

# PITCHBLACK RESOURCES LTD.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Three and twelve months ended December 31, 2016

# PITCHBLACK RESOURCES LTD.

## Management's Discussion and Analysis

For the three and twelve months ended December 31, 2016

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*(in Canadian dollars unless otherwise noted)*

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and twelve months ended December 31, 2016 and 2015. This MD&A is intended to be read in conjunction with the consolidated financial statements and notes thereto ("Statements") of Pitchblack Resources Ltd. ("Pitchblack" or the "Company") as at and for the years ended December 31, 2016 and 2015.

References to the first, second, third and fourth quarters of 2016 refer to the three, six, nine and twelve months ended March 31, June 30, September 30 and December 31, 2016. References to the first, second, third and fourth quarters of 2015 refer to the three, six, nine and twelve months ended March 31, June 30, September 30 and December 31, 2015.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. This MD&A reports the Company's activities through April 28, 2017 unless otherwise indicated. The Company's public filings can be reviewed on the SEDAR website, under the Company's profile at [www.sedar.com](http://www.sedar.com).

All financial statements discussed in this MD&A have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern and do not reflect the adjustments to the carrying value of assets and liabilities, reported revenue and expenses, and the statement of financial position classifications that would be necessary if the going concern assumption was no longer appropriate. These adjustments could be material.

The Audit Committee of the Company has reviewed this MD&A and the consolidated financial statements for the years ended December 31, 2016 and 2015, and Pitchblack's Board of Directors has approved these documents prior to their release.

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements under Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company's proposed acquisitions and strategy; the Company's ability to raise required funds; litigation expenses and possible liabilities; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of development and exploration activities are based on previous industry experience and advice from experts and recent research. Capital and operating cost estimates are based on research of the Company and advice from experts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration and development; litigation and other commercial disputes; regulatory risks; government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

# **PITCHBLACK RESOURCES LTD.**

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### **COMPANY OUTLOOK**

The Company continues its strategic review of all of its mineral properties in order to maximize shareholder value. The Company is continuing the process of attempting to vend or joint venture some or all of its properties. In parallel, The Company is reviewing acquisition opportunities to identify and asset (or assets) that could serve as the Company's flagship assets in the coming years.

### **PROJECT ACTIVITIES**

#### **URANIUM**

##### **Igor Property ("Igor")**

As at December 31, 2016 and December 31, 2015 the Company held a 50% interest in the Igor Property.

The Company has terminated the option with Mega Uranium Ltd. to earn an additional 25% in the Igor Property. The Company is the operator on the property. The Company has written down the full amount of the carrying value of the property as it has not done any exploration work on the property in the last five years and does not intend to do additional work on the property for the foreseeable future.

The Company has allowed certain claims that make up the Igor property to lapse and will continue to allow certain claims to lapse as they expire.

#### **COAL**

##### **Division Mountain**

The Company's Division Mountain coal project is located 90 kilometres northwest of Whitehorse, Yukon Territory. The property is 100% owned by the Company and is comprised of 15 territorial coal exploration licences covering approximately 3,000 square kilometres.

The Company impaired the full amount of the carrying value of the property in the year ended December 31, 2012 as it had not done any exploration work on the property in the previous four years and does not intend on doing additional work on the property for the foreseeable future. The Company is seeking expressions of interest for the potential joint venture or acquisition of the property.

#### **GOLD**

##### **Mike Lake**

The Mike Lake property consists of 319 mining claims covering an area of approximately 68 square kilometres located in the Tintina Gold Belt, Yukon Territory, which is primarily prospective for gold.

The Company is assessing its strategic options for the property going forward. The Company believes there are a number of prospective joint venture partners or acquirers for the property.

