fees	1,121	3,910	8,380	11,143
Rent	1,500	1,500	4,500	4,500
Share-based payments (Note 6b)	105,010	-	105,010	41,736
Technical consulting	8,204	4,244	32,714	15,293
Travel	35	-	930	-
Transfer agent fees	1,735	2,772	3,319	4,060
	(168,509)	(56,183)	(294,319)	(202,894)
Foreign exchange gain (loss)	4,385	(543)	6,844	2,729
Write-off of exploration properties (Note 5d)	(40,208)	(35,498)	(44,694)	(35,498)
<b>Net (loss) for the period</b>	<b>\$ (204,332)</b>	<b>\$ (92,224)</b>	<b>\$ (332,169)</b>	<b>\$ (235,663)</b>
<b>Items of comprehensive (loss)</b>				
<b>Item that will be recycled to profit or loss:</b>				
Fair value change of available-for-sale investments	150,000	10,000	200,000	50,000
<b>Comprehensive (loss) for the period</b>	<b>\$ (54,332)</b>	<b>\$ (82,224)</b>	<b>\$ (132,169)</b>	<b>\$ (185,663)</b>
(Loss) per share (basic and diluted)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	80,414,874	78,939,464	80,414,874	78,939,464

See accompanying notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Equity  
For the nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

	Number of Shares	Amount	Stock options	Warrants	Available-for-sale investments	Deficit	Total Equity
<b>Balance, December 31, 2015</b>	78,939,464	\$ 10,322,637	\$ 826,586	\$ 23,088	\$ 60,000	\$ (9,476,297)	\$ 1,756,014
Share-based payments	-	-	41,736	-	-	-	41,736
Items of comprehensive gain	-	-	-	-	50,000	-	50,000
Net loss for the period	-	-	-	-	-	(235,663)	(235,663)
<b>Balance, September 30, 2016</b>	78,939,464	\$ 10,322,637	\$ 868,322	\$ 23,088	\$ 110,000	\$ (9,711,960)	\$ 1,612,087
Private placement (Note 6)	10,000,000	300,000	-	200,000	-	-	500,000
Less: Share issuance costs	-	(19,346)	-	-	-	-	(19,346)
Share-based payments	-	-	34,812	-	-	-	34,812
Items of comprehensive gain	-	-	-	-	10,000	-	10,000
Net loss for the period	-	-	-	-	-	(92,458)	(92,458)
<b>Balance, December 31, 2016</b>	<b>88,939,464</b>	<b>\$ 10,603,291</b>	<b>\$ 903,134</b>	<b>\$ 223,088</b>	<b>\$ 120,000</b>	<b>\$ (9,804,418)</b>	<b>\$ 2,045,095</b>
Share-based payments	-	-	105,010	-	-	-	105,010
Items of comprehensive gain	-	-	-	-	200,000	-	200,000
Net loss for the period	-	-	-	-	-	(332,169)	(332,169)
<b>Balance, September 30, 2017</b>	88,939,464	\$ 10,603,291	\$ 1,008,144	\$ 223,088	\$ 320,000	\$ (10,136,587)	\$ 2,017,936

See accompanying notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Cash Flows  
For the nine months ended September 30, 2017 and 2016  
(Expressed in Canadian Dollars)

	2017	2016
<b>Operating Activities:</b>		
Net loss for the period	\$ (332,169)	\$ (235,663)
Items not affecting cash:		
Foreign exchange	-	6,732
Share-based payments (Note 6b)	105,010	41,736
Write-down of exploration and evaluation properties (Note 5d)	4,486	35,498
Change in non-cash operating working capital:		
Accounts receivable	3,929	3,230
Prepaid expenses	(3,125)	(3,208)
Trade payables and accrued liabilities	9,058	39,342
Loan payable	-	39,066
Due to related parties (Note 7)	(22,758)	111,929
<b>Cash Used in Operating Activities</b>	<b>(235,569)</b>	<b>38,662</b>
<b>Investing Activities:</b>		
Exploration and evaluation property expenditures (Note 5)	(14,035)	(52,942)
Decrease in reclamation bonds	28,934	(495)
<b>Cash used in investing activities</b>	<b>14,899</b>	<b>(53,437)</b>
<b>Foreign Exchange Effect on Cash</b>	<b>-</b>	<b>(6,732)</b>
<b>(Decrease) in cash</b>	<b>(220,670)</b>	<b>(21,507)</b>
<b>Cash, Beginning of Year</b>	<b>236,623</b>	<b>32,338</b>
<b>Cash, End of Period</b>	<b>\$ 15,953</b>	<b>\$ 10,831</b>

See accompanying notes to condensed consolidated financial statements.



