

**PRECIPITATE GOLD CORP.**  
**Management Discussion and Analysis (“MD&A”)**  
**for the year ended November 30, 2016**

The following discussion and analysis of the operations, results, and financial position of Precipitate Gold Corp. (“the Company”) for the year ended November 30, 2016 should be read in conjunction with the Company’s audited financial statements and related notes for the year ended November 30, 2016 which have been prepared in accordance with International Financial Reporting Standards. The effective date of this report is March 21, 2017. All figures are presented in Canadian dollars, unless otherwise indicated.

**COMPANY OVERVIEW**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* of British Columbia on January 31, 2011. On May 24, 2012, the Company completed an initial public offering (“IPO”) on the TSX Venture Exchange (“TSX-V”) and commenced trading under the symbol PRG. The Company is in the business of exploration, development and exploitation of mineral resources in Canada and the Dominican Republic, with the primary objective to explore mineral properties to a stage where they can be developed profitably or sold to a third party.

The Company is a Vancouver, British Columbia Canada based company primarily focused on gold and base metal exploration in the Dominican Republic. The Company’s “Juan de Herrera Project” located in the Dominican Republic is currently comprised of eight contiguous concessions covering about 12,746 hectares directly adjoining the “Tireo Gold Trend” holdings of GoldQuest Mining Corp on the south and west sides. The Juan de Herrera Project is located within the prospective Tireo Gold Trend of west-central Dominican Republic; an area underlain by precious and base metal enriched Cretaceous age Tireo formation volcanic and sedimentary rocks.

**MINERAL PROPERTIES**

The Company is conducting exploration activities and evaluating possible new opportunities in the Dominican Republic, while holding mineral tenures in British Columbia and Yukon Territory, Canada. The Company’s mineral property interests are as follows.

**a) Juan de Herrera Project, Dominican Republic**

On September 28, 2012 Precipitate entered into a share purchase option agreement with 0945044 B.C. Ltd (a British Columbia registered company) to acquire 100% of the Juan de Herrera, the Higos Blancos and then later added Los Pinalitos concessions. The Higos Blancos concession application has been cancelled and is no longer included in the agreement. The agreement has seen three revisions dated October 10, 2012, October 08, 2013 and January 04, 2016. In December of 2016, the Company completed all necessary cash payments, share issuances, and work commitments required to satisfied the option agreement and has thereby acquired a 100% interest in the project (subject to a 3% net smelter return royalty (“NSR”). The purchase was completed as follows:

Initial cash payment purchase price of \$60,000 (paid).

Cash payments totalling \$240,000 as follows:

- \$90,000 on or before December 13, 2014 (paid);
- \$75,000 on or before December 13, 2015; (paid) and
- \$75,000 on or before December 13, 2016 (paid)

Incur exploration expenditures totalling \$1,000,000 as follows: (completed)

- \$250,000 on or before December 13, 2014 (incurred);
- \$300,000 on or before December 13, 2015 (incurred); and
- \$450,000 on or before December 13, 2016 (incurred).

Issue a total of 3,000,000 Precipitate common shares as follows:

- 1,000,000 common shares on or 5 days after December 13, 2014 (issued);
- 1,000,000 common shares on or before December 13, 2015; (issued) and
- 1,000,000 common shares on or before December 13, 2016 (issued).

Issue Precipitate common shares having a value of \$150,000 based on the weighted average trading price of Precipitate shares during the 10 trading days immediately prior to 0945044 B.C giving notice of election to be issued such shares (minimum price of \$0.055 per share). Such notice must be received by Precipitate no sooner than July 31, 2016 and no later than December 13, 2016 (on August 02, 2016, the Company issued 517,242 common shares).

Precipitate has satisfied the purchase obligations and paid 0945044 B.C a total of \$300,000, issued 3.517 million common shares and incurred more than \$1.0 million in exploration expenditures.

An Area of Mutual Interest, in favour of 0945044 B.C, extends one kilometre from the outer concession boundaries of the granted Juan de Herrera and Los Pinalitos concessions and is established for the term of the agreement and for an additional period of five years thereafter. The Juan de Herrera and Los Pinalitos concessions, as well as the encompassing one kilometer area of mutual interest, are subject to a 3% NSR payable to 0945044 B.C from any base and precious metal commercial production. The Company can purchase 50% of the NSR for \$2,000,000.

