# PROSPER GOLD CORP.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE MONTHS ENDED JANUARY 31, 2018

## 1.1 DATE

This management's discussion and analysis ("MD&A") of the financial condition and operating results of Prosper Gold Corp. ("Prosper Gold" or the "Company") for the three months ended January 31, 2018 is derived from, and should be read in conjunction with, Prosper Gold's unaudited condensed interim financial statements for the period ended January 31, 2018, as publicly filed on Sedar at www.sedar.com.

The Company prepared the unaudited condensed interim financial statements and note disclosures for the period ended January 31, 2018 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's audited financial statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise stated.

### Cautionary Note to Investors Concerning Forward-looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, and the economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of specific risks associated with the operations of the Company are set out under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

All forward-looking statements have been made subject to risk factors summarized on page 11 of this MD&A.

This MD&A has been prepared using information as of March 28, 2018 and approved by the Board on March 28, 2018.

## 1.2 BUSINESS OVERVIEW

Prosper Gold is an exploration and development company focused on acquiring and advancing mineral prospects in British Columbia and Ontario.

The Company is focused on the Ashley Gold Project in East Central Ontario and the Star Porphyry Copper Gold Project in northwestern BC.

### PROJECTS

### *ASHLEY GOLD PROJECT*

In 2016 Prosper entered into two definitive agreements to acquire options to earn a 100% interest in the high grade Ashley Gold Mine and a 90% interest in the extensive land position surrounding the Ashley Gold Mine and Young Davidson Mine Area in the Cadillac Larder Lake Fault Area in Ontario. In addition Prosper Gold also acquired a 100% interest in 13 mineral claims and 9 mineral leases contiguous to the optioned ground.

### TECHNICAL PROGRAM

**Airborne Survey**: CGG Multi-Physics conducted a comprehensive program of airborne geophysical surveys at both the Ashley Gold and Matachewan Projects.

Using a variety of proprietary world leading technologies, CGG deployed their HeliFalcon® Airborne Gravity Gradiometer, Dighem® Frequency Domain Electromagnetics, and Midas® Ultra High Resolution Gradient Magnetic systems combined with Radiometrics; as well as Quantec Geoscience's ground based MT stations. This multi-parameter approach provided Prosper Gold with a detailed property scale geophysical coverage over a 98 square kilometer area to assist in drill target selection.

Airborne surveys were completed in early August 2016 and preliminary magnetic, resistivity and gravity results were received. Interpretation of the airborne results has been scrutinized and used in drill targeting for structural definition and stratigraphic refinement. Magnetic and resistivity data from the airborne survey reveal a powerful WNW trending fabric thought to reflect the northwest continuity of the Cadillac Larder Lake break.

**Soil Geochemical Survey**: Four soil grids were completed covering areas where gold vein mineralization is known at surface, where preserved syenite intrusives are exposed, and where thorough OGS till sampling in 1997 returned anomalous gold-in-till targets with high gold grain counts.

The soil grids cover the Ashley Gold Mine, Garvey and Garvey west vein systems, and extend south to cover the Galer Fault. A second grid covers the Argyle, Sunisloe and McGill showings, an area thought to be underlain by syenite. Grid three covers the Argyle Lake, Ezra, and McCallum gold vein showings within a syenite plug. The Powell Lake area is the focus for the largest soil grid with about 3300 samples covering a 15 square km area.

Soils from the B-horizon were collected from 6,128 locations in three grids with 50m sample spacing on lines 100 m apart. Analytical results have been received for all. The new soil results reveal a strong gold-tellurium-bismuth-in-soil anomaly over the Ashley Gold Mine which extends northward and defines a new untested, north trending, multi-element soil anomaly 1,750 m long and 300 to 800 m wide.

**Drilling**: Phase 1 of drilling commenced at the Ashley Gold Project during the first week of September, 2016. 8,715 meters of diamond drilling targeted the Ashley-Garvey vein system near the historic Ashley Gold Mine. Drilling tested the hangingwall, footwall, down-dip and northward and southward on-strike continuity of the Ashley and Garvey veins and newly discovered gold-in-soil anomalies. A substantial quartz feldspar porphyry-quartz syenite discovered west of the vein systems and drill testing is currently in progress.