Notes to Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian Dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Carlin Gold Corporation (the "Company") is registered under the British Columbia *Business Corporations Act* and trades on the TSX Venture Exchange. The Company is in the business of acquiring, exploring and developing mineral properties in Nevada and Yukon, and has not yet determined whether its properties contain ore reserves that are economically recoverable. The head office and principal address of the Company is situated at Suite 320 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company has not generated any revenue since inception, has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. During the nine months ended September 30, 2017, the Company incurred a net loss of \$332,169 (2016-\$235,663) and as at September 30, 2017 the Company has working capital of \$267,962 (December 31, 2016 - \$275,736).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral property interests, is dependent on the Company's ability to obtain the necessary financing. The Company will require additional capital to finance future operations and growth. If the Company is unable to obtain additional financing, the Company would be unable to continue. There can be no assurance that management's plans will be successful.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these exploration and evaluation properties, and establish future profitable production, or realize proceeds from the disposition of exploration and evaluation properties. The carrying value of the Company's exploration and evaluation properties does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.



Notes to Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION**

### **a) Statement of Compliance**

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS issued by the IASB.

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the December 31, 2016 annual financial report.

### **b) Approval of Condensed Consolidated financial statements**

The condensed consolidated financial statements of the Company for the nine months ended September 30, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 27, 2017.

These condensed consolidated financial statements include the accounts of the Company and its 100% controlled entity, Carlin Gold US Inc. (a Nevada corporation).

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

### **c) Judgments and estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates where management’s judgment is applied include asset valuation, asset retirement obligations, income taxes, share-based payments and ability to continue as a going concern. Actual results may differ from those estimates and judgements.

## **3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company has classified its cash as FVTPL; available-for-sale investments, as AFS; and trade payables and accrued liabilities and amounts due to related parties, as other financial liabilities.

### **Fair value**

The carrying values of trade payables and accrued liabilities, and amounts due to related parties all approximate their fair value due to the short-term nature of these financial instruments.

At September 30, 2017 and 2016, the AFS investment is valued using quoted prices (unadjusted) from an active market (Level 1).



Notes to Condensed Consolidated Financial Statements  
 For the three and nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian dollars)

**3. FINANCIAL STATEMENTS AND RISK MANAGEMENT (Continued)**

The principal risks to which the Company's financial instruments are exposed are described below.

**a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash. However, this risk is minimized as all amounts are held with major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2017	December 31, 2016
Cash – Canada	\$ 10,265	\$ 152,692
Cash – USA	5,688	83,931
Total	\$ 15,953	\$ 236,623

**b) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

The Company is dependent on raising funds through the issuance of shares, obtaining debt financing and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties and finance office and administrative expenditures. There can be no assurance the Company will be able to raise funds in the future.

The Company has a portfolio of investment securities, which are AFS. The Company may, from time to time, liquidate a portion of its holdings depending on market conditions and the Company's cash requirements. Depending on timing, the Company's ability to liquidate these securities is subject to price fluctuations and market conditions, which may affect the Company's ability to liquidate the securities in a timely manner.

At September 30, 2017, the Company had trade payables and accrued liabilities totaling \$36,957 (December 31, 2016-\$36,586), which are due within one year and amounts due to related parties totaling \$36,853 (December 31, 2016-\$59,611).

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.



Notes to Condensed Consolidated Financial Statements  
 For the three and nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian dollars)

**3. FINANCIAL STATEMENTS AND RISK MANAGEMENT (Continued)**

**(i) Interest rate risk**

The Company is not exposed to significant interest rate risk. The Company's bank accounts earn interest at variable rates. Future cash flows from interest income on cash will be immaterially affected by interest rate fluctuations.

**(ii) Foreign currency risk**

As at September 30, 2017, certain of the Company's financial instruments are held in US dollars. The Company has operations in Nevada, USA. As a result, the Company is exposed to foreign currency risk from fluctuations between the Canadian and US dollar.

The Company does not use derivatives or similar techniques to manage currency risk.