#### **b) Artur Concession, Dominican Republic**

In January 2015, the Company, via its wholly owned Dominican Republic subsidiary, Precipitate Dominicana SRL, submitted an application for the Artur exploration concession as a standalone and 100% owned property in the Pueblo Viejo district. In middle January 2016, the Company announced it had been granted the Artur concession (220 hectares) located about four kilometres east-southeast of the Gold Corp - Barrick Gold operating Pueblo Viejo gold-silver mine.

#### **c) Reef Property, Yukon**

The Company's road accessible Reef Property is located in southeast Yukon Territory and is positioned in the northern portion of the Upper Hyland Gold Trend; an area which is underlain by gold prospective sedimentary rocks of the NeoProterozoic to middle Cambrian aged Selwyn Basin. Reef Property claims remain 100% controlled by the Company and are in good standing until 2021.

#### **d) Gemini Property, British Columbia**

Precipitate's 100% owned Gemini Gold property, located in British Columbia, was staked by the Company in 2011. The Gemini Property tenure remains 100% controlled by the Company and is in good standing until March 2018.

## OPERATIONS UPDATE

### Juan de Herrera Property, Dominican Republic

The Company has completed multiple phases of regional and local scale exploration work on its Juan de Herrera Project ("JDH"), since acquiring the property in August 2012. The JDH Project includes eight contiguous concessions covering about 12,746 hectares. Much of the Company's exploration work has focused on the Ginger Ridge and Melchor gold zones, although more recent exploration has expanded to include a number of other early stage geochemically anomalous areas.

The JDH Project is located within the prospective and emerging "Tireo Gold Trend" of west-central Dominican Republic. The Tireo Gold Trend is underlain by Tireo Formation precious and base metal enriched volcanic rocks which are part of a large regional package of rocks that trend in a northwest-southeast direction through Haiti and Dominican Republic for an estimated distance of 290 km and measures up to 40 km wide.

Exploration completed at the Ginger Ridge Zone includes geological mapping, rock sampling, gridded soil sampling, trenching, two phases of induced polarization ('IP') geophysical surveying, ground magnetics geophysical surveying and two diamond drilling programs consisting of eleven holes, totalling 2,563 metres. See the Company's September 23, 2014 and January 19, 2017 news releases for more drill program related details.

#### Ginger Ridge Zone highlight Phase 1 drill results\*

- Drill Hole 5 (vertical orientation)  
Multiple gold-rich intervals, including the following highlights:
  - 13.4 g/t gold over 5.0 metres; within 5.0 g/t gold over 16.0 metres; within 4.5 g/t gold over 18.0 metres
  - Near surface interval containing 0.62 g/t gold and 0.12% copper over 21.15 metres.
  - 98.1 metre interval of strongly disseminated, semi-massive to massive sulphide (dominantly pyrite).
- Affinities to a volcanogenic massive sulphide ('VMS') and/or intermediate sulphidation epithermal type deposit models.

\*Note: (i) Hole 5 intervals reflects measured core length, as true widths are unknown;  
(ii) Hole 5 gold values are uncut.

In November of 2016 Precipitate announced the commencement of a follow-up diamond drill program at its Ginger Ridge Zone. The Phase 2 diamond drill program was planned consist of a minimum 2,000 metres of drilling in 10 to 12 holes stepping out along the projected strike of the geophysical and geochemical anomalies hosting the Phase 1 discovery hole ('Hole 5') at Ginger Ridge.

Initial results from the Phase 2 drill program at Ginger Ridge include results from the initial five completed holes (GR16-07 to GR16-11) from this phase, totalling of 1,310 metres. Holes 7 to 11 were collared up to 150 metres from the Company's 2014 discovery hole ("Hole 5") testing mineralization and alteration continuity and select discrete induced polarization ('IP') chargeability-high geophysical anomalies.