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### SUMMARIZED FINANCIAL RESULTS

#### Selected Annual Financial Information

	December 31, 2016	December 31, 2015	December 31, 2014
Revenue	\$ -	\$ -	\$ -
Cash flow (used in) operating activities	(177,748)	(204,495)	(286,540)
Net loss	601,294	234	680,594
Net loss (income) and comprehensive loss (income) for the year	601,294	(35,016)	682,844
Basic and diluted loss (income) per share	0.11	(0.01)	0.21
Total Assets	88,346	27,602	234,074
Working Capital	(883,498)	(546,299)	(778,115)

#### Selected Quarterly Financial Information

The quarterly results are as follows:

	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Statement of Loss:				
Income/(Loss)	\$ (241,423)	\$ (185,532)	\$ (72,232)	\$ (102,107)
Income/(Loss) per share	(0.04)	(0.03)	(0.02)	(0.03)
Statement of Financial Position:				
Working capital <sup>1)</sup>	(883,498)	(692,381)	(660,639)	(648,406)
Total assets	\$ 88,346	\$ 145,256	\$ 13,164	\$ 26,968
	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Statement of Loss:				
Income/(Loss)	\$ 322,700	\$ (112,772)	\$ (86,980)	\$ (123,182)
Income/(Loss) per share	0.09	(0.03)	(0.02)	(0.04)
Statement of Financial Position:				
Working capital <sup>1)</sup>	(546,299)	(445,424)	(988,277)	(901,297)
Total assets	\$ 27,602	\$ 50,734	\$ 88,218	\$ 150,943

1) See Non-GAAP measures

The general trend of decreasing total assets during 2016 and 2015 resulted from impairment losses on the Company's investments and cash used by operating activities. In all the periods shown above, the Company did not generate any revenues and the net incomes (losses) resulted primarily from corporate overheads, gain on settlement of debt, stock based compensation expense, the write off, and loss from disposal of assets.

### LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues. The Company incurred a net loss of \$241,423 and \$601,294 respectively for the three and twelve months ended December 31, 2016 (three and twelve months ended December 31, 2015: net income of \$322,700 and a net loss of \$234 respectively).

The Company (used) generated cash in the amount of (\$61,925) and \$36,042 respectively during the three and twelve months ended December 31, 2016 (three and twelve months ended December 31, 2015: cash outflow of (\$23,607) and (\$204,495) respectively).

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses and a working capital deficiency at December 31, 2016, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations in the longer term. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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### Working Capital

As at December 31, 2016, the Company had a working capital deficiency (see note NON-GAAP MEASURES) of \$883,498 compared a working capital deficiency of \$546,299 at December 31, 2015. The Company is reviewing various strategic alternatives in order to rectify its negative working capital position.

### CASH FLOWS

#### Cash Flows for the three months ended December 31, 2016 and 2015

	For the three months ended December 31,	
	2016	2015
Cash used in operating activities	\$ (61,925)	\$ (23,607)
(Decrease) in cash	\$ (61,925)	\$ (23,607)

#### Cash Flows for the twelve months ended December 31, 2016 and 2015

	For the twelve months ended December 31,	
	2016	2015
Cash used in operating activities	\$ (177,748)	\$ (204,495)
Cash provided by financing activities	213,790	-
Increase (decrease) in cash	\$ 36,042	\$ (204,495)

Cash of \$177,748 used in operating activities during the twelve months ended December 31, 2016 compared to \$204,495 cash used during the twelve months ended December 31, 2015. During the twelve months ended December 31, 2016, the Company paid lower fees and expenses in relation to consulting, professional and management, office and general, and travel and promotion than in the same period in 2015.

On June 28, 2016, the Company closed a non-brokered private placement financing of 600,000 common shares of the Company at a price of \$0.10 for gross proceeds of \$60,000.

On September 20, 2016, the Company closed a non-brokered private placement financing of 1,183,000 common shares of the Company at a price of \$0.13 for gross proceeds of \$153,790

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### **RESULTS OF OPERATIONS**

**For the three and twelve months ended December 31, 2016 and 2015**

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Expenses				
Consulting, professional and management fees	\$ 108,504	\$ 59,536	\$ 463,485	\$ 291,403
Office and general	44,697	6,042	52,270	56,700
Shareholder communications and filing fees	31,673	18,129	61,168	48,959
Travel and promotion	5,162	-	5,162	6,098
(Gain) on settlement of debt	-	(459,200)	-	(459,200)
Property maintenance expense	750	17,148	29,147	20,622
Share-based compensation	50,305	-	50,305	-
Write off accrued liabilities	-	-	(60,000)	-
Unrealized loss (gain) on investment	332	35,645	(243)	35,652
Net loss (income) for the period	\$ 241,423	\$ (322,700)	\$ 601,294	\$ 234

