Colorado Resources Ltd.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED

**December 31, 2016**

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### *Introduction*

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Colorado Resources Ltd. (the "Company") as at December 31, 2016 and for the period then ended in comparison to the same period ended in 2015. This MD&A should be read in conjunction with the un-audited condensed consolidated financial statements for the period ended December 31, 2016 and December 31, 2015 and related notes (the "Interim Statements").

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is February 28, 2017.

Throughout the report we refer to Colorado, the "Company", "we", "us", "our" or "its". All these terms are used in respect of Colorado Resources Ltd. **Additional information on the Company can be found on SEDAR at www.sedar.com and the Company's website at www.coloradoresources.com.**

### *Cautionary Statement on Forward-Looking Information*

This report contains "forward-looking statements", including, the Company's expectations as to but not limited to, comments regarding the timing and content of upcoming work programs and exploration budgets, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A include the following: our approved budgets, exploration and assay results, results of the Company's planned exploration expenditure programs, estimated drilling success rates and other prospects. Due to the nature of the mineral resource industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Company. Accordingly, while the Company anticipates that it will have the ability to spend the funds available to it, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Colorado assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, economic and political events affecting metal supply and demand, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, and other risks. Actual results may differ materially from those currently anticipated in such statements.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

### *Overview Performance and Operations*

Colorado Resources Ltd. was incorporated on October 9, 2009 under the *Business Corporations Act* (British Columbia).

The Company is a "reporting" company in the provinces of British Columbia, Alberta and Ontario and is listed on the TSX Venture Exchange (the "Exchange"), having the symbol CXO.V as a Tier 2 issuer.

The Company is in the exploration stage and its principal business activities include the acquisition, exploration and development of mineral properties. As a result the Company has no current sources of revenue, other than interest earned on cash and short-term investments, and in certain farm-out agreements management fees.

The Company's principal assets include the North ROK, Hit, Heart Peaks, KingPin and an option to acquire up to an 80% interest in the KSP Property and the recent acquisition of the Castle Property all located in British Columbia. Additionally the Company recently entered into an option to acquire a 100% interest in the Green Springs Property located in Nevada, USA.

***Cautionary Notes***

**Readers are cautioned that the exploration targets at the Company's British Columbia properties are early-stage exploration prospects, conceptual in nature. With the exception of the North ROK Property, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. (See Company website for further details on North ROK)*

***Readers are cautioned this report contains information about adjacent properties on which Colorado has no right to explore or mine. Readers are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on the Company's properties.*

***Qualified Person***

James Oliver, P.Geo the Company's Chief Geoscientist is the Qualified Person as defined by National Instrument 43-101 who supervised the preparation of the technical data discussed in this report.

## Exploration Activities 2016

As reported in the Company's Q2 2017 MD&A dated for reference November 23, 2016 and filed on SEDAR, the Company reported on its 2016 field season that commenced on June 16, 2016 and was completed during September, 2016. The following is an update from the Q2 2017 MD&A for the three months ended December 31, 2016 and as at the date hereof. Highlights include:

### British Columbia

#### KSP Property

The Company has an option (the "KSP Option") to acquire up to an 80% interest in the KSP Property, located approximately 100 kilometres northwest of Stewart in northern British Columbia, with SnipGold Corp. ("SnipGold") recently acquired by Seabridge Gold Inc. ("Seabridge") on June 21, 2016.

***2016 Field Season***

During the recent quarter ended December 31, 2016 the Company reported the results of ongoing interpretative work of the KSP 2016 Inel drill results in the context of newly reported surface soil geochemical, geological and geophysical data together with historical results which have identified nine additional target zones at Inel[1].

A review of the 2016 Inel assay data indicates that a total of 5,872 samples were collected from 7,484.5 m of drill core of the total 7,874.5 m drilled. A total of 1,989 samples (31.6% of metres drilled) returned ≥0.25 g/t gold at a length weighted uncut average grade of 1.46 g/t gold, which is a testament to the strength of the mineralizing system. A total of 650 samples (9.9% of the metres drilled) returned ≥1.00 g/t gold at a length weighted uncut average grade of 3.63 g/t gold.

The 2016 drilling tested the central core of the soil geochemical anomaly over a 300 m x 600 m area to an average depth of approximately 125 m from surface. Results from the 2016 drill program were previously reported and have highlighted high grade gold results over 1-4 m lengths and multi-gram gold results over tens of metres (*See Company website and news releases for further details*). The drill results support the validity of the gold in soil anomaly over the area drilled, and provide significant encouragement for future testing the remaining 9 target zones at Inel-Khyber, each highlighted by a well-developed gold in soil anomaly.

*[1] Although the nine soil geochemical anomalies outlined are similar to those associated with the historic Inel mineralized zone, it is uncertain if subsequent drill testing of these soil geochemical anomalies will produce similar results.*

Recent drilling is expending our understanding of the rock types and structures that can hose mineralization. When reviewed in the context of the drillhole results and surface geochemistry, it is noted that gold anomalous zones are not restricted to just the main contact between the volcanics and sediments in a semi-conformable nature as originally thought. As a consequence, exploration targets are now known to occur from near surface and to greater depths than anticipated. As well, the mineralization is hosted by a broader range of rock types than initially anticipated.

