# MURCHISON MINERALS LTD.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditor.

# MURCHISON MINERALS LTD.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 1,377,376 | $ 2,147,235 |
| Amounts receivable and prepaid expenses (Note 6) | 70,102 | 56,539 |
| Assets held for sale (Note 8) | - | 180,000 |
| Total current assets | 1,447,478 | 2,383,774 |
| Investment (Note 7) | 7,062 | 7,320 |
| **Total assets** | **$ 1,454,540** | **$ 2,391,094** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 166,709 | $ 66,577 |
| Flow-through share liability (Note 14) | 80,643 | 407,000 |
| Total liabilities | 247,352 | 473,577 |
| **EQUITY** | | |
| Share capital (Note 10) | 26,587,242 | 26,587,242 |
| Reserves (Notes 11 and 12) | 1,435,570 | 1,437,644 |
| Deficit | (26,815,624) | (26,107,369) |
| Total equity | 1,207,188 | 1,917,517 |
| **Total equity and liabilities** | **$ 1,454,540** | **$ 2,391,094** |

Nature and Continuance of Operations (Note 1)
Commitments and Contingencies (Note 14)

Approved on Behalf of the Board:

*"signed"*
Kent Pearson
Director

*"signed"*
Denis Arsenault
Director

# MURCHISON MINERALS LTD.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

| **Three Months Ended March 31,** | **2017** | **2016** |
|---|---|---|
| **EXPENSES** | | |
| Exploration expenses - Canada | $ 919,910 | $ 619 |
| General exploration | - | 16,008 |
| Professional fees | 13,960 | 11,000 |
| Management fees and salaries | 53,887 | 11,411 |
| Office and general | 8,344 | 12,591 |
| Regulatory and transfer agent | 8,426 | 9,883 |
| Investor relations | 36,718 | 12,430 |
| **Loss before the under noted** | **1,041,245** | **73,942** |
| Interest income | (4,203) | - |
| Foreign exchange gain | (614) | (297) |
| Flow-through shares related income | (326,357) | - |
| Unrealized loss on marketable securities (Note 7) | 258 | - |
| Gain on disposal of property and equipment | - | (122) |
| **Loss for the period** | **$ 710,329** | **$ 73,523** |
| Loss per share - basic and diluted | **$ 0.03** | **$ 0.00** |
| Weighted average number of common shares outstanding - basic and diluted | 25,290,095 | 15,553,695 |

# MURCHISON MINERALS LTD.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

| | | Reserves | | | |
|---|---|---|---|---|---|
| | **Share Capital** | **Equity settled share-based payments reserve** | **Warrants reserve** | **Deficit** | **Total** |
| **Balance, December 31, 2015** | **$ 25,416,637** | **$ 455,326** | **$ 229,600** | **$ (25,759,360)** | **$ 342,203** |
| Net loss for the period | - | - | - | (73,523) | (73,523) |
| **Balance, March 31, 2016** | **$ 25,416,637** | **$ 455,326** | **$ 229,600** | **$ (25,832,883)** | **$ 268,680** |
| **Balance, December 31, 2016** | **$ 26,587,242** | **$ 654,298** | **$ 783,346** | $ **(26,107,369)** | **$ 1,917,517** |
| Net loss for the period | - | - | - | (710,329) | (710,329) |
| Expiry of stock options | - | (2,074) | - | 2,074 | - |
| **Balance, March 31, 2017** | **$ 26,587,242** | **$ 652,224** | **$ 783,346** | **$ (26,815,624)** | **$ 1,207,188** |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# MURCHISON MINERALS LTD.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

| **Three Months Ended March 31,** | **2017** | **2016** |
|---|---|---|
| **CASH (USED IN) PROVIDED BY:** | | |
| **OPERATING ACTIVITIES** | | |
| Loss for the period | $ (710,329) | $ (73,523) |
| Amortization | - | 1,304 |
| Share-based payments | - | - |
| Flow-through share related income | (326,357) | - |
| Unrealized loss on marketable securities | 258 | - |
| Write-off of exploration and evaluation properties | - | - |
| Impairment loss – assets held for sale | - | - |
| Gain on sale of property and equipment | - | (122) |
| | (1,036,428) | (72,341) |
| Net change in non-cash working capital items: | | |
| Amounts receivable and prepaid expenses | (13,563) | 39,261 |
| Accounts payable and accrued liabilities | 100,132 | (42,671) |
| **Net cash flows used by operating activities** | (949,859) | (75,751) |
| **INVESTING ACTIVITIES** | | |
| Proceeds on sale of property and equipment | 180,000 | 602 |
| **Net cash flows provided by investing activities** | 180,000 | 602 |
| **NET CHANGE IN CASH** | **(769,859)** | **(75,149)** |
| **CASH, BEGINNING OF THE PERIOD** | **2,147,235** | **124,168** |
| **CASH, END OF THE PERIOD** | **$ 1,377,376** | **$ 49,019** |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Murchison Minerals Ltd. (the "Company" or “Murchison”) was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal business of the Company is the acquisition, exploration and evaluation of mineral property interests. The primary office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada, M5H 1T1.