During the three months ended December 31, 2016, the Company recorded a net loss of \$241,423 compared to an income of \$322,700 during the same period of 2015. The net loss during the three months ended December 31, 2016 resulted primarily from consulting, professional and management fees, office and general and shareholder communications and filing fees and share based compensation expense. The gain during the fourth quarter of 2015 resulted primarily from recognition of the debt settlement gain in the amount 459,200.

During the twelve months ended December 31, 2016, the Company recorded a net loss of \$601,294 compared to a net loss of \$234 during the same period of 2015. The net loss during the twelve months ended December 31, 2016 resulted primarily from consulting, management and professional fees, office and general and shareholder communications and filing fees and share based compensation offset by gain from write off of certain accruals.

The net loss during the twelve months ended December 31, 2015 resulted primarily from consulting, management and professional fees, office and general and shareholder communications and filing fees and unrealized loss and impairment on investment offset by gain on settlement of debt.

### **NEW AND FUTURE ACCOUNTING POLICIES**

During the year ended December 31, 2016, the Company adopted an amendment to IAS 1. This amendment did not have any material impact of the Company's consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair

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value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

### **RELATED PARTY DISCLOSURES**

During the years ended December 31, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of services	
	Year ended December 31,	
	2016	2015
Forbes & Manhattan, Inc	\$ 120,000	\$ 120,000

	Amounts owed to related parties	
	December 31, 2016	December 31, 2015
Forbes & Manhattan, Inc	\$ 324,800	\$ 189,200
Apogee Opportunities Inc	7,218	7,218
Directors and officers	\$ 313,059	\$ 5,085

The Company shares its office space with other companies who may have similar officers or directors. The costs associated with this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc, to whom the Company pays a monthly fee. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

Forbes & Manhattan, Inc. owns approximately 10% of the outstanding common shares of the corporation. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until June 10, 2011.

Greg Duras, an officer of the Company, is a former officer of Apogee Opportunities Inc.

### *Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel during the years ended December 31, 2016 and 2015 were as follows:

	Year ended	
	December 31, 2016	December 31, 2015
Short-term benefits	\$ 303,750	\$ 77,250
Share-based payments	41,921	-
	<b>\$ 345,671</b>	<b>\$ 77,250</b>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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### **COMMITMENTS AND CONTINGENCIES**

The Company is party to certain management contracts. These contracts require that payments of up to approximately \$1,260,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contractual commitments remaining under these contracts approximate \$420,000 due within one year.

The Company's exploration and evaluation activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **OUTSTANDING SHARE DATA**

As at April 28, 2017, 9,351,051 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 825,000 remained outstanding with exercise prices ranging from \$0.10 to \$0.30, and expiry dates ranging between November 7, 2021 and April 20, 2022. If exercised, 825,000 common shares of the Company would be issued, generating proceeds of \$157,500.

### **NON-GAAP MEASURES**

The MD&A contains the term working capital. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

	December 31, 2016		December 31, 2015	
Current assets				
Cash	\$	46,595	\$	10,553
Amounts receivable		40,385		15,791
Prepaid expenses		675		810
Investments		691		448
Total current assets		88,346		27,602

Current liabilities				
Accounts payable and accrued liabilities		971,844		573,901
Total liabilities		971,844		573,901

Working capital (current assets less current liabilities)	\$	(883,498)	\$	(546,299)
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	Three months ended December 31,		Twelve months ended December 31,				
	2016	2015	2016	2015			
Cash (used in) operating activities before change in working capital items	\$	(190,785)	\$	(100,855)	\$	(551,232)	(423,782)
Cash provided by (used in) change in working capital items		128,860		77,248		373,484	219,287
Net cash provided by (used in) operating activities	\$	(61,925)	\$	(23,607)	\$	(177,748)	(204,495)

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### **RISKS AND UNCERTAINTIES**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

#### *Liquidity Concerns and Future Financings*

To remain solvent, the Company will require additional funds. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

#### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Exploration and development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, there have been a number of mining operations that have ceased or been suspended or delayed because operations cost were greater than projected price of production. Current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

#### *No Revenues*

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production or development on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses for the foreseeable future. The development of the Company's properties will require the commitment of substantial resources to conduct time-

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consuming exploration. There can be no assurance that the Company will generate any revenues or achieve profitability.