As at September 30, 2017, the Company is not exposed to significant foreign currency risk and the weakening or strengthening of the Canadian dollar against the US dollar would result in an insignificant increase/decrease of comprehensive loss for the period.

**(ii) Other price risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from currency risk or interest rate risk. The Company's AFS investments are carried at market value and are, therefore, directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 40% (2016 - 40%) change in market prices would change other comprehensive income/loss by approximately \$128,000 (2016 - \$48,000).

**4. AVAILABLE-FOR-SALE INVESTMENTS**

At September 30, 2017 and December 31, 2016, the Company owned the following AFS investment:

	September 30, 2017			December 31, 2016		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Constantine Metal Resources Ltd.	1,000,000	-	\$320,000	1,000,000	-	\$120,000

Constantine Metal Resources Ltd. ("Constantine") is related to the Company through two common directors (Mr. K. Wayne Livingstone and Mr. Brian Irwin) and a common officer (Mr. Aris Morfopoulos). The Company's investment in Constantine represents an ownership interest of 0.85% at September 30, 2017 (2016 - 0.86%).

Notes to Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

## 5. EXPLORATION AND EVALUATION PROPERTIES

The following is a summary of the Company's exploration and evaluation properties:

	Cortez Summit	JDS	Willow	Whisky Canyon	Yukon	Total
<b>Balance, December 31, 2015</b>	\$ 1,654,752	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1,654,756
Acquisition costs	17,918	15,808	19,697	-	4,620	58,043
Geological	32,208	-	42	47	-	32,297
Writedown of exploration and evaluation property	-	(15,808)	(19,739)	(47)	(4,620)	(40,214)
<b>Balance, December 31, 2016</b>	\$ 1,704,878	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1,704,882
Acquisition costs	\$ 1,429	\$ -	\$ -	\$ -	\$ -	\$ 1,429
Geological and maintenance	8,120	20,820	23,821	53	-	52,814
Writedown of exploration and evaluation property	-	(20,820)	(23,821)	(53)	-	(44,694)
<b>Balance, September 30, 2017</b>	\$ 1,714,427	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1,714,431

### a) Cortez Summit Property, Nevada USA

The Company owns a 100% interest in claims in the Cortez gold trend in Eureka County, Nevada, which were acquired by staking and are not subject to any royalties.

In November 2016, the Company entered into an Exploration and Earn-In agreement with Barrick Gold Corporation ("Barrick") on the Cortez Summit property. Under the terms of the agreement, Barrick has the right to earn a 70% interest in the property by making expenditures totaling US\$5 million by December 31, 2020, of which US\$500,000 was a firm commitment to be completed by September 1, 2017 (incurred). Under the terms of the agreement, upon expenditure by Barrick of US\$5 million, a limited liability company will be formed to own the project with membership interests owned 70% by Barrick and 30% by the Company. In addition to its 30% working interest, the Company will retain a 2% net smelter return royalty on future production. As part of the Exploration and Earn-In agreement, Barrick purchased 6,000,000 units of the Company at \$0.05 per unit, which were issued on November 28, 2016 (Note 6a).

### b) Closure costs

The Company has assessed that it does not have any closure costs at this time.

## **5. EXPLORATION AND EVALUATION PROPERTIES (Continued)**

### **c) Realization of assets**

The investment in and expenditures on exploration and evaluation properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or proceeds from their disposal.

Resource exploration and development are highly speculative and contain inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

### **d) Write-down of exploration and evaluation property costs**

During the nine months ended September 30, 2017, the Company incurred costs of \$44,694 (2016 - \$40,214) on exploration properties that have been previously written down for accounting purposes, because they were considered impaired under IFRS, in accordance with Level 3 of fair value hierarchy.

### **e) Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent, and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

### **f) Title to mineral property interests**

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.



Notes to Condensed Consolidated Financial Statements  
 For the three and nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian dollars)

**6. SHARE CAPITAL**

**a) Authorized:** unlimited number of common shares without par value

**Issued and outstanding:** 88,939,464 (December 31, 2016 – 88,939,464) common shares

On November 28, 2016, the Company completed a non-brokered private placement of \$500,000, consisting of 10,000,000 units at \$0.05 per unit. Each unit consisted of one common share of the Company and one-half of one transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one common share at an exercise price of \$0.10 for a period of two years from the date of closing. The Company incurred share issuance costs of \$19,346 in connection with the private placement.