The condensed interim consolidated financial statements were approved by the Board of Directors on May 16, 2017.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at March 31, 2017, the Company has a cumulative deficit of $26,815,624 (December 2016 - $26,107,369), continuing losses and is not yet generating positive cash flows from operations. These condensed interim consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). Funding for operations has been obtained primarily through private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These condensed interim consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

***Statement of compliance***

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, these unaudited condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

***New accounting standard not yet adopted***

The IASB issued the following standard that is relevant but has not yet been adopted by the Company. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not yet begun the process of assessing the impact that the new and amended standard will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 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 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.

## 3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit which at March 31, 2017 totalled $1,207,188 (December 31, 2016 - $1,917,517). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2017. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

## 4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the period ended March 31, 2017.

## 4. FINANCIAL RISK FACTORS (Continued)

***Credit risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash balances and amounts receivable. Cash is held with reputable banks, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of sales tax receivable and refundable tax credits from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

***Liquidity risk***

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company had a cash balance of $1,377,376 (December 31, 2016 - $2,147,235) to settle current liabilities of $166,709 (December 31, 2016 - $66,577). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

*Interest rate risk*
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is minimal as cash and cash equivalents investments have maturities of three months or less.

*Foreign currency risk*
The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. As at March 31, 2017, approximately $227,992 of cash was held in US dollars (December 31, 2016 - $42,546). Approximately $1,944 (December 31, 2016 - $5,028) of account payable was held in US dollars.

*Commodity price risk*
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of commodities. Commodity prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. As at March 31, 2017, the Company is not a commodities producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(Expressed in Canadian Dollars)

## 4. FINANCIAL RISK FACTORS (Continued)

***Sensitivity analysis***

Based on management's knowledge and experience, the Company believes the following movements are "reasonably possible" over a one-year period:

(i) Based on cash and other working capital balances at March 31, 2017, held in currencies other than the Canadian dollar, a 10% change in the foreign exchange rates relative to the Canadian dollar would result in a corresponding foreign exchange gain or loss of approximately $23,000.

(ii) Based on cash balances at March 31, 2017, a 1% change in interest rates would result in a corresponding interest income change of approximately $14,000 for the one-year period.

## 5. CATEGORIES OF FINANCIAL INSTRUMENTS

| | March 31 2017 | December 31 2016 |
|---|---|---|
| **Financial assets:** | | |
| Loans and receivables | | |
| Cash | $ 1,377,376 | $ 2,147,235 |
| Amounts receivable | 1,475 | 1,475 |
| FVTPL | | |
| Investment | 7,062 | 7,320 |
| **Financial liabilities:** | | |
| Other financial liabilities | | |
| Accounts payable and accrued liabilities | $ 166,709 | $ 66,577 |

As of March 31, 2017 and December 31, 2016, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature, except as disclosed in note 7.

## 6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Sales tax receivable | $ 60,148 | $ 30,346 |
| Other receivable | 1,475 | 1,475 |
| Prepaid expenses and advances | 8,479 | 9,475 |
| Refundable tax credits | - | 15,243 |
| | $ 70,102 | $ 56,539 |

(Expressed in Canadian Dollars)

### 7. INVESTMENT

The Company's investment is classified as FVTPL and is carried at fair value. The balance is comprised of the following:

| | Number of shares | | March 31 2017 | | December 31 2016 |
|---|---|---|---|---|---|
| First Mining Finance Corp. | 8,612 | $ | 7,062 | $ | 7,320 |

In 2014, the Company received 33,500 common shares of PC Gold Inc. ("PCG") upon the sale of its interest in two claims known as the Pickle Lake East property. PCG was acquired by First Mining Finance Corp. ("FMF") in November 2015 and the PCG shares were exchanged for 8,612 FMF common shares. The unrealized loss of $258 for the three month period ended March 31, 2017 (March 2016 - $nil) recognized on the condensed interim consolidated statement of loss.

### 8. PROPERTY AND EQUIPMENT

| | Exploration Equipment | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|
| **Year ended December 31, 2016** | | | | |
| Opening net book amount | $ 296,479 | $ - | $ 896 | **$ 297,375** |
| Amortization for the period | (2,104) | - | (71) | **(2,175)** |
| Dispositions | (1,184) | - | (480) | **(1,664)** |
| Fair value write-down (assets held for sale) | (113,191) | - | (345) | **(113,536)** |
| **Closing net book amount** | **$ 180,000** | **$ -** | **$ -** | **$ 180,000** |
| **Three months ended March 31, 2017** | | | | |
| Opening net book amount | $ 180,000 | $ - | $ - | **$ 180,000** |
| Dispositions | (180,000) | - | - | **(180,000)** |
| **Closing net book amount** | **$ -** | **$ -** | **$ -** | **$ -** |

The Company sold its exploration equipment and office equipment located in Africa in February 2017 for $180,000. The equipment was classified as held for sale on the statement of financial position as at December 31, 2016 and was presented at the carrying value which is the lower of its carrying amount and its estimated fair value less costs to sell, as determined by management.

