

**Management's Discussion and Analysis  
For K2 Gold Corporation ("K2 Gold or the "Company")  
(formerly "West Melville Metals Inc.")**

Containing information up to and including November 28, 2016.

The following interim Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's unaudited financial statements and related notes for the three and nine months ended September 30, 2016 and audited financial statements and related notes for the year ended December 31, 2015 which have been prepared in accordance with International Financial Reporting Standards. All figures are presented in Canadian dollars, unless otherwise indicated.

**Forward Looking Statements**

This MD&A provides management's analysis of K2 Gold's historical financial and operating results and provides estimates of K2 Gold's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessments of the Company's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource and reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits the Company will derive therefrom. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

**Overview**

K2 Gold is an exploration stage company involved in the acquisition and exploration of resource properties. On August 15, 2016, the Company has entered into an option agreement with Gorilla Minerals Corp. ("Gorilla") for the Wels Property located in the Yukon Territory. The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company trades on the TSX Venture Exchange under the symbol KTO.

**Highlights**

***Exploration Update – Summary***

The Company entered into a definitive option agreement with Gorilla on August 11, 2016 and amended on October 21, 2016 to acquire a 90% joint venture interest in the Wels Property, located in the Yukon Territory.

The Company has determined that it will not conduct further exploration on the Isortoq property. Therefore, total acquisition costs of \$2,736,070 was written down to \$Nil as at December 31, 2015.

***Financing and Corporate***

On May 25, 2015, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at a ratio of one new share for ten old shares. On March 2, 2016, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at ratio of one new share for four old shares. Unless otherwise indicated, all references to share capital, stock options and share purchase warrants presented in these financial statements and notes thereto are on a post-consolidation basis. The Company undertook this consolidation of its capital to facilitate future financings. On June 28, 2016, the Company completed a non-brokered private placement of 4,000,000 units at \$0.06 per unit for gross proceeds of \$240,000. On October 27, 2016, the Company completed a non-brokered private placement of 8,000,000 units at \$0.25 per unit for gross proceeds of \$2,000,000.

**Selected Annual Information**

	<b>As at and year ended December 31, 2015</b>	<b>As at and year ended December 31, 2014</b>	<b>As at and year ended December 31, 2013</b>
	\$	\$	\$
Revenue	Nil	Nil	Nil
Loss for the year	2,956,313	3,280,918	979,787
Comprehensive loss for the year	2,954,105	3,280,918	979,787
Loss per common share, basic and diluted	2.25	2.68	0.93
Weighted Average number of common shares outstanding	1,315,137	1,224,125	1,051,805
<b>Statement of Financial Position Data</b>			
Working capital (deficit)	(192,169)	49,699	175,515
Total assets	17,164	2,788,174	5,726,890

## Summary of Quarterly Results

Quarterly results fluctuate depending on the timing of the granting and vesting of stock options and the incurrence of project evaluation expenses and write-off of exploration and evaluation assets.

The following table summarizes selected financial data reported by the Company for the quarter ended September 30, 2016 and the previous seven quarters.

	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015*	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014*
Current assets	\$826,092	\$245,638	\$28,034	\$17,164	\$39,165	\$18,384	\$25,107	\$75,937
Exploration and evaluation assets	56,061	-	-	-	2,736,070	2,719,689	2,719,459	2,686,317
Total assets	882,153	245,638	28,034	17,164	2,775,235	2,738,073	2,767,997	2,788,174
Current liabilities	940,796	252,467	245,824	209,333	99,917	69,518	65,107	26,238
Share capital	9,963,420	9,965,420	9,832,270	9,832,270	9,832,270	9,832,270	9,832,270	9,832,270
Net loss	(52,022)	(50,746)	(24,517)	(2,853,925)	(9,007)	(34,335)	(59,046)	(3,052,163)
Comprehensive loss	(49,814)	(34,189)	(25,621)	(2,858,040)	(2,684)	(34,335)	(59,046)	(3,052,163)
Basic loss per share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (2.17)	\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (2.32)
Weighted avg. shares	2,746,822	1,477,026	1,315,137	1,315,137	1,315,136	1,315,136	1,315,136	1,315,136

\*The net loss in the December 31, 2014 quarter was mainly due to the write-off of the Fraser Bay Property and the net loss in the December 31, 2015 quarter was mainly due to the write-off of the Isortoq Property.