While the laboratory results for holes 7 to 11 were not as robust as the discovery hole, the strength and scope of observed intervals of sulphide-silica alteration combined with anomalous gold-copper-zinc metal enrichment is encouraging, as they appear to show characteristics commonly associated with a volcanogenic massive sulphide ("VMS") setting. See the Company's news release dated January 19, 2017 for full details.

All drill holes intersected andesitic volcanic rocks (mixed crystal, lapilli, lithic tuffs, fragmental and debris flows) which exhibit zones of weak to very strong chlorite-pyrite-silica ( $\pm$  clay) alteration, with some lengthy intervals (exceeding 15 metres in hole 10) of strongly disseminated to semi-massive very fine grain pyrite-silica mineralization and the andesitic volcanic rocks are variably altered and mineralized to the thrust contact.

In September 2015 the Company announced results of an airborne geophysical magnetic survey carried out over prospective Tireo formation volcanic rocks within the central and east portions of the JDH land package. The airborne geophysical survey successfully identified multiple new magnetic anomalies and trends with similar magnetic signatures to those found at numerous known mineralized zones within the Company's project and throughout the Tireo volcanic belt. Several of these newly identified anomalies and trends compare favorably to known mineralized areas in the volcanic belt and/or underlie areas where prior reconnaissance sampling returned anomalous gold values. As such, these prospective new anomalies are the current focus of follow-up work as the Company's expands its exploration goals beyond the Ginger Ridge Zone.

Also in September 2015, the Company announced it had reached a data sharing and collaboration agreement with GoldQuest Mining Corp. whereby the Companies will share select Tireo Gold Trend exploration data in a collaborative effort to assist and accelerate each Company's search for new gold discoveries in the belt. The Companies have combined select Tireo Gold Camp exploration databases, including airborne and surface geophysical surveys, geology and alteration mapping, and drill and surface sampling results. This collaboration represents the first cohesive dataset for the highly prospective Tireo Gold belt.

Since early 2016, the Company has been carrying out property wide exploration following up on targets derived from the integrated Precipitate and GoldQuest Mining satellite, geochemical and magnetic geophysical Tireo Gold Trend database. Field crews are focused on areas which evidence compelling gold or copper values identified in previously collected stream sediment or rock grab samples gathered in areas underlain by magnetic anomalies, all within the favoured Tireo volcanic rock units. To date, the on-going exploration program has successfully identified five early-stage geochemically anomalous areas that are currently undergoing comprehensive ground geophysical surveying and detailed geological mapping.

A ground geophysical program of both magnetic and induced polarization ("IP") surveying has been initiated by the Company with an object to survey for specific geophysical characteristics which may lead to the identification of additional drill worthy targets.

This geophysical surveying is moving sequentially through each of the new target areas, namely the JT, South East, Jengibre South, Peak and Melchor areas. Surveying will cover substantially more line-kilometers and an extensively greater area than the previous surveys conducted at Ginger Ridge

These new target areas are part of an expanding and developing prospective regional mineral trend that cuts through several portions of Precipitate and GoldQuest Mining Corp's Tireo Gold Camp landholdings.

### **Operations - Going Forward**

The Company's current exploration work is focussed on its Juan de Herrera property of the Dominican Republic. The Company plans to conduct additional technical reviews and follow up field work of multiple geochemical (rock, sediment and soil) and airborne/ground geophysical anomalies throughout the property area, with the goal of identifying new target areas for ongoing systematic exploration work and drill target delineation.

### **Qualified Person**

The technical information regarding the Company's mineral property contained in this MD&A has been reviewed by Michael Moore (P. Geo.). Mr. Moore is a Qualified Person ("QP") as defined in the "Canadian Institute of Mining, Metallurgy and Petroleum, CIM standards on Mineral Resources and Reserves" and NI 43-101.