### 9. EXPLORATION AND EVALUATION PROPERTIES

***Canada***

Brabant Lake Property – Saskatchewan

As at March 31, 2017, the Company held a 100% interest in certain claims forming the Brabant Lake property in Saskatchewan.

### 9. EXPLORATION AND EVALUATION PROPERTIES (Continued)

Pickle Lake Properties - Ontario

The Company holds a 51% interest in the Dorothy-Dobie Lake property and the Kasagiminnis property, both located in the Pickle Lake Greenstone Belt. The Company also has a 100% interest in the Pickle Lake Gold property which comprises certain claims acquired in 2009.

In July 2016 (with amendment on February 2, 2017), the Company entered into an agreement with White Metal Resources Corp. (“White Metal”) whereby White Metal can acquire all of the Company’s interest (“Earned Interest”) in its above Pickle Lake Gold properties . White Metal may exercise the option and acquire the Earned Interest by completing all of the following expenditures and cash payments :

(i) pay $10,000 in cash to Murchison at the signing of the agreement (received);

(ii) pay $15,000 in cash to Murchison on or before the date which is 12 months from the date of the agreement;

(iii) pay $20,000 in cash to Murchison on or before the date which is 24 months from the date of the agreement.

(iv) spend $1,200,000 over three years beginning on the date of the agreement as follows:

   i. complete a work commitment of $900,000 on or before the date which is twenty-four (24) months from the date of the agreement (with at least $250,000 on drilling);

   ii. complete a cumulative work commitment of $1,200,000 on or before the date which is thirty-six (36) months from the date of the agreement (with at least $700,000 on drilling).

(v) once the Earned Interest is completed, Murchison will be entitled to a 1% net smelter return (the “NSR”) of which fifty percent (50%) can be purchased by White Metal for $1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for $1,500,000.

Upon completion of the option payments and expenditures, White Metal will deliver a notice to the Company setting out that it has exercised the option, and the date of the option notice shall be deemed to be the date in which White Metal’s Earned Interest in the properties pursuant to the option shall be effective, subject to the Murchison’s NSR.

On April 7, 2017, White Metal assigned its option and right to acquire the Earned Interest to Ardiden Ltd., an Australian exploration company.

In August 2014, the Company entered into an agreement with Frontline Gold Corporation ("FGC") and White Metal whereby FGC acquired 100% of the Company's 51% interest and the 49% interest held by White Metal in two claims known as the Pickle Lake East property. The claims will be subject to a 2% NSR (1% for the Company and 1% to White Metal for which 0.5% can be purchased for $500,000 from each of White Metal and the Company).

HPM Property - Quebec

As at March 31, 2017, the property consisted of 36 claims on which Pure Nickel Inc. has a 50% interest.

(Expressed in Canadian Dollars)

## 10. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

(b) Issued

| | Number of Shares | | Amount |
|---|---|---|---|
| **Balance - December 31, 2015 and March 31, 2016** | **15,853,695** | **$** | **25,416,637** |
| **Balance - December 31, 2016 and March 31, 2017** | **25,290,095** | **$** | **26,587,242** |

## 11. WARRANTS AND FINDERS' WARRANTS

The following summarizes the warrants and finders' warrants activity for the three months ended March 31, 2017 and March 31, 2016:

| | Number of Warrants | | Grant Date Fair Value | | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| **Balance - December 31, 2015 and March 31, 2016** | **2,348,120** | **$** | **229,600** | **$** | **0.50** |
| **Balance - December 31, 2016 and March 31, 2017** | **7,818,000** | **$** | **783,346** | **$** | **0.30** |

As at March 31, 2017, the Company had warrants and finder's warrants outstanding as follows:

| Date of Grant | Number of Warrants | Exercise Price ($) | Grant Date Fair Value ($) | Expiry Date |
|---|---|---|---|---|
| August 10, 2016 | 4,670,400 | 0.30 | 482,058 | August 10, 2018 |
| August 31, 2016 | 3,147,600 | 0.30 | 301,288 | August 31, 2018 |
| | **7,818,000** | | **783,346** | |

## 12. STOCK OPTIONS

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

(Expressed in Canadian Dollars)

### 12. STOCK OPTIONS (Continued)

The following summarizes the stock option activity for the three months ended March 31, 2017 and March 31, 2016:

| | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|
| **Balance - December 31, 2015 and March 31, 2016** | **1,406,100** | **$ 0.60** |
| **Balance - December 31, 2016** | **2,308,300** | **$ 0.42** |
| Expired | (6,100) | 7.50 |
| **Balance – March 31, 2017** | **2,302,200** | **0.40** |