## Outstanding Share Data

West Melville's authorized capital is unlimited common shares without par value. As at November 28, 2016, the following common shares and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	13,905,137		
Share Purchase Warrants	125,115	\$ 6.00	July 29, 2017
	25,195	\$ 20.00	August 3, 2017
	28,000	\$ 6.00	August 28, 2017
	4,000,000	\$ 0.10	June 28, 2019
	4,000,000	\$ 0.35	April 27, 2018
Fully Diluted at November 28, 2016	<b>22,083,447</b>		

## Results of Operations

### **Nine months ended September 30, 2016 ("2016 period") compared to nine months ended September 30, 2015 ("2015 period")**

The net loss for the nine months ended September 30, 2016 was \$127,285 as compared to \$101,309 in the nine months ended September 30, 2015. The increase in net loss is mainly due to an increase in personnel costs and rent expense and a decrease in write-off of equipment, offset by a decrease in professional fees. Major variances are explained as follows:

- Personnel expenses have increased from \$10,827 in the 2015 period to \$40,250 in the 2016 period. The increase in costs relates to administrative and consulting fees paid to the Company's former officer and director and current officers;
- Rent increased from a recovery of \$2,740 in the 2015 period to \$4,833 in the 2016 period. The increase was due to rent paid in the 2016 period for the Company's officer;
- Share-based compensation expense increased from \$Nil in the 2015 period to \$7,200 in the 2016 period. The share-based compensation expense relates to the fair value of the bonus shares issued to certain directors and officers of the Company in relation to the promissory notes issued; and
- Write-off of equipment decreased from \$20,943 in the 2015 period to \$Nil in the 2016 period. During June 2015, the Company wrote off its obsolete office equipment when the office moved to a new location.

### **Three months ended September 30, 2016 ("Q3 2016") compared to three months ended September 30, 2015 ("Q3 2015")**

The net loss for the three months ended September 30, 2016 was \$52,022 as compared to \$8,071 in the three months ended September 30, 2015. The increase in net loss is mainly due to an increase in office and administration, personnel costs, project evaluation costs and professional fees. Major variances are explained as follows:

- Office and administration fees increased from \$1,264 in Q3 2015 to \$7,816 in Q3 2016. The increase in expense relates mostly to the fees paid for the Company's name change;
- Personnel expenses have increased from \$1,499 in Q3 2015 to \$6,250 in Q3 2016. The increase in costs relates to administrative and consulting fees paid to the Company's former officer and director and current officers;
- Project evaluation costs increased from \$Nil in Q3 2015 to \$4,856 in Q3 2016. The increase was due to costs relating to the evaluation of the Wels property prior to the Company entering into an option agreement; and
- Professional fees increased from \$Nil in Q3 2015 to \$18,757 in Q3 2016. The increase in costs relates to the legal fees incurred for the change in Company's directors and officers and the company name.

## Liquidity and Capital Resources

Cash increased by \$644,108 during the nine months ended September 30, 2016 from \$2,145 at December 31, 2015 to \$646,253 at September 30, 2016.

Cash utilized in operating activities during the nine months ended September 30, 2016 was \$245,788 (2015 - \$51,281). The operating activities were mostly for corporate listing and filing fees, office and administration, professional fees and personnel costs.

Cash utilized in investing activities during the nine months ended September 30, 2016 was \$8,304 (2015 - \$49,753). The investing activities in the nine months ended September 30, 2015 were for exploration and evaluation expenditures on the Isortoq property. The investing activities in the nine months ended September 30, 2016 were for the Wels property.

Cash received in financing activities during the nine months ended September 30, 2016 was \$898,200 (2015 - \$60,000). During the nine months ended September 30, 2016, the Company received \$30,000 of loans, \$235,950 of net proceeds from the completion of a private placement and \$632,250 from a subscriptions to a private placement that was completed subsequent to September 30, 2016. During the nine months ended September 30, 2015, the Company received \$60,000 of loans.

At September 30, 2016, share capital of \$9,963,420 comprised of 5,405,137 issued and outstanding common shares (December 31, 2015 - \$9,832,270 comprising 1,315,137 shares outstanding). Reserves, which arises from the recognition of the estimated fair value of stock options and the issuance of common share purchase warrants were \$2,134,411 (December 31, 2015 - \$2,022,411). As a result of the net loss for the nine months ended September 30, 2016 of \$127,285 (2015 - \$101,309), the deficit at September 30, 2016 increased to \$12,176,343 from \$12,049,058 at December 31, 2015. Accordingly, shareholders' deficit decreased from \$192,169 as at December 31, 2015 to \$58,643 at September 30, 2016.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. See "Risks and Uncertainties".

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company intends to raise money through the sale of equity instruments and may consider the optioning of its mineral property interests. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

## Risks and Uncertainties

### *Exploration Stage Company*

K2 Gold is engaged in the business of acquiring and exploring mineral properties with the desire of locating and developing economic deposits of minerals. Development of any future properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that K2 Gold's future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, it can be commercially mined.

### ***Mineral Exploration and Development***

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on K2 Gold.