Mineralization encountered in the sediments is believed to be related to either steeper feeder structures or other favorable structural-chemical traps. These geological signatures are vectoring towards the Inel Intrusion contact in an area which has seen no previous drilling (West Discovery Target).

Surface geochemical anomalies also occur within the Inel Intrusion (Big Bowl and Western Slopes Targets) and overlying sediments upslope and above a volcanic/ sediment contact that has a significant mappable extent (Inel Ridge Target).

The centre of the Inel soil anomaly area was drill tested with 51 drillholes in 2016 and covers approximately 15 hectares within which a total of 111 soils average 0.92 g/t gold, 505 ppm copper and 2,901 ppm zinc (*See news release of December 20, 2016 and Company website for figures*).

The Inel area hosts at least six other targets adjacent to the area drilled in 2016, and these target areas ranging in size from 8-18 hectares have returned average gold values in soils from 0.66 g/t to 2.91 g/t gold. Three other targets at Khyber located approximately 1-2 kilometres south of Inel range in size from 5-18 hectares and have returned average gold values from 0.73 to -1.07 g/t gold. Most of the soil or talus fine samples within the anomalies were collected on either 25 or 50 metre sample spacings on lines 100 metres apart. (*See news release of December 20, 2016 and Company website for further details*).

As at December 31, 2016, the Company has incurred $5,705,280 net of BCMET recoveries (March 31, 2016 - $1,535,788) for acquisition and explorations costs.

***Outlook***

In accordance with the terms of the KSP Option the Company as at December 31, 2016 has met it 2016 exploration expenditures of $2M and cash payment of $125,000 due on or before December 19, 2016.

The Company as at the date of this report has substantially completed the 2017 exploration expenditures of $2.5M due on or before December 19, 2017. The remaining obligation to exercise the 51% option is the outstanding cash payments of $150,000 due on or before December 19, 2017. Upon the exercise of the initial 51% interest, and notice of its intent to exercise the additional 29% interest, Colorado will have 12 months thereafter to expend a further $4M in exploration expenditures to earn the 80% interest. Colorado will require additional funding to complete the $4M in expenditures. *See Corporate – Financings.*

For more information on the KSP Project the reader is directed to the Company's website at www.coloradoresources.com.

KingPin Property

During the period ended December 31, 2016 the Company acquired a 100% interest in several mineral claims located in the Golden Triangle area in northwestern British Columbia through staking (collectively referred to as the "KingPin Property").

During the 2016 field season the Company completed initial assessment work required at the KingPin Property which included 47 man days of prospecting, exploration mapping and rock (161 samples), and soil (129 samples) sampling for approximately $81,315 in exploration costs.

As at December 31, 2016 the Company has incurred $217,545 (March 31, 2016 - $Nil) in acquisition and explorations costs.

***Outlook***

The Kingpin Property covers >328 square kilometres of prospective ground in the Golden Triangle area north of Stewart. This first pass work although preliminary in nature has given the Colorado exploration team a better understanding of the region. The technical team will be reviewing the 2016 data and proposing work for the 2017 field season.

North ROK Property

The North ROK property is owned 100% by Colorado and is comprised of 16 mineral tenures covering 5,188 hectares. The property is located approximately 70 kilometres south of Dease Lake and straddles Highway 37 approximately 15 kilometres northwest of the new Red Chris** mine development project (currently under construction) in northern British Columbia.

During the 2016 field season the Company completed some drill site reclamation for costs of approximately $9,297. As at December 31, 2016, the Company has incurred $4,876,115 net of BCMET recoveries (March 31, 2016 - $4,866,818) in acquisition and exploration costs.

***Outlook***

Colorado Resource's technical team has drafted a proposed budget of $845,000 to complete a 2600 metre five-hole drill program to test for the potential expansion of the known resource. This proposal is under review and any implementation of the drilling program and any additional work would be dependent on the Company raising additional funds over and above its obligations under its KSP Option as described hereinabove to complete same.

Hit Property

The Hit property is owned 100% by Colorado and is comprised of 97 mineral tenures covering 21,751 hectares including 2 additional claims recently acquired in November 2015 by staking. The property is located approximately 27 km north of Princeton, British Columbia.

***Outlook***

During the 2016 field season the Company completed assessment work including 16 rock samples which contained no significant metal values. As at December 31, 2016 the Company has incurred, $1.369,263 net of BCMET recoveries (March 31, 2016 - $1,364,507) in acquisition and exploration costs.

Colorado's technical team has proposed a further $100,000 budget of follow up geological and geophysical work in the north-west Golden area as well as full detailed mapping of the Rum & Coke and Hit trends to identify possible drill targets. Implementation of this proposed program and further work will be dependent on the Company raising additional funds over and above its KSP Option obligations as described herein to complete same.

