

# **ODYSSEY RESOURCES LIMITED**

**Management's Discussion and Analysis**

**Year ended December 31, 2016**

**ODYSSEY RESOURCES LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL**  
**CONDITION AND RESULTS OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Odyssey Resources Limited ("Odyssey" or the "Company"), dated April 20, 2017, covers the years ended December 31, 2016 and 2015 and should be read in conjunction with the financial statements and related notes for the years ended December 31, 2016 and 2015 (the "December 31, 2016 and 2015 financial statements").*

*The Company's December 31, 2016 and 2015 financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC").*

*All financial results presented in this MD&A are expressed in US dollars unless otherwise indicated.*

**Description of Business**

Odyssey is a Canadian-based exploration company whose focus is the acquisition, exploration and development of mineral resource properties. As of the date of this MD&A, the Company does not own any mineral property and is not carrying out any exploration programs. However, the Company is actively assessing new properties and seeks to acquire an interest in mineral properties that have merit. There can be no assurance that the Company will acquire a new mineral property in the near term, or at all, and that if a mineral property is acquired, it will have adequate financial resources to explore and/or develop such property. At December 31, 2016, the Company had working capital of \$322,431.

The Company is a reporting issuer in British Columbia, Alberta and Ontario and its financial year-end is December 31. Dundee Corporation indirectly holds approximately 31.4% of the issued and outstanding common shares of the Company.

Odyssey's common shares are listed on the NEX trading board of the TSX Venture Exchange ("TSXV") and trade under the symbol ODX.H.

*Potential Acquisition of Mineral Projects in Peru*

In November 2015, the Company had entered into a non-binding letter of intent (the "LOI") with LAI Corp S.A.C. ("LAI"), a Peruvian arm's length private company, to acquire all of the shares of LAI, including its contractual right to acquire the Ishihuinca gold tailings project located in southern Peru (the "Ishihuinca Project"). The LOI was amended in April 2016 and June 2016 to extend the closing deadline to August 31, 2016. In November 2016, the Company and LAI mutually agreed not to extend the term of their LOI with respect to the acquisition of the Ishihuinca Project. The

Company and LAI are continuing discussions regarding the acquisition of various mineral projects in Peru and LAI has agreed to deal exclusively with Odyssey in respect of those potential acquisitions. On March 31, 2017, such exclusivity was further extended until September 30, 2017.

#### *Bridge Loan to LAI*

In November and December 2015, the Company advanced a total amount of \$250,000 to LAI under a bridge financing agreement. The advances bear interest at the rate of 12% per annum from the date of advancement. Following amendments to the bridge financing agreement dated November 29, 2016 and March 31, 2017, the advances and the accrued interest are repayable by LAI on the earlier of the date of closing of a transaction with LAI and September 30, 2017, or such other date as the parties may agree to.

#### *Share consolidation*

At a special shareholder meeting held on November 27, 2015, the Company's shareholders had passed a resolution approving the consolidation of the Company's issued and outstanding shares on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares currently issued and outstanding. The resolution gives the board of directors authority to implement the share consolidation at any time. The board intends to implement the share consolidation prior to completing a transaction with LAI, subject to TSXV approval.

#### *Appointment of interim chairman*

In February 2017, Mr. David Fennell resigned as director and chairman of the Company to focus his efforts on other commitments. Mr. James Crombie, president and CEO and a director of Odyssey has been appointed as interim chairman of the Board.

#### *Loan from a director*

In April 2017, the Company's interim chairman, president and CEO agreed to lend the Company an amount of up to Can \$300,000, to fund short term working capital requirements of the Company. The loan bears interest at the rate of 1% per month and is repayable on the earliest of the completion of a financing by the Company for a minimum amount of Can \$3,000,000 or upon demand at any time after June 30, 2018. As of the date of this MD&A, one tranche of Can \$75,000 has been advanced to the Company.

**Selected Consolidated Financial Information**

	December 31, 2016	December 31, 2015
<b>Financial Position</b>	<b>\$</b>	<b>\$</b>
Cash	43,352	254,083
Total assets	369,592	563,160
Shareholders' equity	343,404	512,494

  

	Year ended December 31,		
	2016	2015	2014
<b>Operations</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management and administration	200,324	196,554	199,587
Business development	44,838	78,075	-
Finance income	(30,296)	(7,077)	(11,018)
Gain on sale of marketable securities	(6,282)	-	-
Fair value adjustment of marketable securities	(21,158)	(6,034)	20,643
<b>Net loss</b>	<b>(187,426)</b>	<b>(261,518)</b>	<b>(209,212)</b>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Cash flows</b>			
Operating activities	(271,515)	(232,585)	(178,571)
Investing activities	43,518	(250,000)	-
Financing activities	-	-	-

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payment will depend on a number of factors including the Company being able to generate profit from future operations and any other factor that the board of directors may deem necessary to consider. It is highly unlikely that any dividend will be paid in the near future.

**Results of Operations**

The Company incurred a net loss of \$187,426 (\$0.01 per share) during the year ended December 31, 2016 compared to a net loss of \$261,518 (\$0.01 per share) in 2015.