### ***No Operating History and Financial Resources***

K2 Gold has not achieved profitable operations and has no operating revenues and is unlikely to generate any in the foreseeable future. The Company has raised \$2,240,000 gross funds from private placements completed in the current year. Additional funds will be required for K2 Gold to acquire and explore new mineral interests. K2 Gold has limited financial resources and there is no assurance that sufficient additional funding will be available to fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause K2 Gold to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

### ***Government Regulation***

The current or future operations of K2 Gold, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that K2 Gold will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which K2 Gold may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to K2 Gold's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. K2 Gold will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral

properties. K2 Gold's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that K2 Gold will be able to compete successfully with others in acquiring such prospects.

### ***Environmental Risks and Hazards***

All phases of K2 Gold's operations will be subject to environmental regulation in the jurisdictions in which it intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which K2 Gold holds interests or on properties that will be acquired which are unknown to K2 Gold at present and which have been caused by previous or existing owners or operators of the properties.

### ***Commodity Prices***

The price of K2 Gold's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of base metals. Base metals prices fluctuate widely and are affected by numerous factors beyond K2 Gold's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of K2 Gold's properties to be impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower precious or base minerals prices could result in material write-downs of K2 Gold's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Price Volatility and Lack of Active Market***

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be

anticipated that any quoted market for K2 Gold's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

### ***Key Executives***

K2 Gold will be dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of K2 Gold are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of K2 Gold, the loss of these persons or K2 Gold's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. K2 Gold does not currently carry any keyman life insurance on any of its executives. The directors and certain officers of K2 Gold will devote part of their time to the affairs of K2 Gold.

### ***Potential Conflicts of Interest***

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

### ***Dividends***

K2 Gold has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of K2 Gold and will depend on K2 Gold's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of K2 Gold deem relevant.

### ***Nature of the Securities***

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

### **Proposed Transactions**

There were no proposed transactions as at September 30, 2016 and the date of this MD&A.

## Subsequent Event

In conjunction with the Wels property transaction (Note 5), the Company completed a non-brokered private placement of 8,000,000 units at \$0.25 per unit for gross proceeds of \$2,000,000 on October 27, 2016. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles holder to purchase one additional common share at \$0.35 per share for 18 months from closing. The Company received \$632,250 of share subscriptions as at September 30, 2016 and has been recorded to share subscriptions received. The Company also incurred \$5,307 of costs relating to the private placement that has been recorded as deferred financing costs.

## Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning West Melville's general and administrative expenses and exploration and evaluation assets is provided in the Company's consolidated interim statement of comprehensive loss for the three and nine months ended September 30, 2016 and 2015 that is available on K2 Gold's website at [www.k2gold.com](http://www.k2gold.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

## Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

## Recent Accounting Pronouncements

### *Recent Accounting Pronouncements adopted:*

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS 11 is effective on or after January 1, 2016. There is no effect on these financial statements.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016. There is no effect on these financial statements.

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

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

## Contractual Obligations for the Next Five Years

The Company's contractual obligations for the next five years is disclosed in Note 5 of the Company's interim condensed financial statements.

## Transactions with Related Parties

### *Key management personnel compensation*

Key management personnel consist of the Company's current and former directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits to a former executive officer. The aggregate value of compensation with key management personnel for the nine months ended September 30, 2016 was \$47,250 (2015 - \$31,138) and was comprised of the following:

	2016	2015
Exploration expense – field work	\$ -	\$ 10,600
Personnel	40,250	8,600
Project evaluation	-	9,710
Non-cash benefit	-	2,228
Share-based compensation	7,200	-
	<b>\$ 47,250</b>	<b>\$ 31,138</b>

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The balance payable to related parties at September 30, 2016 was \$3,876 (December 31, 2015 - \$16,015) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

During the nine months ended September 30, 2016, the Company received a total of \$30,000 (2015 - \$60,000) in loans from companies controlled by directors of the Company.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

## Recent Developments and Outlook

The Company expects to obtain financing in the future primarily through further equity financing, as well as through joint venturing and/or the optioning of the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations.

The Company's business objectives are to secure financing, fund its general and administrative expenses for the ensuing year, to search for a new property, and fund its working capital requirements.

## **Financial Instruments and Other Instruments**

### ***Overview***

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and GST recoverable. Cash is held with a major Canadian financial institution and GST recoverable are from Government entities. Management is of the view that all amounts are fully collectible.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due or will be able to obtain financing as required to meet its obligations and commitments. Also see note 1 of the Company's financial statements for the three months ended September 30, 2016.

### ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not currently have any significant interest or equity price risk as it has no significant interest bearing financial instruments nor does it hold any investments in equities of another entity.

### ***Foreign currency risk***

In the normal course of business, the Company enters into transactions for the purchase of supplies and services and acquisition of mineral properties, denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk. The Company does not have any significant currency risks at September 30, 2016.

## **Approval**

The Board of Directors of K2 Gold has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone upon request.

## Additional Information

Additional Information relating to K2 Gold is on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting:

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