

**SG SPIRIT GOLD INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

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## **INTRODUCTION**

This Management's Discussion & Analysis ("MD&A") is intended to supplement and complement the consolidated interim financial statements of SG Spirit Gold Inc. (the "Company" or "SG Spirit Gold") for the three and six months ended June 30, 2017. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016 including the accompanying notes.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. The consolidated interim financial statements of the Company and summary information derived therefrom have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal control matters.

This MD&A is dated August 3, 2017 and presents material information up to this date.

The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING INFORMATION**

Information set forth in this MD&A contains certain "forward-looking statements" under applicable securities laws. Forward-looking statements relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including without limitation, statements about the future expenditures and capital needs of the Company and future financings and acquisitions are forward-looking statements.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Except

as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

SG Spirit Gold Inc. (the "Company" or "SG Spirit Gold") is an exploration stage company whose common shares trade on the TSX Venture Exchange and is in the business of acquiring, exploring and evaluating mineral resource properties. All of the Company's exploration and evaluation assets are located in Canada. The address of the Company's registered office is #2200 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

Further to the news release dated March 11, 2016, the Company entered into a definitive agreement ("agreement"), dated May 26, 2016 with ArcScan Inc. ("ArcScan"). ArcScan is a privately held company, incorporated under the laws of the State of Delaware, which has developed and has commenced the commercialization of the latest evolution of ultrasonic imaging technology. In accordance with the terms of the definitive agreement, ArcScan was to merge with SG Spirit Subco LLC which is a wholly owned subsidiary of the Company, pursuant to the laws of the State of Delaware, following which the resulting merged entity would continue as a wholly owned subsidiary of the Company. In consideration for completion of the merger, the current holders of ArcScan common shares and preferred A shares were to be issued one post consolidated common share of the Company in exchange for every one common share of ArcScan that they held. The transaction, when complete, would be considered a reverse takeover. The transaction was subject to regulatory approvals and trading in shares of the Company was halted pending completion of the transaction.

On October 25, 2016 SG Spirit Gold announced that the definitive agreement and plan of merger entered into between the Company and ArcScan, Inc. had expired and would not be further extended. Trading in the Company's shares resumed on October 27, 2016.

On September 30, 2016 the Company announced that, effective immediately, it had reconstituted its board of directors to consist of Richard Grayston, Mark Ferguson and Richard Ko. Mr. Grayston was appointed CEO of the Company and Mr. Ferguson was appointed CFO.

On February 10, 2017, the Company entered into a definitive amalgamation agreement (the "Definitive Agreement") with Northern Lights Marijuana Company Limited ("DOJA"), pursuant to which the Company proposes to acquire all of the issued and outstanding securities of DOJA.

In accordance with the terms of the Definitive Agreement DOJA will amalgamate with a wholly-owned subsidiary of the Company, following which the resulting amalgamated entity will continue as a wholly-owned subsidiary of the Company. In consideration for the completion of this transaction the current holders of DOJA class "A" voting common shares will be issued one-and-eight-tenths (1.8) common shares of the Company in exchange for every share of DOJA they hold. Existing convertible securities of DOJA will be exchanged for convertible securities of the Company, on substantially the same terms, and applying the same exchange ratio.

On March 29, 2017 the Company appointed a syndicate of agents to sell by way of private placement up to 13,333,333 subscription receipts of the Company at a price of \$0.75 per subscription receipt for aggregate gross proceeds of up to \$10,000,000. Concurrently with the closing of the transaction contemplated in the Definitive Agreement each subscription receipt will be automatically exchanged into "Units" of the Company. Each Unit shall consist of one (1) common share of the Company and one-half of one common share purchase warrant. Each

whole warrant shall entitle the holder to acquire one (1) additional common share of the Company at an exercise price of \$1.25 for a period of 24 months from the date of issuance.

On April 28, 2017 the Company and DOJA agree to amend the terms of the Definitive Agreement. Completion of the acquisition of DOJA is now subject to, among other things, the Company completing a consolidation of its issued and outstanding share capital on a three-for-one basis, DOJA completing a financing for gross proceeds of at least \$3,000,000 on or before May 31, 2017, receipt of any required shareholder, regulatory and third party consents, the Canadian Securities Exchange having conditionally accepted the listing of the Company's common shares, the TSX Venture Exchange having consented to the voluntary delisting of the Company's common shares and the satisfaction of other customary closing conditions.