During the years ended December 31, 2016 and 2015, the Company did not conduct any exploration work and hence did not incur any exploration expenses.

Management and administration expenses increased slightly from 2016 compared to 2015. The strengthening of the US dollar compared to the Canadian dollar during the year resulted in an unrealized loss on foreign exchange of

\$7,768 in 2016 compared to an unrealized gain on foreign exchange of \$14,409 in 2015. This variance was partially offset by lower administrative and general expenses of \$21,608 during the year as a result of lower activities. Details of such expenses are summarized in the following table.

In 2016 and 2015, the Company assessed a number of mineral properties and when required hired third-party consultants to support its due diligence activities. The Company incurred an amount of \$44,838 in 2016 compared to \$78,075 in 2015 for legal and other professional fees and regulatory and travel expenses related to the review of mineral projects in Peru (see *Potential Acquisition of Mineral Projects in Peru* section), presented as business development expenses.

In 2016, finance income included accrued interest on the loan to LAI (described under the *Bridge Loan to LAI* section) in the amount of \$30,000 compared to \$2,500 in 2015. Other finance income in 2016 and 2015 resulted from the Company's cash position.

In 2016, the Company sold 2,000,000 of the shares held in Ariana Resources plc ("Ariana"), a London-based mineral exploration company, for proceeds of \$43,518, realizing a gain on sale of marketable securities of \$6,282. The Company also accounted for a fair value adjustment of the shares held in Ariana of \$21,158 in 2016 compared to \$6,034 in 2015. At December 31, 2016, the Company continued to hold 1,000,000 shares in Ariana.

Management and administration expenses are detailed as follows:

	Year ended December 31,		
	2016	2015	2014
	\$	\$	\$
Employee benefits	27,949	29,790	26,839
Administrative and consultants	71,535	93,143	71,351
Office	58,103	51,197	52,526
Investor relations and travel	3,760	4,635	1,808
Professional fees	20,023	18,479	36,241
Reporting issuer costs	11,186	13,719	11,927
Loss (gain) on foreign exchange	7,768	(14,409)	(1,105)
	<b>200,324</b>	196,554	199,857

4<sup>th</sup> quarter ended December 31, 2016 compared to 4<sup>th</sup> quarter ended December 31, 2015

During the 4<sup>th</sup> quarter ended December 31, 2016, the Company realized a net income of \$5,639 (nil per share), compared to a net loss of \$120,919 (nil per share) during the 4<sup>th</sup> quarter ended December 31, 2015. During the 4<sup>th</sup> quarter ended December 31, 2016, management and administration expenses totalled \$897, due to lower activities and an unrealized gain on foreign exchange of \$7,480, compared to management and administration expenses of \$59,051 during the 4<sup>th</sup> quarter ended December 31, 2015. During the 2015 period, the net loss also included business

development expenses of \$64,617 (nil during the 2016 period) attributable to the potential acquisition of mineral projects in Peru, consisting of legal and other professional fees, travel and regulatory expenses.

### Selected Quarterly Financial Information

Period ended	Revenues (\$)	Net income (net loss) (\$)	Basic net	Diluted net
			income (loss) per share \$	income (loss) per share \$
December 31, 2016	-	5,639	0.00	0.00
September 30, 2016	-	(31,050)	(0.00)	(0.00)
June 30, 2016	-	(54,347)	(0.00)	(0.00)
March 31, 2016 (1)	-	(107,668)	(0.00)	(0.00)
December 31, 2015 (2)	-	(120,919)	(0.00)	(0.00)
September 30, 2015	-	(70,525)	(0.00)	(0.00)
June 30, 2015	-	(29,631)	(0.00)	(0.00)
March 31, 2015	-	(40,443)	(0.00)	(0.00)

- (1) Including business development expenses of \$42,199 related to the potential acquisition of mineral projects in Peru.
- (2) Including business development expenses of \$64,617 related to the potential acquisition of mineral projects in Peru.

### Liquidity and Capital Resources

At December 31, 2016, the Company had working capital of \$322,431 (including cash of \$43,352) compared to working capital of \$477,550 at December 31, 2015. Working capital is currently being used to pursue and evaluate new resource projects and for general and administration expenses.

The Company will require additional financing to provide for general and administrative expenditures for at least the next 12 months, which are estimated at \$200,000, and to acquire new projects. To this effect, the Company's interim chairman, president and CEO agreed to advance an amount of up to Can \$300,000, to fund short term working capital requirements (see *Loan from a director* section).

The Company's ability to fund the acquisition of new projects, to fund subsequent exploration programs, development studies and/or capital investment, and to meet its corporate and administrative obligations is dependent on the Company's ability to obtain additional financing, when required, through various means, including but not limited to equity financing. The ability of the Company to arrange the required financing depends in part upon the quality and potential of the project being acquired, global economic and capital market conditions, as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

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**Capital Management**

The Company defines capital that it manages as shareholders' equity. At December 31, 2016, managed capital was \$343,404 (\$512,494 at December 31, 2015). When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to any externally imposed capital requirements at December 31, 2016.