As at March 31, 2017, the Company had incentive stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

| Date of Grant | Options Outstanding[1] | Exercise Price ($) | Grant Date Fair Value ($) | Expiry Date | Weighted Average Remaining Contractual Life (years) |
|---|---|---|---|---|---|
| February 28, 2014 | 566,500 | 0.70 | 305,910 | February 28, 2019 | 1.92 |
| December 2, 2014 | 665,700 | 0.30 | 79,884 | December 2, 2019 | 2.67 |
| August 22, 2016 | 600,000 | 0.30 | 149,400 | August 22, 2021 | 4.40 |
| September 27, 2016 | 470,000 | 0.30 | 117,030 | September 27, 2021 | 4.50 |
| | **2,308,300** | **0.40** | **652,224** | | **3.31** |

[1] All options are exercisable.

### 13. RELATED PARTY TRANSACTIONS

*a) Remuneration of directors and the officers was as follows:*

| Three months ended March 31, | 2017 | 2016 |
|---|---|---|
| Salaries and benefits | $ 53,888 | $ 10,150 |
| | **$ 53,888** | **$ 10,150** |

For the period ended March 31, 2017, the salaries and benefits amount above includes $32,438 (2016 - $3,000) for fees invoiced by a corporation controlled by the CFO of the Company for his services and $21,450 (2015 - $7,150) for fees invoiced by a corporation controlled by the CEO of the Company for his services as CEO. Also included in accounts payable and accrued liabilities at March 31, 2017 is $7,928 (2016 - $780) and $24,720 (2016 - $nil) owed to corporations controlled by the CEO and CFO, respectively.

## 14. COMMITMENTS AND CONTINGENCIES

***Flow-Through Obligation***

As at March 31, 2017, the Company has to incur $227,153 in qualifying exploration expenditures by December 31, 2017 to meet its flow-through commitment. The Company keeps a separate bank account for the flow-through expenses to be incurred in a minimum amount equal to the flow-through obligation. At this time, management anticipates meeting that obligation and as a result, no additional provisions are required.

***Environmental***

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company 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.

***Management Contract***

The Company is party to a management contract. This contract requires that an additional payment of up to $500,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payment has not been reflected in these condensed interim consolidated financial statements. The minimum commitment upon termination of this contract is $128,700. The minimum commitment due within one year under the terms of this contract is $85,800.

***Burundi Litigation***

In August 2014, Flemish Investments Burundi S.A. was informed that three Burundian ex-employees have filed claims against Flemish Investments Burundi S.A. pertaining to severance payments totaling approximately US$10,500 and damages of approximately US$188,000. In 2015, the Court of Appeal of Bujumbura found in favour of the former employees for an aggregate amount of approximately US$117,000 plus 6% interest. The Company no longer operates or owns assets in Burundi and according to Burundian law, the subsidiary's liability is limited to:

- the value of the assets of the subsidiary in Burundi ($nil at December 31, 2016 and 2015) or;
- the share capital originally invested of US$10,000.

End of Notes to Financial Statements

# MURCHISON MINERALS LTD.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE ENDED MARCH 31, 2017

This Management's Discussion and Analysis ("MD&A") is intended to supplement the condensed interim consolidated financial statements and notes of Murchison Minerals Ltd. (the "Company" or "Murchison") for the three months ended March 31, 2017. The unaudited condensed interim consolidated financial statements including comparative figures have been prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") applicable to preparation of interim financial statements. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016, which have been prepared in accordance with IFRS and available on the Company's web-site (www.murchisonminerals.com). This MD&A covers the most recently completed financial quarter and the subsequent period up to May 16, 2017. The information is presented in Canadian dollars unless stated otherwise.

## OVERALL PERFORMANCE

### Description of Business

Murchison is a Canadian based exploration company with a diversified portfolio of properties, including the high-grade Brabant-McKenzie zinc-copper-silver deposit (the "Deposit") in north-central Saskatchewan, the HPM Nickel/Copper/Cobalt project in Quebec and holds gold claims in the Pickle Lake area of northwestern Ontario which are currently under option. The Company expects to acquire additional properties as attractive opportunities are identified. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan in the future rests entirely on its ability to secure equity and other financings or realize cash from the sale of assets.

### Trends

The financing, exploration and development of any properties the Company holds or may acquire in the future will be subject to a number of factors including the commodity prices for minerals, applicable laws and regulations, political conditions, currency fluctuations, the hiring of qualified people, and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors could change at any time and negatively affect the Company's operations and business. Apart from these, the risk factors noted under the heading "Uncertainties and Risk Factors" and "Forward Looking Statement" included in MD&A for the year ended December 31, 2016, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## OUTLOOK

In August 2016, the Company raised $2.5 million which included $1.25 million in flow-through funds. These flow-through proceeds were used to advance the exploration on its mineral properties with the focus on the Brabant-Mackenzie project (the "Project") and more specifically on the resource expansion at the high-grade Deposit.