## SELECTED ANNUAL INFORMATION

The following financial data are selected information for the Company for the three most recently completed financial years:

	December 31, 2016	December 31, 2015	December 31, 2014
Net loss for the year	\$ (211,338)	\$ (62,902)	\$ (399,305)
Net comprehensive loss for the year	(211,338)	(57,902)	(394,305)
Basic and diluted loss per share	(0.02)	(0.07)	(0.42)
Total assets	94,113	3,959	68,444

Results for 2016 were dominated by efforts made by the Company to conduct due diligence regarding the acquisition of ArcScan, which effort were terminated in October, 2016.

The 2015 fiscal year was devoted to reviewing Company alternatives and possible exploration initiatives for the LOV property. Coincidentally management maintained minimal expenditure levels while seeking additional financing.

Results for 2014 were dominated by impairment charges concerning the LOV property and other east Kootenay property interests formerly held by the Company.

## RESULTS OF OPERATIONS

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and is in accordance with International Financial Reporting Standards.

	3 Months ended June 30, 2017 \$	3 Months ended Mar 31, 2017 \$	3 Months ended Dec 31, 2016 \$	3 Months ended Sept 30, 2016 \$	3 Months ended June 30, 2016 \$	3 Months ended Mar 31, 2016 \$	3 Months ended Dec 31, 2015 \$	3 Months ended Sept 30, 2015 \$
Total revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	40,872	35,052	22,918	13,238	36,550	138,632	28,091	16,807
Net loss per share, basic and diluted	0.01	0.00	0.00	0.00	0.00	0.02	0.03	0.02
Total assets	162,935	170,906	94,113	35,896	48,071	71,703	3,959	83,269
Total liabilities	105,014	72,114	106,668	77,841	63,878	50,960	516,960	558,179
Total shareholders' equity (deficiency)	57,921	98,792	(12,555)	(41,945)	(15,807)	20,743	(513,001)	(474,910)

### Operating Results for the Three Months Ended June 30 2017

During the three months ended June 30, 2017 SG Spirit Gold incurred a loss of \$40,872 (\$0.01 per share) compared to a loss of \$36,550 (\$0.00 per share) in the same period of 2016. Consulting fees were \$7,500 in the second quarter of 2017 versus \$NIL in the second quarter of 2016. The increase occurred because CEO of the Company, appointed September 30, 2016, receives a \$2,500 per month consulting fee for his services whereas prior to September 30, 2016 the officers of the Company received management fees. Filing fees were \$2,743 in the three months ended June 30, 2017 compared to a \$2,500 in the second quarter of 2016. Interest expense was \$NIL in the second quarters of 2017 and 2016 as all interest-bearing loans were repaid with the proceeds of the February, 2016 private placement. SG Spirit Gold incurred management fees of \$800 in the 2017 period compared to management fees of \$4,000 in the 2016 period. These changes reflect the change in management at September 30, 2016. SG Spirit Gold recovered \$4 in office costs in the second quarter of 2017 versus an expense of \$3,841 in the 2016 period, again as a result of the September 30, 2016 changes. The Company paid professional fees of \$28,906 in the second quarter of 2017 as a result of efforts to complete a transaction with DOJA while professional fees were \$26,209 in the second quarter of 2016 as the Company focussed on completing the proposed ArcScan transaction. The Company had transfer agent fees of \$927 in the 2017 period versus \$NIL in the 2016 period. There were no travel expenses, or share based compensation in the three months ended June 30 of each of 2017 and 2016.