Phase 2 drilling tested the Ashley Breaks, Galahad, Arcuate, and Bends targets. Drilling commenced in April 2017 with 8,905.5 meters of diamond drilling completed in total. 1,827m in 6 holes were drilled at the Ashley Breaks to test branches, bends and splays of an interpreted strike slip strain transfer zone immediately south of Ashley Mine as well as for gold mineralization and to look for evidence of strain and deformation. 2,165m in 7 holes were drilled at the Arcuate Target to test beneath an interpreted structure and beneath a substantial syenite intrusive. 1,119m in 4 holes were drilled at the Bends Target to test flexures in the projected Cadillac-Larder Lake break where extreme airborne magnetic gradients are seen. Three holes were drilled to test for structure at the fault bends and dykes. One hole was drilled in the ultramafic body reflected in the high magnetic gradient to follow-up on historic PGE results. 3,794.5m in 7 holes at the Galahad to test the Galer Fault, a steeply dipping deep crustal break. The Galer Fault contains slices of ultramafic rocks, syenite and green carbonate (fuchsite mariposite bearing ferrocarbonate), classic host rocks and alteration seen at many Timmins and Kirkland Lake gold deposits.

THE EGAN

In January 2018 Prosper entered into a definitive agreement to acquire the option to earn a 100% interest in the Egan Gold Discovery near Matheson Ontario. The Egan was exposed during recent logging activity and approximately 8,000 hectares has been staked by local prospectors and Prosper Gold. With the exception of regional geophysical surveys and Ontario Geological Survey (OGS) till sampling in 1984-1987, which identified a 5km train with elevated gold-in-till results, no historic work has been completed in the area. The Egan is a stockwork of quartz veins up to 30cm wide within a 2m or wider alteration zone 16 km south of Kirkland Lake Gold's producing Taylor Gold Mine.

THE CURRIE

In March 2018 Prosper entered into a definitive agreement to acquire the option to earn a 100% interest in the Currie Project. The 2,000 hectare Currie Project, 8 km south of the Destor-Porcupine fault, is underlain by altered volcanic and metasedimentary rocks of the Abitibi greenstone belt. The Currie is 9 km north of Prosper Gold's newly optioned Egan Gold Project. The property hosts the Grindstone Creek occurrence, a Gold-Silver-Zinc zone in massive and semi-massive pyrite-sericite schist (GCZ). The GCZ is trends east-west and is hosted by graphitic phyllite cut by felsic dykes and bounded on the north and south by volcanic rocks.

Diamond drilling at Grindstone Creek has intersected Au and Ag mineralization in a 250 m long northwest trending zone between 100 m and 350 m depth. Locally significant zinc values are associated with the gold values. Targets remain to be tested along strike and down plunge of the historic diamond drill intersections.

***THE STAR***

The Star Project is an alkalic porphyry copper-gold prospect in northwest BC. Prosper Gold holds a 51% majority interest in the Star Project joint venture pursuant to the Joint Venture Agreement dated September 2, 2016 between the Company and Firesteel Resources Inc.

## 1.3 SELECTED ANNUAL FINANCIAL INFORMATION

Not required for interim MD&A.

## 1.4 SUMMARY OF QUARTERLY INFORMATION

The following is selected financial information for the Company's most recent eight quarters ended January 31, 2018:

| Quarter ended | Total revenue | Net income (loss) and comprehensive income (loss) | Net earnings (loss) per share (basic and diluted) | Total assets |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Q1/18 – January 31, 2018 | - | (323,104) | (0.007) | 1,286,186 |
| Q4/17 – October 31, 2017 | - | (430,149) | (0.009) | 1,381,792 |
| Q3/17 – July 31, 2017 | - | (1,006,187) | (0.021) | 1,938,042 |
| Q2/17 – April 30, 2017 | - | (461,639) | (0.009) | 2,920,782 |
| Q1/17 – January 31, 2017 | - | (935,399F) | (0.019) | 3,058,459 |
| Q4/16 – October 31, 2016 | - | (963,024) | (0.022) | 2,478,458 |
| Q3/16 – July 31, 2016 | - | (827,464) | (0.023) | 2,450,430 |
| Q2/16 – April 30, 2016 | - | (114,011) | (0.003) | 1,523,243 |

The increase in net loss for the third quarter ended July 31, 2016 is due to the exploration activities for the Ashley Gold Project in Ontario.