Heart Peaks

The Heart Peaks Property ("HP Property") was acquired by staking 37 contiguous mineral tenures in the Atlin Mining Division, British Columbia.

As previously reported Colorado had optioned the HP Property Centerra Gold Inc. ("Centerra") whereby Centerra could earn a 70 % interest through making exploration expenditures totaling $8,000,000 by December 31, 2019. Centerra completed 1,703 m diamond drill program for approximately $1.1M (*See Company website for details on results).* On October 3, 2016, pursuant to the terms of option Centerra provided written notice of its decision to terminate the option effective October 3, 2016.

***Outlook***

As previously reported based on a review of the 2016 data the Colorado technical team is of the opinion that given the significant untested potential remaining at the HP property, further drilling is warranted. A proposed drill program for 1,600 m estimated to cost approximately $1,000,000 has been recommended and is under review.

**Castle Property**

On February 3, 2017 Colorado entered into an option agreement with Kaizen Discovery Inc. ("Kaizen") to acquire a 100% interest in the Castle gold-silver-copper property (the "Castle Property") subject to a 2% percent NSR to the underlying original vendor (the "Original Vendor NSR") for the following consideration:

1. 1,000, 000 units of Colorado ("Consideration Units") to be issued to Kaizen within 5 days of Exchange approval (issued). Each Consideration Unit will consist of one common share and one common share purchase warrant (a "Warrant"). Each Warrant will entitle Kaizen to purchase a further common share at a purchase price of $0.60 per share for a period of 24 months.

The Company has the option to purchase the Original Vendor NSR for CDN$4,000,000. The Consideration Shares issued in connection with the agreement will be subject to a four month hold period.

**USA**

***Nevada***

**Green Springs**

On December 6, 2016, Colorado entered into a definitive agreement with Ely Gold & Minerals Inc. ("ELY") wherein ELY has granted the exclusive option to Colorado to acquire ELY's 100% interest in and to the Green Springs Property by making the following payments and share issuances over 4 years:

- Initial - US$50,000 cash (paid) and the issuance of 300,000 common shares (issued) upon Exchange approval (*received on December 13, 2016);*
- Year 1 Anniversary - US$100,000 cash and the issuance of 500,000 common shares;
- Year 2 Anniversary- US$200,000 cash and the issuance of 600,000 common shares;
- Year 3 Anniversary - US$400,000 cash and the issuance of 850,000 common shares; and
- Year 4 Anniversary - US$2,250,000 cash (the "Final Option Payment").

Colorado may at its election make the Final Option Payment 50% cash and 50% common shares based on a 30 day VWAP (subject to a floor price of $0.20 per share).

During December 2016 Colorado completed geological mapping, collected 642 soil samples, and made applications to update the existing permits in preparation for an initial RC drill program. Previous soil sampling[1] at Green Springs highlighted a number of significant trends associated with the old pits and also in areas upslope and as far away as 3 km to the northeast of the pits at the "A" Zone North (untested by drilling). The Mine Trend is a 3 km long by approximately 500 m wide north –south trending corridor which covers the main areas of previous sampling, drilling and limited mining. Within this trend gold in soil anomalies (> 50 ppb gold) were noted upslope of the "C" and "C North" pits (untested by drilling) and to the east and southeast of the "D" pit (partially tested by drilling).

To date the results from a total of 468 soil samples have been received. These results are already highlighting and expanding the "D "Zone East (a 350 m x 650 m area > 50 ppb gold) upslope and to the east of the "D" pit and the new discovery of the "G" Zone (a 200 m x 200 m area >50 ppb gold which is untested by drilling) located 1.3 km to the east of the "C" pit. No work has been completed so far by Colorado in the vicinity of the "A" Zone North (a 200 m x 500 m area > 50 ppb gold).

The Company received from the U.S. Forest Service the updated drill permits and commenced RC drilling on February 13, 2017 for an initial 4,000 ft phase which will consist of approximately 10 holes. The drill program has two principal goals:

1. To test the nature of gold mineralization at the lower Chainmen Shale – Joana Limestone contact south of the historic mine workings and along the trend of a north-south striking structural corridor. This productive contact was exploited at the Green Spring mine where 1.1 million tons of rock averaged 2.1 g/t Au[1]; and

2. To test the nature of gold mineralization associated with the lower Pilot Shale – Guilmette Limestone contact. This contact is well exposed to the north and to the east of the mine workings and is associated with jasperoidal bodies which both historic[1] RC boreholes and surface rock samples had demonstrated to be significantly gold mineralized. The Colorado RC program is designed to test both of these permissive stratigraphic and structural contacts over a combined strike length of approximately 3.0 km.

***Cautionary Notes***
***[1]No external QA/QC was included with the soil samples collected by Colorado, or during the historical soil sampling programs.***

***[2] Historical information contained in this section regarding Green Springs cannot be relied upon as the Company's QP, as defined under NI-43-101 has not prepared nor verified the historical information and are treated as historical exploration information***

Lithium Project – Nevada

On June 7, 2016 Colorado disposed of its Nevada Lithium property pursuant to a Purchase Agreement with a third party private company (the "Purchaser") for the sale of its 100% interest in the Fish Lake Claims, subject to the Company retaining a 1% net smelter returns royalty ("NSR") wherein the Purchaser is entitled to purchase the NSR for a cash payment of $1,000,000.