### **SELECTED ANNUAL INFORMATION**

|  | <b>As at and<br/>year ended<br/>November 30,<br/>2016</b> | <b>As at and<br/>year ended<br/>November 30,<br/>2015</b> | <b>As at and<br/>year ended<br/>November 30,<br/>2014</b> |
|--|---|---|---|
|  | \$  | \$  | \$  |
| Revenue  | Nil   | Nil   | Nil   |
| Loss for the year                                    | 1,751,635   | 3,239,351   | 1,402,155   |
| Loss per common share, basic and diluted             | 0.03  | 0.08  | 0.04  |
| Weighted Average number of common shares outstanding | 57,152,875  | 39,573,185  | 32,474,891  |
| <b>Statement of Financial Position Data</b>          |   |   |   |
| Working capital                                      | 3,248,865   | 922,980   | 839,578   |
| Total assets   | 4,134,628   | 1,334,918   | 3,434,894   |

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for the last eight quarters:

|                                     | Nov 30,<br>2016 | Aug 31,<br>2016 | May 31,<br>2016 | Feb 29,<br>2016 | Nov 30,<br>2015 | Aug 31,<br>2015 | May 31,<br>2015 | Feb 28,<br>2015 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses                            | \$980,237       | \$260,390       | \$381,685       | \$139,374       | \$163,572       | \$185,553       | \$154,443       | \$293,962       |
| Loss for the period                 | \$975,765       | \$257,345       | \$380,592       | \$137,933       | \$2,607,288     | \$185,553       | \$153,768       | \$292,742       |
| Weighted average shares outstanding | 57,152,875      | 57,965,428      | 52,516,880      | 51,987,668      | 39,573,185      | 36,204,270      | 39,051,658      | 38,473,880      |
| Loss per share                      | \$0.02          | \$0.00          | \$0.01          | \$0.00          | \$0.07          | \$0.01          | \$0.00          | \$0.01          |
| Mineral property acquisition costs  | \$150,000       | -               | -               | \$155,000       | -               | -               | -               | \$250,000       |
| Mineral property interest write-off | -               | -               | -               | -               | \$2,443,716     | -               | -               | -               |
| Mineral property exploration costs  | \$578,235       | \$154,461       | \$149,629       | \$70,393        | \$58,531        | \$116,300       | \$52,676        | \$175,526       |

The Company's operating losses are due to mineral exploration, share-based compensation and general and administrative costs, such as audit and accounting fees, marketing, conferences and shareholder relation costs, salaries and wages, and office and administrative expenses incurred during the process of managing the Company's operations and to ensure regulatory compliance and can vary from quarter to quarter based on planned exploration activities, resource constraints, and share-based compensation.

## DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 75,692,575 shares outstanding. The following table summarizes maximum number of common shares outstanding as at November 30, 2016 and as of the date of this MD&A if all outstanding options were converted to shares:

|                                   | November 30,<br>2016 | As of the date of<br>this MD&A |
|-----------------------------------|----------------------|--------------------------------|
| Common shares                     | 73,692,575           | 75,692,575                     |
| Share purchase warrants           | 15,130,121           | 14,130,121                     |
| Options to purchase common shares | 5,010,000            | 5,010,000                      |
|                                   | 93,832,696           | 94,832,696                     |

## RESULTS OF OPERATIONS

### Three months ended November 30, 2016 ("Q4 2016") compared to the three months ended November 30, 2015 ("Q4 2015")

The loss for the quarter ended November 30, 2016 was \$975,765 compared to \$2,607,288 for the quarter ended November 30, 2015. The decrease in net loss is mainly due to a decrease in the write-off of mineral property interests, offset by an increase in exploration and evaluation costs and share-based compensation expense. Major variances are explained as follows:

- Exploration and evaluation costs of \$578,235 were incurred on the Company's properties during Q4 2016 compared to \$58,531 in Q4 2015. Most of the costs incurred in Q4 2016 were assay, consulting, geological consulting, geophysics and office expenses relating to the Juan de Herrera property. The increase in costs from Q4 2015 to Q4 2016 was due to the fact that there were more exploration activities in Q4 2016 in the Dominican Republic compared with Q4 2015;
- Share-based compensation expense was \$216,175 in Q4 2016 compared to \$1,282 in Q4 2015. The share-based compensation expense incurred during Q4 2016 related to the 1,170,000 options granted on October 13, 2016. The share-based compensation expense incurred during Q4 2015 related to the vesting of 510,000 options granted on April 14, 2014; and
- During Q4 2015, there was a write-off of mineral property interests of \$2,443,716 relating to the Reef and Gemini properties. There were no such write-offs in Q4 2016.