The Company completed a 10 hole – 5,653 metre drill program (the "Program") on the Project in March 2017 and press released the results May 10, 2017. Drilling successfully intersected sulphide mineralization in all 10-holes and these results, in conjunction with current interpretations from geological modelling and geophysics, suggest that the Deposit remains open at depth and laterally. A compilation of historic and new drill holes data and further interpretation is underway.

Based on the results of the Program, the Company plans to conduct a borehole electromagnetic ("EM") geophysical survey on selected step out deep drill holes below the known Deposit in order to assist in defining additional drill targets for the next drill program. The next round of drilling is expected to continue to test the lateral and down dip extents of the Deposit and begin to infill-drill large untested areas now defined. The results will be used for the preparation of an updated resource statement.

Regionally, the Company completed a ground geophysical survey on the Project in February 2017 which was designed to follow up and confirm the targets defined by the HeliSAM geophysics survey completed in December 2016 (see press release January 19, 2017). These large-scale airborne conductors are currently similar to those outlined on the Deposit and remain untested. Interpretation of the results of the SQUID survey in conjunction with the HeliSAM results is underway and is expected to be completed by the end of May 2017.

Numerous other EM conductors and known mineralized showings traverse the 16 kilometre strike of the property in prospective geological terrain. Work is currently being planned to review and follow up these showings.

At the time of this MD&A, the Company has $1.2 million in cash and 25.3 million common shares outstanding.

Management's objective is to maximize the money spent "in the ground". The long-term goal remains to develop the Company's properties and achieve commercial production. The Company may enter into partnerships in order to fully exploit the production potential of its exploration assets.

## MINERAL PROPERTIES – EXPLORATION ACTIVITIES

### Brabant Property – Saskatchewan

The Brabant property is owned 100% by Murchison and is strategically located along Highway 102 between the town of La Ronge to the south and the Athabasca Basin to the north, near major infrastructure. The Brabant property consists of the Deposit and number of additional zinc and copper occurrences along the 16 kilometre strike of favourable geological horizon, all of which remain under-explored. The project area shares geological characteristics, including similar age, with the Flin Flon volcanogenic massive sulphide (VMS) mining camp in Manitoba. The current (2008) mineral resource for the Deposit consists of 1.5 Mt grading 9.2% zinc, 0.8% copper and 33 g/t silver in indicated resources and 3.0 Mt grading 5.6% zinc, 0.6% copper and 14 g/t silver in inferred resources (for additional details, refer to Murchison's website: www.murchisonminerals.com).

The Deposit consists of two sub-parallel massive sulphide zones, which average 5 metres in thickness and have been traced in drilling for approximately 1,000 metres along strike and approximately 500 metre down dip. The recent Program has intersected mineralization down dip at approximately 950 metre depth.

In December 2016, the Company completed a five borehole electromagnetic ("BHEM") and low-level helicopter borne, B Field EM ("Heli-SAM") geophysical program. The BHEM surveys successfully identified new EM conductors proximal to the Deposit while the Heli-SAM survey identified EM conductors coincident with the Deposit extending to 1,000 metre depth as well as two new significant EM conductors located laterally and at depth relative to the Deposit.

These results in conjunction with the re-interpretation of previous VTEM and BHEM surveys identifying numerous EM conductors laterally and down dip from known mineralization confirm that the Deposit remains open to expansion by drilling both laterally and at depth.

The BHEM surveys focused on the periphery of the upper and lower main mineralized zones (together the "Main Zone") of the Deposit. The survey was successful in identifying numerous conductive EM plates that are coincident with thicker zones of the Deposit and areas with little or no testing by previous drilling immediately adjacent to the Main Zone.

The subsequent 120-line kilometre Heli-SAM survey was conducted over and along strike of the Deposit. The survey was designed to detect more conductive pyrrhotite rich zones at greater depths than was previously identified with historic airborne, ground and BHEM techniques.

Interpretation of the data suggests that the Deposit has a down dip extent of approximately 1,000 metres while historic drilling of the Deposit had identified VMS style mineralization to a down dip depth of 520 metres.

Based on the highly encouraging downhole and HeliSAM geophysical results related to the Deposit in combination with previous geophysical information and the new geological interpretation, the Company completed the Program in March 2017 which was designed to further define the extents of the Deposit and identify potential additions to the resource of the Deposit and focused along strike and on down dip/plunge extensions of the Main Zone within areas of higher conductivity. Results of the Program were released on May 10, 2017 and show that all ten holes intercepted sulphide mineralization.