Pursuant to the terms of the Agreement, among other things, the Purchaser is required to complete a Going Public Transaction (as defined in the policies of the Exchange) on or before June 15, 2016 (the "Resulting Issuer") which was completed on June 7, 2016.

Consideration for the sale of the Claims included the following:

i) a cash payment of $200,000 on or before May 9, 2016 (received); and
ii) the issuance of 400,000 common shares (received) of the Resulting Issuer (the "Consideration Shares") on or before June 22, 2016 (the "Closing Date").

As at the date of this report the Company is in receipt of 400,000 shares of American Lithium Corp. representing the Consideration Shares as described herein.

On June 7, 2016, the Company had completed the sale of the Claims for cash and Consideration Shares as follows:

| | |
|---|---|
| Balance as at March 31, 2015 | $- |
| Transfers from exploration and evaluation assets | 201,753 |
| Balance as at March 31, 2016 | $201,753 |
| Cash consideration | (200,000) |
| Consideration Shares | (556,000) |
| Cost of the transaction | 29,116 |
| **Gain on sale of exploration and evaluation assets as at December 31, 2016** | **$(525,131)** |

*The remainder of the page is left blank intentionally*

**The following table outlines the details of exploration expenditures for the period ended December 31, 2016:**

| | British Columbia | | | | | | USA | |
|---|---|---|---|---|---|---|---|---|
| | North ROK | KSP | Hit | Heart Peaks | KingPin | Other | Nevada | Total |
| Balance as at March 31, 2016 | $4,866,818 | $1,535,788 | $1,364,507 | $1,206,112 | $0 | $9,957 | $0 | $8,983,181 |
| Acquisition - Cash Payments | - | 125,000 | - | - | 20,000 | - | - | 145,000 |
| Acquisition - Staking/Lease Pymts | - | 10,250 | - | - | 51,495 | (4,723) | - | 57,022 |
| Acquisition - Common shares | - | - | - | - | 64,000 | - | 60,000 | 124,000 |
| Acquisition - Other | - | - | - | - | 735 | - | 10,045 | 10,780 |
| Total Acquisition | - | 135,250 | - | - | 136,230 | (4,723) | 70,045 | 336,802 |
| Assaying | - | 165,757 | 336 | - | 4,041 | 2,416 | 2,092 | 174,642 |
| Cash in lieu/claim fees | - | - | - | - | 720 | - | - | 720 |
| Community relations | 165 | 170 | - | - | - | - | - | 335 |
| Drilling | - | 905,351 | - | - | - | - | - | 905,351 |
| Field supplies | 11 | 125,775 | - | - | - | - | 55 | 125,841 |
| Fieldwork | 5,965 | 543,786 | 773 | - | 16,996 | 2,879 | 7,283 | 577,681 |
| Geological & Geophysics | 308 | 500,122 | 3,705 | - | 5,395 | 3,535 | 23,515 | 536,580 |
| Mapping & misc | 86 | 65,731 | (397) | - | 14,888 | 2,668 | 1,849 | 84,825 |
| Site costs | 2,548 | 558,327 | 309 | - | 9,125 | - | 3,410 | 573,719 |
| Transport & rentals | 215 | 1,169,223 | 31 | - | 30,150 | 2,685 | 734 | 1,203,039 |
| Total Exploration | $9,297 | $4,034,242 | $4,756 | $0 | $81,315 | $14,183 | $38,938 | $4,182,732 |
| Disposal of exploration and evaluation assets | - | - | - | - | - | (3,350) | - | (3,350) |
| Total Expenditures | $9,297 | $4,169,492 | $4,756 | $0 | $217,545 | $6,110 | $108,982 | $4,516,184 |
| **Balance at December 31, 2016** | **$4,876,116** | **$5,705,280** | **$1,369,263** | **$1,206,111** | **$217,545** | **$16,068** | **$108,982** | **$13,499,365** |

The following table outlines the details of exploration expenditures for the year ended March 31, 2016:

| | British Columbia | | | | | USA | |
|---|---|---|---|---|---|---|---|
| | North ROK | KSP | Hit | Heart Peaks | Other | Nevada | Total |
| Balance as at March 31, 2015 | $4,854,562 | $1,171,473 | $1,284,431 | $1,194,323 | $5,405 | $- | $8,510,194 |
| Acquisition - Cash Payments | - | $100,000 | - | - | - | - | 100,000 |
| Acquisition – Staking | $754 | - | $183 | - | $4,163 | 128,523 | 133,623 |
| Acquisition - Lease payments | - | 9,000 | - | - | - | - | 9,000 |
| Total Acquisition | $754 | $109,000 | $183 | $0 | $4,163 | $128,523 | $242,623 |
| Assaying | - | 12,750 | 279 | - | - | - | 13,029 |
| Community relations | 583 | 958 | - | 333 | - | - | 1,875 |
| Field supplies | -2,463 | 1,212 | 881 | 177 | - | 3,478 | 3,284 |
| Fieldwork | 338 | 3,800 | 13,431 | - | - | 12,740 | 30,309 |
| Geological & Geophysics | 8,236 | 133,998 | 57,162 | 8,250 | 73 | 21,022 | 228,740 |
| Mapping & misc | 1,606 | 49,359 | 10,098 | 2,366 | 394 | 6,957 | 70,778 |
| Permitting and legal | - | - | - | - | - | 1,707 | 1,707 |
| Report compilation | - | 1,775 | 690 | - | - | - | 2,465 |
| Site costs | 492 | 28,855 | 3,498 | 1,865 | - | 27,294 | 62,004 |
| Transport & rentals | 883 | 43,058 | 307 | 48 | - | 31 | 44,327 |
| Total Exploration | $9,674 | $275,766 | $86,345 | $13,038 | $466 | $73,229 | $458,519 |
| British Columbia Mining Tax Credits | 1,829 | (20,451) | (6,452) | (1,250) | (78) | - | (26,402) |
| Reclassification to Assets Held for Sale | - | - | - | - | - | (201,753) | (201,753) |
| Total Expenditures | $12,256 | $364,315 | $80,076 | $11,788 | $4,552 | $- | $472,987 |
| **Balance at March 31, 2016** | **$4,866,818** | **$1,535,788** | **$1,364,507** | **$1,206,112** | **$9,957** | **$-** | **$8,983,181** |

## Corporate

### Financings

#### *Use of Proceeds*

| | |
|---|---|
| Proceeds received from Tranche 1, Tranche 2 and Final Tranche | $4,734,006 |
| Less share issue costs | (249,556) |
| Net proceeds | 4,484,450 |
| Flow-thru funds expended | (1,487,780) |
| Balance to working capital | $2,996,670 |

On May 18, 2016, the Company completed the initial tranche ("Tranche 1"), which consisted of the issuance of 2,211,430 non-flow units at a price of $0.35 ("NFT Units") and 2,282,334 flow-through units at a price of $0.42 ("FT Units") for aggregate gross proceeds of $1,732,580. Each Tranche 1 NFT Unit consisted of one common share in the capital of the Company (an "NFT Share") and one common share purchase warrant (an "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of $0.50 until May 18, 2018. Each Tranche 1 FT Unit consisted of one flow-through common share in the capital of the Company (a "FT Share") and one–half of one non-transferable non-flow through common share purchase warrant. Each whole warrant (a "NFT Warrant") will entitle the holder to purchase one additional common share of the Company (a "NFT Share") at an exercise price of $0.60 until May 18, 2018.

On May 31, 2016, the Company completed the second tranche ("Tranche 2") which consisted of the issuance of 4,463,500 NFT Units and 1,260,000 FT Units for aggregate gross proceeds of $2,091,426. Each Tranche 2 NFT Unit consisted of one common share in the capital of the Company (a "NFT Share") and one common share purchase warrant (a "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of $0.50 until May 31, 2018. Each Tranche 2 FT Unit consisted of one flow-through common share in the capital of the Company (a "FT Share") and one–half of one non-transferable non-flow through common share purchase warrant. Each whole warrant (a "NFT Warrant") will entitle the holder to purchase one additional common share of the Company (a "NFT Share") at an exercise price of $0.60 until May 31, 2018.

On June 1, 2016 the Company completed the issuance of 2,600,000 NFT Units for aggregate gross proceeds of $910,000 (the "Final Tranche"). Each Final Tranche NFT Unit consisted of one common share in the capital of the Company (a "NFT Share") and one common share purchase warrant (a "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of $0.50 until June 1, 2018.

The NFT Warrant and FT Warrants contain an acceleration provision such that, if the closing price of the common shares of the Company on the TSX Venture Exchange is higher than $0.75 for 20 consecutive trading days, then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the Warrants may be accelerated to the date that is 20 trading days after the Acceleration Trigger Date by the issuance of a news release announcing such acceleration within two trading days of the Acceleration Trigger Date.

The Company has paid aggregate finders' fees in connection with Tranche 1 and Tranche 2 of $180,777 cash and issued to finders 68,880 warrants at an exercise price of $0.35 and 128,119 warrants at an exercise price of $0.42 (collectively the "Finder Warrants"). Each Finder Warrant is otherwise exercisable on the same terms as the warrants issued to investors in the offering.

On December 29, 2016 the Company completed the issuance of 3,800,000 flow through units "Flow-Through Units") at an issue price of $0.25 per Flow-Through Unit (the "Offering"). Each Flow-Through Unit consists of one flow-through common share in the capital of the Company (a "FT Share") and one–half of one non-transferable non-flow through common share purchase warrant (each whole warrant a "NFT Warrant"). Each NFT Warrant entitles the holder thereof to purchase one additional common share of the Company (a "NFT Warrant Share") at an exercise price of $0.40 per NFT Warrant Share until December 29, 20. Finders' fees of an aggregate cash of $13,625 were paid. The proceeds will be used by the Company for exploration activities on it Canadian properties.