**Off-Balance Sheet Arrangements**

As of December 31, 2016, the Company had no off-balance sheet arrangements.

**Related Party Transactions**

During the year ended December 31, 2016, the Company paid or accrued an amount of \$39,719 to Reunion Gold Corporation, a related party by virtue of common management, for the rental of office space and for the use of office equipment and supplies and paid or accrued an amount of \$38,917 to Highland Copper Company Inc., a related party by virtue of common management, for administrative and legal services, under a management services agreement dated January 1, 2016 (\$84,702 was paid to Reunion Gold Corporation during the year ended December 31, 2015 for administrative and legal services, the rental of office space and the use of office equipment and supplies).

In April 2017, the Company and its interim chairman, president and CEO entered into a loan agreement as described above under *Loan from a director* to fund short term working capital requirements of the Company.

The remuneration awarded to directors and to senior key management, including the former executive chairman, the chief executive officer and the chief financial officer totalled \$47,563 during the year ended December 31, 2016 (\$57,494 in 2015).

**Financial Instruments**

The Company's financial instruments at December 31, 2016 consist of cash, loan to LAI, marketable securities, accounts payable and accrued liabilities and payable to a related party. Other than marketable securities, the fair value of these financial instruments approximates their carrying value, given that they will mature shortly. A plus or minus 10% change in the value of the marketable securities would affect shareholders' equity by approximately \$2,100 (\$3,500 at December 31, 2015).

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## **Basis of Presentation of Financial Statements**

The Company's financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's financial statements are consistent with those of the previous year. The significant accounting policies of Odyssey, including significant accounting judgements and estimates, are presented in Note 3 to the December 31, 2016 and 2015 financial statements filed on SEDAR.

## **Accounting Standards Issued but Not Yet Applied**

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Company's financial statements that are expected to be relevant to the Company are presented in Note 3 to the December 31, 2016 and 2015 financial statements filed on SEDAR.

## **Outstanding Share Data**

As at April 20, 2017, the Company has 36,231,486 common shares issued and there are no warrants or stock options outstanding.

## **Financial Risk Factors**

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, credit risk, currency risk and interest risk. Where material, these risks are reviewed by the board of directors of the Company. These risks are described and presented in Note 13 to the December 31, 2016 and 2015 financial statements filed on SEDAR.

## **Trends**

The Company anticipates that it will continue to experience net losses until such time, if any, as revenue generating activity is commenced. The Company's future financial performance is dependent on many external factors. Both the price of, and the market, for, precious and base metals are volatile, difficult to predict and subject to changes in domestic and international political, social and economic environments. Circumstances and events, such as the recent economic crisis and ongoing volatility in the capital markets, could materially affect the future financial performance of the Company. Other factors and risks that have affected, and which in the future may affect the Company and its financial position, are described in the following section.

## **Other Risks and Uncertainties**

The identification, acquisition and financing of mineral properties is a highly competitive and speculative process which even a combination of careful evaluation, experience and knowledge may not eliminate. The Company currently has no interest in a mineral property. There is no assurance that the Company will be acquiring any such

interest in the short term or at all. The risks below are not the only risks the Company may face. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

#### *Limited financial resources*

To acquire, explore and develop mineral properties, the Company will need to obtain additional financing from external sources. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in the Company being unable to complete an acquisition and to conduct exploration and development on such acquired properties. Major expenses are generally required to acquire and develop mineral properties and there is no assurance that exploration and development programs on mineral properties will result in a profitable commercial mining operation.

LAI is a Peruvian private company whose objective is to acquire mineral projects in Peru. There can be no assurance that LAI will be able to repay the Loan when due.

#### *Competition*

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire a mineral property of merit, purchase required equipment, and hire qualified personnel in the future will depend on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

#### *Conflicts of interest*

Certain directors of the Company are also directors, officers or shareholders of other natural resource companies. Situations may arise where the directors and officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' conflicts of interest. In the event that a conflict of interest arises at a meeting of the Company's directors, a director who has a conflict will abstain from voting on the matter in respect of which he is in a position of conflict. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **Cautionary Note Regarding Forward-Looking Information**

Except for statements of historical facts relating to Odyssey, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential acquisition of mineral projects in Peru, the Company's ability to finance the acquisition of such mineral projects, the recoverability of the loan to LAI, the required capital investments, and other statements relating to the financial and business prospects of the Company. Although the Company believes in light of the experience of its officers and directors, current conditions and expected future developments and other factors that have been considered appropriate that the expectations reflected in this forward-looking information are reasonable, undue reliance should not be placed on them because the Company can give no assurance that they will prove to be correct. Forward-looking information is subject to known and unknown risks and uncertainties, and depends on assumptions and other factors, all of which may cause actual results or events to differ materially from those anticipated in such forward-looking information. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligations to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

### **Additional Information and Continuous Disclosure**

This MD&A has been prepared as at April 20, 2017. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's web site ([www.odysseyresources.com](http://www.odysseyresources.com)).