The increase in total assets at July 31, 2016 compared to April 30, 2016 is due to the completion of the first tranche of the Company's private placement for $1,000,000 announced on June 13, 2016.

The increase in total assets in the second quarter compared to the third quarter of 2016 is due to the cash received from closing of last tranche of the private placement on August 5, 2016 that was announced in June 2016. The offset of the increase in cash is due to the payment of expenditures for the exploration activities of the Ashley Gold Project.

The increase in the net loss in the third quarter of 2016 compared to the last quarter in fiscal 2016 is due to the increase in expenditures incurred from the implementation of the drilling program at the Ashley Gold Project.

The increase in total assets in the first quarter of 2017 compared to the previous quarter is due to the closing of the flow-through unit private placement for net proceeds of $1,528,389. The proceeds were used to continue the exploration work on the Ashley Gold Project which resulted in a net loss for the period of $935,400.

The decrease in net loss in the second quarter of 2017 compared to the first quarter of 2017 is due to the seasonal shut down of camp from mid-December 2016 to mid-April 2017 which reduced the field costs at the Ashley Gold Project.

The increase in net loss and decrease in total assets for 3 months ended July 31, 2017 is due to expenses incurred for exploration activities at the Ashley Gold Project.

During the quarter ended October 31, 2017, the net loss is lower compared to the previous quarter ended July 31, 2017 due to the winding down of the exploration program for the season.

The total assets continues to decrease for the last four quarters due to the use of cash to pay suppliers for the exploration program.

## 1.5 RESULTS OF OPERATIONS

The Company recorded a net loss and comprehensive loss of $323,104 and $935,399 for the period ended January 31, 2018 and January 31, 2017 respectively. The decrease in net loss in the current period ended January 31, 2018 compared to the 3 months ended January 31, 2017 is due to the decrease in exploration expenditures due to the earlier closure of camp and shut down of drilling activities for the past season. During the 3 months ended January 31, 2018, the Company signed a definitive agreement for the Egan Option and paid $6,000 to the optionors In addition, the Company entered into a purchase agreement for the Egan Purchase and paid $6,000 for the signing of the purchase agreement. Total transaction costs of $13,310 has been incurred. The Company also incurred share issue costs that are deferred for a non-brokered private placement that closed on February 28, 2018.

The following table provides a breakdown of exploration expenditures on the Ashley Gold Project incurred during the three months ended January 31, 2018:

| | **3 months ended January 31, 2018** | **Accumulated-to-date – January 31, 2018** |
|---|---|---|
| Airborne survey | **$ -** | **$ 395,500** |
| Assay and analysis | **55,754** | **451,136** |
| Camp accommodations | **-** | **110,706** |
| Drilling | **-** | **1,274,047** |
| Equipment rentals | **2,860** | **61,851** |
| Field costs | **9,593** | **169,724** |
| Geological | **31,190** | **309,558** |
| Property rentals | **11,539** | **96,852** |
| Salaries and benefits | **22,161** | **671,412** |
| Staking | **31,300** | **42,792** |
| Transportation and freight | **1,108** | **37,309** |
| Travel and accommodations | **-** | **65,549** |
| Total | **$ 165,505** | **$ 3,686,436** |

The Company began exploration on the Ashley Gold Project during May 2016. The airborne survey and soil sampling were completed in July 2016 and the drilling program began shortly thereafter. Field costs include salaries paid to geo-techs, rental costs for accommodations for camp personnel, camp food and supplies and management fees paid to the camp manager. Geological costs include fees paid to geological consultants. Transportation and freight costs include the fuel costs for vehicles and courier charges to camp. Travel and accommodation costs include travel, meals and accommodation costs for management personnel to be on location.