Drill hole BM-17-01 intersected sulphides in both the known Upper Main Zone and Lower Main Zone parallel mineralized horizons ("UMZ" and "LMZ" respectively). Mineralization in the LMZ assayed 12.12% Zn, 0.97% Cu and 39.20 g/t Ag over an intercepted width of 11.40 metres and included a 5.96 metre interval that assayed 16.62% Zn, 0.79% Cu and 25.60 g/t Ag.

Assay results from the UMZ intersected in BM-17-01 returned 11.49% Zn, 0.57% Cu and 21.98 g/t Ag over an interval width of 3.77 metres and included a 1.83 metre wide zone of 16.34% Zn, 0.59% Cu and 21.05 g/t Ag.

BM-17-01 results have the potential to provide additional resources as this drill hole intersected mineralization approximately 100 metres away from previous drill holes that are currently included in the 2008 resource estimate.

Holes BM-17-06 and 09 intersected VMS mineralization at a down dip depth of approximately 950 metres. Intercepts in BM-17-09 occur approximately 190 metre distance from intercepts in BM-17-06. Both holes were drilled from the same collar position and were designed to test the same geophysical airborne conductor plates and geological modelling, at depth, that was intersected in hole BM-17-01.

BM-17-06 intersected 5.98 metres grading 1.37% Zn, 0.83% Cu and 19.10 g/t Ag including 2.44 metres assaying 1.22% Zn, 1.44% Cu and 31.90 g/t Ag within a semi-massive sulphide horizon. BM-17-09 returned 1.19% Zn 0.61% Cu and 14.7 g/t Ag over 3.37 metres. This hole also intersected a suspected siliceous cap rock at a vertical depth of 760 metres that is interpreted to be located on the fringes of the sulphide Deposit and along with the mineralized sections provides valuable information regarding the Deposit's geometry.

Holes BM-17-02 through 04 respectively, tested the Deposit at increasingly greater depth below BM-17-01. Results show that both good grade and thickness are apparent in both the UMZ and LMZ encountered in each of these deeper holes. Specifically, BM-17-04 returned a 7.16% Zn, 0.41% Cu and 22.40 g/t Ag over 6.23 metres including 2.38 metres assaying 11.59% Zn, 0.56% Cu and 24.13 g/t Ag in an intersection that is showing good down dip continuity and extension of approximately 90 metres to this sulphide horizon.

Holes BM-17-05, 07, 08 and 10 were drilled along an approximately 500 metre long section located 225 metres north of the BM-17-01 to BM-17-04 section. These holes were designed to test the northern extents of the Deposit and targeted both extrapolated geology and borehole EM conductor plates. Drill results show that intersected zones of the sulphide mineralization show considerably higher copper and lower zinc values than are exhibited in BM-17-01 to 04, suggesting a metal zonation from zinc to copper commonly observed in VMS deposits.

The HeliSAM results also indicate that in addition to Deposit EM conductors, two new large distinct EM conductors have been identified approximately 1.5 kilometres southwest (“C Anomaly”) and 1.4 kilometres due south (“D Anomaly”) of the Deposit. Neither target has been drill tested. The clustering of these multiple conductive zones is encouraging, in that it is common for several zones of stratabound mineralization to occur locally within a volcanogenic massive sulfide setting.

The C Anomaly is believed to be located within the same stratigraphic host rock as the Deposit. Modeling indicates a strike length of 1.4 kilometres, a dip extent of 600 metres and a depth to top of the plate at 490 metres. Modeling of the D Anomaly indicates a strike length of 900 metres, a down dip extent of 300 metres and a depth to top of the plate at 600 metres. The conductivity of the D Anomaly is similar to or greater than the Main Zone. In February, 2017 the Company completed a 12.5 line kilometre SQUID EM ground geophysics program to better further define both anomalies as legitimate drill targets. Interpretation of the results of the SQUID survey are underway is expected to be completed by the end of May 2017.

### Qualified Person

Exploration programs at the Company’s project in Saskatchewan are being carried out under the supervision of Finley Bakker P.Geo and Graham Gill, P.Geo., both Independent Consultants, are “Qualified Person” within the meaning of NI43-101. Mr. Bakker and Mr. Gill have supervised the preparation of, and confirmed all of the scientific and technical disclosure in this MD&A.

### Access to Properties

The Company’s access to its properties is dependent on climate and weather conditions. The Brabant property in Saskatchewan is accessible all year round. Typically, properties in Ontario are generally accessible all year round. Access to the Kasagiminnis and Dorothy-Dobie properties is by floatplane or helicopter. All projects in Québec can be accessed from January to September as weather limits the activities during other times of the year.