On February 16, 2017 the Company commenced a non-brokered private placement comprised of 4,000,000 units of the Company (the "Units") at an issue price of $0.32 per Unit and 9,000,000 flow-through units (the "Flow-Through Units") at an issue price of $0.42 per Flow-Through Unit for aggregate gross proceeds of $5,060,000 (the "Offering").

Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one–half of one non-transferable Common Share purchase warrant (each whole warrant a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Common Share at an exercise price of $0.50 for 30 months after the date of issuance (the "Closing Date").

Each Flow-Through Unit will consist of one flow-through common share of the Company that qualifies as a flow-through share for purposes of the *Income Tax Act* (Canada) (a "FT Share") and one–half of one non-transferable non-flow through common share purchase warrant (each whole warrant a "NFT Warrant"). Each NFT Warrant will entitle the holder thereof to purchase one additional common share of the Company (a "NFT Warrant Share") at an exercise price of $0.50 per NFT Warrant Share for a period of 30 months from the Closing Date.

The Company may pay finder's fees in accordance with the rules and policies of the Exchange. The Offering remains subject to the approval of the Exchange. All securities issued in the Offering will be subject to a statutory hold period of four months and a day from the Closing Date of the Offering.

The Company intends to expend the proceeds from the Flow-Through Units for exploration on the Company's Canadian properties, and the proceeds from the Units will be for general working capital purposes.

***Results of Operations***

**Financial Results for the three months ended December 31, 2016 and December 31, 2015**

The Company has no operating revenues and relies on external financings to generate capital for its continued operations. As a result of its activities, Colorado continues to incur annual net losses.

For the three months ended December 31, 2016, the Company reported a $530,105 net comprehensive loss or $0.01 basic and diluted earnings per share. The primary component for the current period loss was general and administration costs of $275,864 share-based compensation costs of $86,759 and pre-exploration expenditures of $13,208 were also contributing factors to the loss. Pre-exploration costs primarily related to the technical and legal due diligence of the Greens Springs option as described hereinabove. The expenditures were offset by interest income of $4,914 and gain on sale of exploration assets of $1,650. The Company recorded a loss on the sale of the Consideration Shares as described hereinabove of $71,074. Additionally the Company recorded the fair value loss of $17,750 on the remaining Consideration Shares recorded in other comprehensive loss.

For the three months ended December 31, 2015, the Company reported a $367,917 net comprehensive loss or $0.01 basic and diluted earnings per share. The primary component of the comparative period loss was general and administration costs of $158,250, share-based compensation costs of $171,204 and pre-exploration expenditures of $8,458 were also contributing factors to the loss. The expenditures were offset by interest income of $1,653 and management fees of $33,258 in connection with the Centerra option as described hereinabove. Additionally the Company recorded the write-down of available for sale investments on the previously held SnipGold shares.

**Financial Results for the nine months ended December 31, 2016 and December 31, 2015**

For the nine months ended December 31, 2016, the Company reported a $448,820 net comprehensive loss or $0.01 basic and diluted earnings per share. The primary component of the current period included expenses for general administration in the amount of $758,924, pre-exploration expenditures of $189,519 and share based payments of $443,883. Expenditures were off-set by interest income of $24,878 and management fees of $78,219 in relation to the Centerra option. During the period ended December 31, 2016 the Company also recorded $400,226 in other income for the fulfillment of flow through expenditure requirements. Additionally the Company's loss off-set by and the gain on the sale of the Nevada Lithium claims as described herein of $526,884 (based on the recorded value of the Consideration Shares received). The Company also recorded a net gain on the sale of the SnipGold shares of $363,385 offset by the loss on the sale of the Consideration Shares of $71,074 for a net gain of $292,311. The net income was offset by the fair value loss attributed to the decrease in share price of the Consideration Shares as at in the amount of $357,750.

For the nine months ended December 31, 2015, the Company reported a $693,667 net comprehensive loss or $0.01 basic and diluted earnings per. The primary component of the comparative period loss was general and administration costs of $432,551, share-based compensation costs of $225,393 and pre-exploration expenditures of $32,508 were also contributing factors to the loss. The expenditures were offset by interest income of $29,434 and management fees of $33,268 in connection with the Centerra option.