### Operating Results for the Six Months Ended June 30, 2017

During the six months ended June 30, 2017 the Company incurred a loss of \$75,924 (\$0.01 per share) compared to a loss of \$175,182 (\$0.02 per share) in the first six months of 2016. Consulting fees were \$15,000 in the 2017 period versus \$1,000 in the first six months of 2016 as the CEO of the Company, appointed September 30, 2016, receives a \$2,500 monthly consulting fee whereas prior to September 30, 2016, management of the Company received management fees. Filing fees were \$11,443 in the six months ended June 30, 2017 compared to \$8,020 in the 2016 period. Interest expense was \$NIL in the 2017 six months compared to \$1,225 in the first six months of 2016. The Company repaid its interest-bearing debt in February, 2016. SG Spirit Gold recovered \$700 in management fees in the 2017 period versus an out lay of \$8,000 in the first half of 2016, the difference being explained by the management changes that occurred on September 30, 2016. Office costs were \$849 in the first half of 2017 compared to \$5,228 in the 2016 period, again a result of the September 30, 2016 changes. Professional fees were \$46,820 in the six months ended June 30, 2017 compared to \$59,605 in the first six months of 2016. In each period the Company was seriously involved in the consideration of a major transaction ( 2017 - DOJA: 2016 - ArcScan). In the first six months of 2016 SG Spirit Gold incurred share based compensation expense in the amount of \$70,537 as

the Company awarded 1,300,000 stock options on the completion of the February, 2016 private placement financing. Lastly, in the first six months of 2016 the Company incurred \$21,567 in travel; costs as management performed due diligence on the contemplated ArcScan transaction.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2017, the Company had cash of \$161,110, amounts receivable of \$1,825, and current liabilities of \$105,014. As a result SG Spirit Gold had a working capital of \$57,921.

### **Cash Flow**

Cash used in operating activities during the six months ended June 30, 2017 amounted to \$78,467, compared to \$545,227 during the first half of 2016. The private placement in February, 2016 which allowed for a substantial reduction of accounts payable along with the ongoing ArcScan efforts were the principal reasons for the greater use of cash in 2016.

In the first six months of 2017 the Company raised a net \$146,400 (\$110,000 from the exercise of warrants and \$36,400 from the exercise of stock options) in cash. In the first six months of 2016 SG Spirit Gold raised a net \$566,302 in cash primarily from a private placement that realized gross proceeds of \$605,000.

At present, the Company has no producing properties and consequently has no current operating income or cash flows. The Company is actively seeking additional sources of financing to pay its ongoing working capital needs and finance the acquisition of new projects. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern.

The Company's cash and cash equivalents are held in a Schedule 1 Canadian financial institution and its affiliated brokerage house in highly liquid accounts and interest bearing investments. No amounts have been or are invested in asset-backed commercial paper.

To date, the Company's operations, exploration and evaluation activities have been almost entirely financed from equity financings. The Company will continue to identify financing opportunities in order to provide additional financial flexibility and to continue the development of its property portfolio, meet land claim expenditure requirements and other commitments. While the Company has been successful raising the necessary funds in the past, there can be no assurance it can do so in the future.

## **RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2017 the Company incurred \$14,300 (2016 - \$8,000) in management fees to directors, former directors or companies controlled by directors or former directors. At June 30, 2017 the Company owed directors, former directors or companies controlled by former directors amounts totaling \$33,175 (2016 - \$14,700) in respect of these fees, which is included in accounts payable and accrued liabilities.

## **CAPITAL STOCK**

### **Common Shares**

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

As at June 30, 2017 there are 15,211,457 common shares outstanding.

Common shares issued during the year ended December 31, 2016:

On February 9, 2016, the Company completed a non-brokered private placement of 12,100,000 units at a price of \$0.05 per unit for gross proceeds of \$605,000. Each unit consists of one common share of the Company and one share purchase warrant entitling the holder to acquire an additional share at a price of \$0.10 per share for a period of 5 years. The Company paid \$16,061 in share issue costs related to this private placement.

In addition, 800,000 shares were issued following the exercise 800,000 warrants originally issued as part of the February 9, 2016 private placement.

Common shares issued during the six months ended June 30, 2017:

1,100,000 warrants were exercised resulting in the issuance of 1,100,000 common shares at \$0.10 per share.

260,000 stock options were exercised resulting in the issuance of 260,000 common shares at \$0.14 per share.

### **Share Purchase Warrants**

On February 9, 2016 the Company issued 12,100,000 share purchase warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share for a period of five years. The warrants expire on February 9, 2021.