## RESULTS OF OPERATIONS

For the three months ended March 31, 2017, the Company incurred a loss of $710,329 (Q1/2016 - $73,523). The increase of $636,809 is mainly related to the following factors: **1.** higher exploration expenses in Canada of $903,902 (Q1/2017 - $919,910 vs Q1/16 - $16,008) as the Company completed geophysical surveys and the Program at its Brabant-McKenzie project in Saskatchewan.; **2.** higher management fees and salaries of $42,476 (Q1/2017 - $53,887 vs Q1/16 - $11,411) as management worked without compensation for 2/3 of the quarter in 2016; **3.** higher investor relations of $24,288 (Q1/2017 - $36,718 vs Q1/16 - $12,430) as the Company attended a conference and met with investors and shareholders in Europe in March 2017; offset by **4.** Higher non-cash flow-through shares related income of $326,357 ((Q1/2017 - $326,357 vs Q1/16 - $nil) as the Company recognized the income based on exploration activities in Canada.

For the three months ended March 31, 2017, exploration expenses totaled $919,910 (Q1/2016 - $16,627) with all of it incurred in Canada (Q1/2016 - $619) and the balance in general exploration for Q1/2015 of $16,008.

## SUMMARY OF QUARTERLY RESULTS

| | **First Quarter 2017** | **Fourth Quarter 2016** | **Third Quarter 2016** | **Second Quarter 2016** |
|---|---|---|---|---|
| | | | | |
| Total Assets | $1,454,540 | $2,391,094 | $2,608,713 | $381,757 |
| Current Assets | $1,447,478 | $2,383,774 | $2,313,993 | $87,037 |
| Non-current Assets | $7,062 | $7,320 | $294,720 | $294,720 |
| Total Liabilities | $247,352 | $473,577 | $495,259 | $105,831 |
| Interest Income | $4,203 | $4,699 | $1,369 | $2 |
| Loss (profit) | $710,329 | $195,937 | $382,853 | ($7,246) |
| Loss Per Share (1) | $0.03 | $0.01 | $0.02 | $0.00 |

| | **First Quarter 2016** | **Fourth Quarter 2015** | **Third Quarter 2015** | **Second Quarter 2015** |
|---|---|---|---|---|
| | | | | |
| Total Assets | $364,675 | $480,869 | $1,079,417 | $1,043,784 |
| Current Assets | $69,084 | $183,494 | $295,615 | $258,292 |
| Non-current Assets | $295,591 | $297,375 | $783,802 | $785,492 |
| Total Liabilities | $95,995 | $138,666 | $140,207 | $149,153 |
| Interest Income | $nil | $43 | $59 | $86 |
| Loss | $73,523 | $610,555 | ($44,579) | $138,761 |
| Loss Per Share (i) | $0.00 | $0.01 | $0.00 | $0.00 |
| (i) Loss per share remains the same on a diluted basis | | | | |

Due to the nature of the business, the cash balance and short-term investments generating interest income are subject to fluctuations from quarter to quarter. The timing of equity financing and ensuing exploration and operating expenses are the main factors affecting the level of funds invested from time to time. The variation in interest rates also has an impact on the interest income.

In Q1, 2017, the Company was actively drilling at its Brabant McKenzie project in Saskatchewan and incurred $919,910 in exploration. This amount was offset by $326,357 of non-cash flow-through shares related income. In Q3, 2016, the Company completed a non-brokered private placement in two tranches for net proceeds of $2.4 million. This had a direct impact on the interest income as well as total current assets and total assets. Also in Q3, 2016, the Company granted to its directors, officers and consultants which generated a non-cash share-based payment expense of $266,430. In Q2, 2016, the profit of $7,246 is a direct result of a $33,514 gain on sale of assets held in Africa combined with lower management fees as the CEO and CFO provided services to the Company without compensation during the quarter. In Q1-2016, the lower loss is reflecting of the efforts made by management to control all administrative expenses. In Q4-2015, the Company wrote-off the carrying value of the Cloridorme property of $480,000 and conducted an exploration program at Brabant of $90,556. In Q3-2015, the profit of $44,579 relates mainly to a VAT refund of $190,834 (US$143,000) from the Government of Burundi.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company had no debt, cash of $1,377,376 and working capital (excluding flow-through share liability) of $1,280,769 (December 31, 2016 – $2,147,235 and $2,317,197, respectively). The Company's excess cash, when available, is deposited into interest-bearing accounts or invested in redeemable GICs with major Canadian chartered banks.

As at March 31, 2017, the Company had amounts receivable and prepaid expenses totaling $70,102 which included sales tax receivable of $60,148, prepaid expenses of $8,479 and other receivable of $1,475.

In February 2017, the Company sold all of its exploration equipment located in Africa for net proceeds of $180,000.

The March 2017, condensed interim consolidated financial statements were prepared in accordance accounting principles to a going concern, which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is always dependent on its ability to raise new funds to meet its obligations and continue its exploration activities.

## Equity Financing

The Company's exploration projects are at an early stage and it has not yet been determined whether any of its properties contain economically recoverable ore. As a result, the Company has no current sources of revenue and has relied on the issuance of shares to generate the funds required to further its projects.

## Stock Options

On February 10, 2017, 6,100 stock options exercisable at $7.50 expired.