The summary of variances in expenditures included:

| | 2016 | 2015 | Variance | |
|---|---|---|---|---|
| | $ | $ | $ | % |
| Directors fees | 12,500 | 16,000 | (3,500) | -22% |
| Pre-exploration expenditures | 189,519 | 32,508 | 157,011 | 483% |
| Accounting and legal | 9,228 | 33,314 | (24,086) | -72% |
| Consulting | 320,343 | 184,352 | 135,991 | 74% |
| Investor relations, website development and marketing | 101,978 | 9,779 | 92,199 | 943% |
| Office and administration fees | 217,132 | 137,411 | 79,721 | 58% |
| Regulatory fees | 5,400 | 3,227 | 2,173 | 67% |
| Shareholder communications | 18,035 | 17,255 | 780 | 5% |
| Transfer agent fees | 9,376 | 5,474 | 3,902 | 71% |
| Travel | 45,350 | 20,490 | 24,860 | 121% |
| Wages | 32,082 | 21,249 | 10,833 | 51% |
| Total | 960,943 | 481,059 | 479,884 | 100% |

[1] (Excludes depreciation, foreign exchange and share-based payments for option grants).

Overall corporate expenditures had a significant increase primarily as a result of the increased exploration activity at KSP, and recent acquisition of Green Springs, the completion of the financings as described herein and an increase in marketing activities and personnel both consultants and employees. Significant variances to note were:

The increase in pre-exploration expenditures from the comparative period 2015 related to an increase in property reviews, the technical due diligence review of the Green Springs acquisition and the sale of the Lithium property.

Increase in consulting fees was the result of increase in directors consulting services, in assistance to management on financing and exploration activities due to the current size of the Company.

Investor relations, website, corporate development and market – the increase in expenditures related to additional conference attendance, increase in news releases and advertising from the prior period in 2015.

Office and administrative fees and wages increased with the addition of personnel, increase in rent as a result of the Company taking the head lease on its office space in April 2016.

Travel – the increase in travel included the increase in conference attendance.

***Summary of quarterly results***

| | Dec. 31, 2016 | Sept 30, 2016 | June 30, 2016 | Mar. 31, 2016 |
|---|---|---|---|---|
| Total revenues | $— | $— | $— | $— |
| Income (loss) before tax and other items | ($512,355) | $25,124 | $398,161 | $(193,037) |
| Comprehensive income (loss) for the period | $(530,105) | $(106,876) | $227,661 | $(155,537) |
| Basic and diluted loss per share | $(0.01) | $(0.00) | $0.00 | $(0.01) |
| | | | | |
| | Dec. 31, 2015 | Sept 30, 2015 | June 30, 2015 | Mar. 31, 2015 |
| Total revenues | $— | $— | $— | $— |
| Loss before tax | (349,167) | (177,959) | (213,416) | $(647,776) |
| Comprehensive Loss for the period | (367,917) | (159,209) | (213,416) | $(629,026) |
| Basic and diluted loss per share | $(0.01) | $(0.00) | $(0.00) | $(0.01) |

The Company earned no revenue during the periods presented other than interest income due to the nature of the industry and its current operations.

Significant Variances to note:

1 For September 30, 2016 net comprehensive loss included $132,000 included a fair value loss on available-for-sale investment;
2 For June 30, 2016 net comprehensive income included $170,500 included a fair value loss on available-for-sale investment;
3 For March 31, 2016 net comprehensive loss of $155,537 included a fair value gain on available-for-sale investment;
4 For March 31, 2015 the increase in loss included the write-off of the Sol Property of $376,409 and the Kinaskan Property of $148,891 net of BC MET recoveries;

***Financial Condition, Liquidity and Capital Resources***

Key changes to the Company's financial condition were a net increase in cash of $1,198,143 and an increase in working capital to $3,594,270 primarily as a net result of the financings offset by general and administrative costs and investments in exploration and evaluation assets as described hereinabove.

| | December 31 2016 | March 31 2016 |
|---|---|---|
| **Financial position:** | | |
| Cash and cash equivalents | $3,395,871 | $2,197,728 |
| Working capital | 3,594,270 | 2,702,644 |
| Reclamation bonds | $141,000 | $116,000 |
| Property, plant and equipment | $21,411 | $3,918 |
| Exploration and evaluation assets | $13,499,365 | $8,983,181 |
| Total Assets | $17,426,390 | $11,974,293 |
| Shareholders' equity | $17,256,046 | $11,719,574 |

With the completion of the recent financings as at the date of this report, the Company has met its exploration expenditure commitments and option payment for its 2016 obligations for KSP. The Company has also substantially completed the remaining $2.5M obligations for 2017 and has working capital to meets its option payment of $150,000 due on or before December 19, 2017 under the KSP Option. Additionally the Company has working capital for the next 12 months. Additional funds received from the sale of the SnipGold Shares, Consideration Shares and exercise of options and warrants will be utilized for working capital requirements.

As Colorado will not generate funds from operations for the foreseeable future, the Company is primarily reliant upon the sale of equity securities in order to fund operations. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company will continue to have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company's policy is to invest its cash in highly liquid, short term, interest bearing investments with maturities of 90 days or less from the date of acquisition or over for period longer that may be redeemable after 30 days. The Company is not subject to externally imposed capital requirements.

## Commitments and Contractual Obligations

On April 1, 2016 the Company entered into a one year lease with Canada West Realty Ltd. for increased office space at an annual rent payable of $57,513 with an option to renew for an additional year at an agreed rate between the parties.