#### **Year ended November 30, 2016 ("2016") compared to the year ended November 30, 2015 ("2015")**

The loss for the year ended November 30, 2016 was \$1,751,635 compared to \$3,239,351 for the year ended November 30, 2015. The decrease in net loss is mainly due to decrease in write-off of mineral property interests, offset by an increase in exploration and evaluation costs and share-based compensation expense, offset by a decrease in directors' fees. Major variances are explained as follows:

- Exploration and evaluation costs of \$952,718 were incurred on the Company's properties during 2016 compared to \$403,033 in 2015. Most of the costs incurred in Q4 2016 were assay, consulting, geological consulting, geophysics and office expenses relating to the Juan de Herrera property. The increase in costs from 2015 to 2016 was due to the fact that there were more exploration activities in 2016 in the Dominican Republic compared 2015;
- Share-based compensation expense increased from \$15,381 in 2015 to \$358,204 in 2016. The share-based compensation expense in 2016 related to 1,270,000 stock options granted on March 4, 2016 and 1,170,000 options granted on October 13, 2016. The share-based compensation expense in 2015 related to the vesting of 510,000 stock options issued on April 14, 2014; and
- During 2015, there was a write-off of mineral property interests of \$2,443,716 relating to the Reef and Gemini properties. There were no such write-offs in 2016.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's ability to meet its obligations and its ability to finance exploration and development activities depends on its ability to raise cash through the issuance of common shares pursuant to private placements, the exercise of warrants and stock options. Capital markets may not always be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on additional external sources of financing which may not be available on acceptable terms, particularly in the current economic environment that is unfavourable to exploration companies.

### Working Capital

As of November 30, 2016, the Company's working capital was \$3,248,865, compared to working capital of \$922,980 as of November 30, 2015. The \$2,325,885 increase in working capital is mainly due to raising \$3,793,068 from financing activities, offset by spending of \$952,718 on exploration and evaluation costs, \$75,000 on mineral property acquisition costs and \$450,764 on general and administrative expenses.

### Cash

On November 30, 2016, the Company had \$3,402,117 of cash, compared with \$957,855 of cash on November 30, 2015. The \$2,444,262 increase in the cash position is mainly due receiving \$3,793,068 on financing activities, offset by expenditures of \$1,273,806 on operating activities and \$75,000 on mineral property acquisition.

### Cash Used in Operating Activities

Cash used in the operating activities during the year ended November 30, 2016 was \$1,273,806. Funds were used mostly on exploration and evaluation, office and administrative, transfer agent and filing fees, and salaries and wages. Cash used in the operating activities during the year ended November 30, 2015 was \$714,665. Funds were used mostly on exploration and evaluation, investor relations, marketing conferences and shareholder relations, office and administrative, and salaries and wages.

### Cash Used in Investing Activities

During the year ended November 30, 2016, the Company spent \$75,000 on mineral acquisition costs in relation to the Juan de Herrera property. During the year ended November 30, 2015, the Company spent \$90,000 on mineral acquisition costs in relation to the Juan de Herrera property.

### Cash Generated by Financing Activities

During the year ended November 30, 2016, the Company received proceeds of \$2,675,000 from two tranches of a private placement, received proceeds of \$1,241,948 from exercise of warrants, received proceeds of \$8,400 from exercise of options, and spent \$132,280 of costs associated with the private placement. During the year ended November 30, 2015, the Company received proceeds of \$939,618 from private placements and spent \$13,705 of costs associated with the private placements.

### Requirement of Additional Equity Financing

The Company relies primarily on equity financing for all funds raised to date for its operations. The Company needs further funds to finance its exploration and development programs and its ongoing operating costs. The Company has raised \$2,675,000 of gross funds from private placements that closed during the year ended November 30, 2016. Until the Company has profitable operations from the extraction of minerals and precious metals, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions.