## General

The Company's ability to successfully acquire mineral projects or recover amounts expended on mineral properties is conditional on its ability to secure financing when required. The Company expects to meet additional financing requirements through equity financing. The Company may seek other alternatives for financing in the future depending on market conditions and exploration results; however, there can be no assurance that such financing attempts will be successful. The impact on our business and the cost and availability of financing remain uncertain and could affect our overall liquidity.

## Commitments and Obligations

As at March 31, 2017, the Company has to incur $227,153 in qualifying exploration expenditures by December 31, 2017 to meet its flow-through commitment. The Company keeps a separate bank account for the flow-through expenses to be incurred in a minimum amount equal to the flow-through obligation. At this time, management anticipates meeting that obligation and as a result, no additional provisions are required

The Company is party to a management contract. This contract requires that an additional payment of up to $500,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payment has not been reflected in these condensed interim consolidated financial statements. Minimum commitment upon termination of this contract is $128,700. Minimum commitment due within one year under the terms of this contract is $85,800.

In August 2014, Flemish Investment Burundi S.A. was informed that three Burundian ex-employees have filed claims against Flemish Burundi S.A. pertaining to severance payments totaling approximately US$10,500 and damages of approximately US$188,000. In 2015, the Court of Appeal of Bujumbura found in favour of the former employees for an aggregate amount of approximately $117,000 plus 6% interest. The Company no longer operates or owns assets in Burundi and according to Burundian law, the subsidiary's liability is being limited to:

- the value of the assets of the subsidiary in Burundi ($nil at September 30, 2016) or;
- the share capital originally invested of US$10,000.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company 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.

The Company has no long-term contractual obligations.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

a) Remuneration of directors and the officers was as follows:

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Salaries and benefits | $ 53,888 | $ 10,150 |
| Share-based payments | - | - |
| | **$ 53,888** | **$ 10,150** |

For the period ended March 31, 2017, the salaries and benefits amount above includes $32,438 (2016 - $3,000) for fees invoiced by a corporation controlled by the CFO of the Company for his services and $21,450 (2015 - $7,150) for fees invoiced by a corporation controlled by the CEO of the Company for his services as CEO. Also included in accounts payable and accrued liabilities at March 31, 2017 is $7,928 (2016 - $780) and $24,720 (2016 - $nil) owed to corporations controlled by the CEO and CFO, respectively.

## PROPOSED TRANSACTIONS

The Company continues to evaluate quality exploration projects and financing opportunities. There are no transactions currently pending.

## CHANGES IN ACCOUNTING POLICIES

### New Accounting Standards Not Yet Adopted

The IASB issued the following standard that is relevant but has not yet been adopted by the Company. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company has not yet begun the process of assessing the impact that the new and amended standard will have on its condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 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 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.

## FINANCIAL INSTRUMENTS

| **As at,** | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Financial assets: | | |
| Loans and receivables | | |
| Cash and cash equivalents | $ 1,377,376 | $ 2,147,235 |
| Amounts receivable | 1,475 | 1,475 |
| FVTPL | | |
| Investment | 7,062 | 7,320 |
| Financial liabilities: | | |
| Other financial liabilities | | |
| Accounts payable and accrued liabilities | $ 166,709 | $ 66,577 |

As of March 31, 2017 and December 31, 2016, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature, except for investment.

**Loans and receivables***:*
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**Other financial liabilities***:*
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

**Impairment of financial assets***:*
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Financial instruments recorded at fair value***:*
Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2017 and December 31, 2016, none of the Company's financial instruments are recorded at fair value on the consolidated statements of financial position, except for investment.

**Significant accounting judgments and estimates:**
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.

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

- ***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.

- ***Estimation of decommissioning and restoration costs and the timing of expenditure***
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. 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.

- ***Impairment of exploration and evaluation properties***
  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 include changes in the market, economic and legal environment in which the Company operates that are not within its control and 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 exploration and evaluation 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.

- ***Income and other taxes***
  In assessing the probability of realizing income and other tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income and other tax assets and liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets or could result in taxes owing,

- ***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 non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments 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. The Company currently estimates the expected volatility of its common shares based on historical volatility taking into consideration the expected life of the options and warrants.

**Capital Management:**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions and

- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2017 and for the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

## ADDITIONAL INFORMATION

**Outstanding Shareholders' Equity Data**

As of May 16, 2017, the following are outstanding:

| | |
|---|---|
| • Common Shares | 25,290,095 |
| • Stock Options | 2,302,200 |
| • Warrants | 7,818,000 |

### Uncertainties and Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

In addition to the risks outlined in the December 31, 2016 annual MD&A, Murchison has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Murchison are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets to raise the funds required for its future expenditures.

## FORWARD-LOOKING STATEMENTS

*This document contains forward-looking statements based on the Company's current expectations. Forward-looking information can often be identified by forward looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.*

*These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those presented in this document. Accordingly, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. Readers are cautioned not to place undue reliance on forward-looking information*.