Overall, there were minimal exploration expenditures for the Star Property for the period ended January 31, 2018 and 2017 due to no drilling programs conducted during period. The expenditures for the 3 months ended January 31, 2018 and 2017 consist of $1,050 for storage for equipment for each period.

The following table provides a breakdown of general administration costs incurred during the years ended January 31, 2018 and 2017:

| **General administration costs:** | **3 months ended January 31, 2018** | 3 months ended January 31, 2017 |
|---|---|---|
| General administrative | **$ 50,303** | $ 47,893 |
| Management salaries and fees | **63,027** | 105,841 |
| Professional fees | **5,717** | 11,810 |
| Transfer agent, listing and filing fees | **3,385** | 3,540 |
| | **$ 122,432** | $ 169,084 |

General and administrative expenses include administrative salaries, advertising and promotion, amortization of equipment, courier and office expenses, insurance for directors and officers and commercial liability, annual general meeting, rental, and travel and meals expenses.

Management salaries and fees consist of salary to the Chief Operating Officer, the Chief Executive Officer and Chief Financial Officer and the VP of Explorations. The management salaries and fees for the period ended January 31, 2018 were lower due to the change to the CFO salary on an hourly basis rather than a monthly salary amount.

Professional fees consist of audit fees and legal fees. The higher professional fees for the 3 month ended January 31, 2017 is due to the under accrual of audit fees for the 2016 fiscal year which was expensed in the first quarter of 2017.

## 1.6 LIQUIDITY

The Company's main source of funding has been the issuance of equity securities for cash through private placements. The Company's continuing operations are dependent on the ability of the Company to obtain the necessary financing to continue to explore the Ashley Gold Project, the Star Project and any future projects, the existence of economically recoverable mineral reserves from each project and the proceeds of dispositions of its mineral interests.

During the 3 months period ended January 31, 2018, cash flow used for operating activities was $75,444 mainly due to exploration costs for the Ashley Gold Project, and general and administrative costs including salaries. Management has estimated that the Company will continue to incur expenditures of $250,000 per month for the months when the Company's drilling program in effect and $75,000 per month during the months where no drilling is conducted.

At October 31, 2017, the Company had cash of $128,974 which will not be sufficient to meet current liabilities of $437,043 due within one year along with the option payment due in fiscal 2018. The working capital deficit of the Company at January 31, 2018 is $204,407.

Additional debt or equity financing will be required to fund additional exploration programs. The Company has a reasonable expectation that additional funds will be available to meet ongoing and future exploration costs. However, there can be no assurance that the Company will continue to obtain additional financial resources on terms suitable to the Company.

General market conditions for junior resource companies have deteriorated and have resulted in depressed equity prices for resource companies, despite fluctuations in commodity prices. Although the Company was able to successfully complete the three private placements for the current and past years, the deterioration in market conditions could potentially increase the cost of obtaining capital or limit the availability of funds in the future. Accordingly, management is actively monitoring the effects of the current economic and financing conditions on the Company and reviewing discretionary spending, capital projects and operating expenditures, and implementing appropriate cash management strategies.

## 1.7 CAPITAL RESOURCES

On February 28, 2018, the Company completed a non-brokered private placement financing of $500,000 (the “Private Placement”), through the issuance of 5,000,000 units of the Company (the “Units”) at a price of $0.10 per Unit. Each Unit issued under the Private Placement consists of one common share ("Prosper Share") and one common share purchase warrant (a "Warrant") with each Warrant exercisable to acquire one Prosper Share for a period of 24 months at an exercise price equal to $0.15. In connection with the Private Placement and in accordance with the policies of the TSX Venture Exchange, finder's fees totaling $2,500 in cash were paid and 25,000 common share purchase warrants (each, a "Finder Warrant") were issued. Each Finder Warrant is non-transferable and exercisable for one Prosper Share for a period of 24 months following closing at an exercise price equal to $0.15.

At January 31, 2018, there were no externally imposed capital requirements to which the Company is subject and with which the Company has not complied.