### **GOING CONCERN**

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At November 30, 2016, the Company had not achieved profitable operations and had an



accumulated deficit. The Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

## TRANSACTIONS WITH RELATED PARTIES

Key management personnel consist of directors and senior management including the President, Chief Executive Officer, Vice President of Exploration and Chief Financial Officer. Key management personnel compensation includes:

| Name of related party | Nature of transactions                | 2016              | 2015              |
|-----------------------|---------------------------------------|-------------------|-------------------|
| Jeffrey Wilson        | Salaries and wages                    | \$ 180,000        | \$ 155,000        |
| Michael Moore         | Geological consulting                 | 175,925           | 49,000            |
| CDM Capital Partners  | Accounting, office and administration | 44,000            | 42,000            |
| CDM Capital Partners  | Directors' fees                       | -                 | 7,000             |
| Quinton Hennigh       | Directors' fees                       | -                 | 7,000             |
| Adrian Fleming        | Directors' fees                       | -                 | 7,000             |
| GRF Consulting Corp.  | Directors' fees                       | -                 | 7,000             |
| VC Consulting Corp.   | Accounting                            | 6,000             | -                 |
| <b>Total</b>          |                                       | <b>\$ 405,925</b> | <b>\$ 274,000</b> |

Total fair value of the share-based payments made to directors and officers is \$292,153 (2015 - \$14,175) for the year ended November 30, 2016. The Company stopped paying directors' fees effective July 1, 2015.

## PLAN OF OPERATIONS AND FUNDING

The Company's plan of operations for the next twelve months is as follows:

- Juan de Herrera Project: Follow up exploration of the early 2016 property-wide reconnaissance work which identified five new zones (geochemical and airborne geophysical anomalies), with the goal of identifying new drill worthy targets. Follow up exploration work may include any combination of detailed surface geochemical sampling, geological mapping, hand trenching, induced polarization and magnetic geophysical surveying;
- At the Ginger Ridge Zone future work may include additional sampling and mapping as well as induced polarization geophysics away from the previous drill holes with a focus on testing for concentrations of elevated gold and other precious and base metals;
- Continue the evaluation and assessment of other prospective mineral exploration projects in geologically and geopolitically attractive jurisdiction, as opportunities are presented to the Company; and
- Monitor and evaluate capital markets for possible equity financing opportunities attainable under favourable terms to finance the Company's on-going operations and exploration activities.

## **FINANCIAL INSTRUMENTS**

### *Financial Assets*

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

### *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 included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### *Financial Assets at Fair Value Through Profit or Loss*

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any accounts as fair value through profit or loss.

### *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

### *Financial Liabilities*

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

### *Impairment of Financial Assets*

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result

of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

The fair value of cash, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

The Company is exposed to potential loss from various risks including credit risk, liquidity risk, interest rate risk, political risk and foreign currency fluctuation risk. These risks are described in more detail in the Risk and Uncertainties section of this MD&A.

## **RISK AND UNCERTAINTIES**

The exploration and development of mineral properties are highly speculative activities and are subject to significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The Company’s ability to realize on its investments in exploration projects is dependent upon a number of factors: management’s ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically-recoverable reserves within the projects.

At the present time the Company does not hold any interest in a mining property in commercial production. The Company has incurred net losses since inception, and has limited financial resources and no positive mineral operating cash flow. No assurance can be given that additional funding will be available for further exploration and development of the Company’s projects or to fulfill the Company’s obligations under any applicable agreements. Other risks and uncertainties include:

### Competitive industry

Mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

### Exploration risks

Mineral exploration is highly speculative in nature. The Company’s exploration projects involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. The Company cannot give any assurance that its future exploration efforts will result in the discovery of mineral resources or mineral reserves.

### Foreign Countries and Political Risk

The Company's Juan de Herrera property is located in the Dominican Republic where mineral exploration and mining activities may be affected in varying degrees by political instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws, affecting the Company's business in that country. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business, or if significant enough, may make it impossible to continue to operate in the country. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

### Fluctuating metal and share prices

Factors beyond the control of the Company may affect the marketability of precious any other metals or minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

In recent years, the securities markets in the United States and Canada have experience a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploratory and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying assets values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

### Ability to continue as a going concern

The financial statements of the Company for the year ended November 30, 2016 were prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. As noted in the "Liquidity and Capital Resources" section, there are number of conditions that raise substantive doubt about the Company's ability to continue as a going concern in the longer term.