800,000 of these warrants were exercised in 2016, leaving 11,300,000 warrants outstanding at December 31, 2016.

In the first quarter of 2017 a further 1,100,000 warrants were exercised leaving 10,200,000 warrants outstanding as at March 31, 2017.

### **Stock Options**

On February 9, 2016, the Company granted 1,300,000 incentive stock options to directors and officers. The incentive stock options have an exercise price of \$0.08 per share, expire one year from the date of grant and vest immediately. These stock options were cancelled on September 30, 2016.

On November 30, 2016 the Company approved the issuance of 520,000 options to consultants at an exercise price of \$0.14. These options were granted for a period of five years and vest immediately. During the first three months of 2017 260,000 of these options were exercised. As a result 260,000 options remain outstanding exercisable at \$0.14 per share until November 30, 2021.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

### Critical judgments in applying accounting policies

The preparation of financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1 of the consolidated financial statements for the year ended December 31, 2016. In addition, management has made judgments regarding the functional currency of the Company, and has determined that the functional currency of the Company is the Canadian dollar.

### Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated interim financial statements include, but are not limited to, the following:

#### *Impairment of exploration and evaluation assets*

At the end of each reporting period the carrying amounts of the Company’s exploration and evaluation assets are reviewed to determine whether there is any indication that they have suffered an impairment loss or reversal of previous impairment. Where such an indication exists, the recoverable amount is estimated in order to determine the extent of the impairment.

#### *Share-based payments*

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

### *Deferred tax assets and liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or less deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

### **ACCOUNTING POLICIES**

For a summary of the Company's accounting policies and new accounting standards to be adopted, see Note 3 of the audited consolidated financial statements for the year ended December 31, 2016.

### **RISK FACTORS**

The exploration of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain of the more immediate risk factors are discussed below.

#### **Conflicts of Interest**

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

#### **Third Party Credit Risk**

The Company may be exposed to third party credit risk through its contractual arrangements with future joint venture partners and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

## **Exploration, Evaluation and Development**

Mineral exploration, evaluation and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and evaluation activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Company's control such as commodity prices, exchange rates, government policies and regulation and environmental protection.

## **Financing**

The Company does not currently have any operations generating cash to fund projected levels of exploration and evaluation activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and evaluation plans. There can be no assurance that such financing will be available to the Company. In the future, the Company will require additional funding to maintain its properties in good standing. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial, or total loss of the Company's interest in its exploration and evaluation assets.

## **Commodity Price Volatility**

The market prices for commodities are volatile. The Company does not have any control over such prices or volatility. Lower commodity prices could make it more difficult for the Company to obtain financing for its current or new mineral projects. There is no assurance that if commercial quantities of mineralization are discovered, a profitable market will exist for a production decision to be made or for the ultimate sale of production at a profit. As the Company is currently not in production, no sensitivity analysis for price changes has been provided.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as at the date hereof.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, amounts receivables and accounts payable and accrued liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada, and as such the Company does not believe there is significant credit risk with respect to accounts receivable.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 11 to the audited consolidated financial statements for the year ended December 31, 2016.

As at June 30, 2017, the Company has sufficient cash to settle all of its accounts payable and accrued liabilities. The Company will need to raise additional funds through equity or debt to continue with its operations.

### Market Risk

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

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### *Price Risk*

The Company is exposed to price risk with respect to commodity, equity and marketable security prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The prices of these commodities affect the value of the Company and the potential value of its property and investments. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### *Currency Risk*

As at June 30, 2017, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company does not believe it is exposed to any significant currency risk.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal control over financial reporting during the three months ended June 30 2017, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

## **EVENTS AFTER THE REPORTING PERIOD**

On July 27, 2017 the Company announced that the transaction with DOJA is expected to close on or about August 2, 2017, following which time the Company will provide an update on the initial expected trading date on the CSE under the symbol **DOJA**. A listing statement with respect to the transaction is expected to be filed under the Company's SEDAR profile on or about August 2, 2017.

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

## **APPROVAL**

The Board of Directors of SG Spirit Gold Inc. has approved the disclosure contained in this MD&A.