The Company’s capital consists of items in shareholders’ equity of $849,143 as at January 31, 2018 compared to $1,137,606 as at October 31, 2017. The decrease is due to the recording of the fair value of share based payments for stock options of $34,641 and the offset of the net loss of $323,104 for the 3 months ended January 31, 2018.

## 1.8 OFF-BALANCE SHEET ARRANGEMENTS

None.

## 1.9 TRANSACTIONS BETWEEN RELATED PARTIES

The Company’s related parties consist of its key management personnel, including its directors and entities controlled by key management personnel. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm’s length transactions and made at normal market prices and on normal commercial terms.

a) Key management compensation expense was $113,335 and share-based payments totaled $31,255 for the three months ended January 31, 2018.
b) During the 3 month period ended January 31, 2018, the Company incurred $18,000 for rental of office and equipment and services to a company owned by a director and officer.
c) At January 31, 2018, accounts payable and accrued liabilities include $200,000 due to companies owned by directors and officers of the Company and $62,475 due to officers of the Company.

## 1.10 PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or dispositions before the board of directors for consideration.

## 1.11 CRITICAL ACCOUNTING ESTIMATES

There have been no changes in critical accounting estimates for the 3 months ended January 31, 2018. Refer to Note 3 of the audited financial statements for the year ended October 31, 2017.

## 1.12 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the 3 months period ended January 31, 2018 for the Company.

The following is a summary of accounting standards that are effective in future periods that may have an impact on the Company:

<u>Accounting standard effective November 1, 2018</u>

**IFRS 9 *Financial Instruments*** addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch.

The Company is currently assessing the impact of the application of IFRS 9 on the Company's financial statements.

<u>Accounting standard effective November 1, 2019</u>

**IFRS 16 *Leases***

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.

- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is currently assessing the impact of the application of IFRS 16 on the Company's financial statements.

**1.13 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash, amounts receivable other than GST receivable, deposit, reclamation deposit and accounts payable and accrued liabilities. The Company's cash, amounts receivable other than GST receivable and deposit are classified as loans and receivables. The Company's reclamation deposit is classified as held-to-maturity. The Company's accounts payable and accrued liabilities are classified as other financial liabilities. The fair values of the Company's cash, amounts receivable other than GST receivable, deposit and accounts payable and accrued liabilities approximate the carrying amounts due to the short-term maturities of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Company considers its exposure to credit risk to be low as its cash, deposit and its reclamation deposit are held with a large financial institution with a strong credit rating.

The Company manages liquidity risk by maintaining adequate cash and managing its capital. At January 31, 2018, the Company had accounts payable and accrued liabilities of $437,043 due within one year, and cash of $128,974.

Floating interest earned on the Company's cash balances are considered to be at market interest rate. The deposit earns no interest and was held as a deposit for the Company's corporate credit card. The reclamation deposit earns interest at 0.70%. Assuming that all variables remain constant, a change representing a 1% increase or decrease in interest rate would not have a significant effect for the Company.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At January 31, 2018, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

## 1.14 OTHER MD&A REQUIREMENTS

a) Disclosure of Outstanding Share Data

| | Number Outstanding |
|---|---|
| At the date of this MD&A | |
| Common Shares | **54,492,249** |
| Stock Options | **5,442,104** |
| Warrants | **18,046,194** |

b) Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## 1.15 RISK FACTORS

The risk factors associated with the principal business of the Company are outlined in details in the Company's MD&A for the year ended October 31, 2017. Due to the nature of the Company's business and the present stage of exploration of the Property, an investment in the securities of the Company is highly speculative and subject to a number of risks. Briefly, these include the highly speculative nature of the resources industry characterized by the requirement for large capital investments from an early stage and a very small probability of finding economic mineral deposits. In addition to the general risks of mining, there are country-specific risks, including currency, political, social, permitting and legal risk. An investor should carefully consider the risks and the other information that the Company provides on its website or files on Sedar before investing in the Company’s common shares, and should not consider an investment in the Company unless the investor is capable of sustaining an economic loss of the entire investment. The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A.