**b) Stock options**

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is not less than the closing price of the stock on the last trading day preceding the grant date. The maximum number of options to be granted under this plan is currently 8,893,946.

On September 12, 2017, the Company issued 2,550,000 incentive stock options to directors and employees, which are exercisable for the purchase of 2,550,000 shares of the Company at an exercise price of \$0.08 per share for a period of five years.

A summary of the status of the Company's stock options at September 30, 2017 and December 31, 2016 and changes during the periods then ended are as follows:

	September 30, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,300,000	\$0.07	1,800,000	\$0.13
Granted	2,550,000	\$0.08	5,500,000	\$0.05
Expired	(1,800,000)		-	-
Outstanding, end of period	8,050,000	\$0.07	7,300,000	\$0.07

Notes to Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

**6. SHARE CAPITAL (Continued)**

**b) Stock options (continued)**

A summary of the Company's stock options as at September 30, 2017 is as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable (vested)
February 26, 2021	\$0.05	5,500,000	3.65	5,500,000
September 12, 2022	\$0.08	2,550,000	4.95	2,550,000
		8,050,000		

A summary of the Company's stock options as at December 31, 2016 is as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable (vested)
September 18, 2017	\$0.125	1,400,000	0.46	1,400,000
July 31, 2017	\$0.125	400,000	0.58	400,000
February 26, 2021	\$0.050	5,500,000	4.15	5,500,000
		7,300,000		7,300,000

For the 2,550,000 stock options granted in September 2017, the fair value of each option granted to employees was estimated as at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions and resulting fair value:

	2017
Risk-free interest rate	1.73%
Expected life of options	5 years
Annualized volatility	75.00%
Dividend rate	0.00%
Grant date fair value	\$ 0.07



Notes to Condensed Consolidated Financial Statements  
 For the three and nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian dollars)

**6. SHARE CAPITAL (Continued)**

**c) Warrants**

A summary of the Company's warrants at September 30, 2017 and December 31, 2016 is as follows:

	September 30, 2017		December 31, 2016	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	26,404,467	\$0.16	21,404,467	\$0.16
Issued	-	-	5,000,000	\$0.10
Expired	(21,404,467)	\$0.16	-	-
Outstanding, end of period	5,000,000		26,404,467	

The expiry date of the 5,000,000 warrants exercisable at \$0.10 is November 8, 2018.

**7. RELATED PARTY TRANSACTIONS**

Key management personnel compensation consists of the Chief Executive Officer, Chief Financial Officer ("CFO") and the Vice-President of Exploration. Aggregate compensation for the nine months ended September 30, 2017 was \$125,227 (2016-\$125,677) for management and other fees, as described below.

The Company paid or accrued a total of \$45,000 (2016-\$45,000) for management and administration services to NS Star Enterprises Ltd., a company controlled by the president, during the nine months ended September 30, 2017. The Company paid or accrued a total of \$45,000 for accounting, management and administration services to Morfopoulos Consulting Associates Ltd., a company controlled by the CFO, during the nine months ended September 30, 2017 (2016-\$45,000). The Company paid or accrued a total of \$35,227 (2016-\$35,677) to Mr. Robert Thomas, Vice-President of Exploration, for technical consulting and management and administration services during the nine months ended September 30, 2017.

As at September 30, 2017, a total of \$16,853 (December 31, 2016-\$63,472) is due to director Mr. Thomas for fees, technical consulting services and expenses incurred on behalf of the Company. As at September 30, 2017, the Company also has \$10,000 in accrued liabilities for accrued management fees from NS Star Enterprises Ltd. (2016-\$57,500) and \$10,000 in accrued liabilities from Morfopoulos Consulting Associates Ltd. (2016-\$37,500). These amounts are unsecured, without interest or stated terms of repayment.

In September 2017, the Company issued 1,400,000 stock options to the above key management, with an aggregate fair value of \$57,653.



Notes to Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2017 and 2016  
(Expressed in Canadian dollars)

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## 8. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and warrants as capital (Note 6). There has been no change in the nature of the Company's capital during the period ended September 30, 2017. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

## 9. SEGMENTED INFORMATION

The Company has one operating segment: mineral exploration and development. The Company's non-current assets by geographical location are as follows as at the dates shown below:

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	September 30 2017	December 31 2016
Canada	\$ 1	\$ 1
United States	1,754,136	1,769,358
Total	\$ 1,754,137	\$ 1,769,359

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