The ability of the Company to continue as a going concern is dependent upon the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. It is anticipated that the Company will rely on the equity markets in the upcoming fiscal year to meet its financing needs, including funding future exploration activity.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the Company's assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

The following are risks related to the Company's financial instruments:

- (i) **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. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.
- (ii) **Liquidity Risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient

cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

**(iii) Interest Rate Risk** – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

**(iv) Political Risk** – The Company has subsidiaries in the Dominican Republic, Mexico and the United States. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

**(v) Foreign Currency Fluctuation Risk** – The Company has vendors in Canada, the United States, the Dominican Republic and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions.

## **SUBSEQUENT EVENT**

- a) On December 7, 2017, 1,000,000 warrants were exercised for proceeds of \$120,000.
- b) On December 14, 2016, the Company paid \$75,000 and issued 1,000,000 common share to BC Corp. to complete the purchase of the Juan de Herrera project.
- c) On February 9, 2017, the Company entered into an Option Agreement with Golden Predator Mining Corp. ("Golden Predator") to which Golden Predator may acquire 100% interest in the Company's Reef property by completing staged payments totalling \$1,050,000 in cash, 200,000 common shares of Golden Predator and additional common shares of Golden Predator equal to \$600,000, and 800,000 three-year warrants exercisable for the purchase of Golden Predator shares. Golden Predator will grant the Company a 2% NSR royalty on the claims that are not subject to a pre-existing royalty, and a 1% NSR royalty on claims that are subject to a pre-existing royalty. Golden Predator may purchase 25% of the Company's NSR royalty at any time for \$1,000,000 and an additional 25% of the Company's NSR royalty at anytime for \$1,500,000. The Agreement is subject to TSX Venture approval.

## **CAPITAL MANAGEMENT**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as considered appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off balance sheet arrangements.

## RECENT ACCOUNTING PRONOUNCEMENTS

### *Recent Accounting Pronouncements adopted:*

IFRS 7 Financial Instruments - Disclosure ("IFRS 7") has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on or after January 1, 2015. There are no effects on these financial statements.

### *Recent Accounting Pronouncements not yet applied:*

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

IFRS 16 Leases ("IFRS 16") was issued on January 13, 2016 which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. This standard is effective for reporting periods beginning on or after January 1, 2019.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental regulatory and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company to meet certain work commitments, and work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment, the impact of increasing competition, unpredictable changes to the market prices for minerals, that costs related to development of mineral properties will remain consistent with historical experiences, anticipated results of exploration activities, and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth in this MD&A: volatility in the market prices of minerals, uncertainties associated with estimating resources, geological problems, technical problems, exploration problems, processing problems, liabilities and risks including environmental liabilities and risks inherent in

the exploration and mining, fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, unanticipated results of exploration activities, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands, competition for skilled personnel, political risks and unpredictable weather conditions.

#### **ADDITIONAL INFORMATION**

For further detail, see the Company's financial statements for the year ended November 30, 2016. Additional information about the Company can also be found on [www.sedar.com](http://www.sedar.com).

## **CORPORATE DIRECTORY**

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### **Officers and Directors**

Jeffrey Wilson (Chief Executive Officer and President)  
Michael Moore (Vice President, Exploration)  
Vivien Chuang (Chief Financial Officer)  
Adrian Fleming (Chairman of the Board, and Director)  
Darryl Cardey (Director)  
Quinton Hennigh (Director)  
Gary Freeman (Director)  
Alistair Waddell (Director)

### **Members of the Audit Committee**

Gary Freeman (Chair)  
Adrian Fleming  
Darryl Cardey

### **Members of the Compensation Committee**

Darryl Cardey (Chair)  
Adrian Fleming  
Gary Freeman

### **Legal Counsel**

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### **Transfer Agent**

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