### *Mineral Commodity Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

### *Foreign Exchange*

The Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. As the Company supports its operation through financing in Canadian dollars, a decline in the US dollar would result in a decrease in the real value of the Company's future revenues and adversely affect its financial performance.

### *Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on the Company's mineral reserve estimates.

### *Licences and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and other transportation infrastructures, require permits and approvals from various government authorities, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

### *Environmental*

The Company's activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws

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and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

### *Title to Properties*

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

### *Uninsured Risks*

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could result in significant liabilities to the Company and increased costs of projects.

### *Competition*

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

### *Dependence on Outside Parties*

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

### *Share Price Fluctuations*

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that further fluctuations in the Company's share price will not occur.

### *Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

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### **CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016 or 2015. The Company is not subject to externally imposed capital requirements.

### **FINANCIAL RISK FACTORS**

There have been no changes in the risks, objectives, policies and procedures from the previous period. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### **Credit risk**

The Company's credit risk is primarily attributable to amounts receivables. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivable consist primarily of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments is remote.

#### **Liquidity risk**

The Company's target approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of \$46,595 (December 31, 2015 - \$10,553) to settle current liabilities of \$971,844 (December 31, 2015 - \$573,901). The Company's financial liabilities generally have contractual maturities of less than 30 days.

#### **Foreign currency risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

#### **Market risk**

##### **(a) Interest rate risk**

The Company had cash balances at December 31, 2016. The Company's current policy is to invest excess cash in investment-grade term deposit certificates issued by credible banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers interest rate risk to be minimal as investments are short term, the Company does not carry interest-bearing debt, and future financing will be primarily secured from private placements.

##### **(b) Price risk**

The Company will be exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and

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*(in Canadian dollars unless otherwise noted)*

demand for ore, the level of interest rates, the rate of inflation, investment decisions by large holders of ore and stability of exchange rates can all cause significant fluctuations in prices, such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments. The Company is also exposed to price risk with respect to its investments.

### **Fair value hierarchy and liquidity risk disclosure**

At December 31, 2016 and 2015, the Company's financial instruments that are carried at fair value, consist of investments which have been classified as Level 1 within the fair value hierarchy.

### **Sensitivity analysis**

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Temporary investments are classified as held-for-trading and measured at their quoted market value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote as the Company is not a producing entity.

### **CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- **Assets' carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- **Impairment of exploration and evaluation assets**

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

# PITCHBLACK RESOURCES LTD.

## Management's Discussion and Analysis

For the three and twelve months ended December 31, 2016

*(in Canadian dollars unless otherwise noted)*

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- Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies

Refer to Note 13 Commitments and contingencies of the consolidated financial statements and notes of the Company as at and for the years ended December 31, 2016 and 2015.

### **SUBSEQUENT EVENTS**

Subsequent to year end, the Company entered into shares for debt agreements with certain directors and officers of the Company and an unrelated company that administers the costs of the office space that the Company shares with other potentially related companies wherein \$251,459 worth of debt was settled through the issuance of 2,793,990 shares.

Subsequent to December 31, 2016, 150,000 common stock options were exercised for cash proceeds of \$15,000.

Subsequent to December 31, 2016, the Company issued 375,000 common stock options to certain officers, directors and consultants with an exercise price of \$0.30 and an expiry date of April 20, 2022. All options have an immediate vesting term.

### **OFF-BALANCE SHEET ITEMS**

The Company does not have any off-balance sheet items.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the profile of the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

April 28, 2017