### *Off Balance Sheet Arrangements*

As at the date of this report, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Company including, without limitation, such considerations as liquidity and capital resources.

### *Related Party Transactions*

Transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These transactions were in normal course of operations and measured at the fair value of the services rendered. With the exception as noted below, amounts due to related parties is unsecured, non-interest bearing and have no formal terms of repayment. The key management personnel of the Company are the directors and officers of Colorado.

Transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key Management Compensation

| | **December 31 2016** | December 31 2015 |
|---|---|---|
| Administration and labour | **$101,320** | $81,852 |
| Consulting fees | **$454,495** | $271,221 |
| Wages | **$13,636** | - |
| Share based payments | **$214,409** | $181,000 |
| | **$783,860** | $534,073 |

i) Consulting fees of $172,615 (December 31, 2015 - $123,690) of which $39,330 (December 31, 2015 - $39,045) was capitalized to exploration and evaluation assets were paid or accrued to Cazador, a company controlled by Adam Travis, the President and Chief Executive Officer of the Company;

ii) Administration and labour fees of $49,920 (December 31, 2015 - $44,052) of which $Nil (December 31, 2015 - $6,419) was capitalized to exploration and evaluation assets were paid were paid or accrued to Cazador in relation to the Company's general corporate administration and fieldwork;

iii) Consulting fees of $109,793 (December 31, 2015 - $86,313) were paid or accrued to Minco, a company controlled by Terese Gieselman, the Chief Financial Officer and Corporate Secretary of the Company;

iv) Administration fees of $51,400 (December 31, 2015 - $37,800) were paid or accrued to Minco in relation to providing administrative and accounting employment services;

v) Consulting fees of $52,363 (December 31, 2015 - $41,244) of which $50,514 (December 31, 2015 - $34,139) was capitalized to exploration and evaluation assets were paid or accrued to Greg Dawson, the Company's VP Exploration;

vi) Consulting fees of $19,175 (December 31, 2015 - $9,475) were paid or accrued to 43983 Yukon Inc. ("43983") a company controlled by Larry Nagy, a director of the Company;

vii) Consulting fees of $95,550 (December 31, 2015 - $3,500) were paid or accrued to Carl Hering a director of the Company;

viii) Consulting fees of $5,000 (December 31, 2015 - $7,000) were paid or accrued to William Lindqvist a director of the Company;

ix) Wages of $13,636 (December 31, 2015 - $Nil) were paid to Alex Blanchard ("Blanchard") the Company's VP Corporate Development (Blanchard was appointed on November 21, 2016) ;and

x) Share-based payments are the fair value of options granted to key management personnel.

Related Party Liabilities Included in Trade and Other Payables:

| Amounts due to: | Service for: | December 31 2016 | March 31 2016 |
|---|---|---|---|
| Cazador Resources Ltd. | Consulting Fees | $19,777 | $200 |
| Greg Dawson | Consulting Fees | - | $4,434 |
| Carl Hering | Consulting Fees | - | $17,439 |
| Minco Corporate Management Inc. | Consulting Fees | $17,706 | - |
| William Lindqvist | Consulting Fees | - | $6,000 |
| 43983 Yukon Inc. | Consulting Fees | $2,730 | $3,032 |
| | | $40,212 | $31,105 |

Related Party Receivables

| Amounts due from: | Service for: | December 31 2016 | March 31 2016 |
|---|---|---|---|
| Cazador | Expenses | $1,322 | $1,943 |
| Damara | Rent & Expenses | 8,999 | 3,706 |
| | | $10,321 | $5,649 |

Related Party Advances

As at December 31, 2016, $225,000 (March 31, 2016 - $225,000) remained advanced to Damara Gold Corp., which has two common directors, Larry Nagy and William Lindqvist of the Company, in connection with property evaluation expenditures. The loan is interest-bearing (15% per annum) and due within 12 months from advancement at the election of Colorado in the event the companies did not proceed on a transaction. The parties have elected not to proceed on the property transaction and are working towards settlement of the debt.

### *Critical Accounting Policies and Estimates*

Colorado is a venture issuer therefor this section is not applicable. The details of Colorado's accounting policies are presented in Note 3 of the audited financial statements for the year ended March 31, 2016. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

**Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements have been issued by the IASB that are mandatory for accounting years beginning on or after April 1, 2016. The Company has not assessed the impact from adopting these standards.

**Future Accounting Pronouncements**

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

IFRS 9 Financial Instruments

Issued by IASB July, 2014
Effective for annual periods beginning on or after January 1, 2018

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- Classification and measurement of financial liabilities:

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

- Derecognition:

  The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

  Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by IASB May, 2014
Effective for annual periods beginning on or after January 1, 2016

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

<u>IFRS 16 Leases</u>

Issued by IASB January, 2016

Effective for annual periods beginning on or after January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

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

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

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

***Financial Instruments And Risk Management***

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

*Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of interest rate and commodity price risk.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and guaranteed investment certificates are subject to floating interest rates.

The Company as at December 31, 2016 does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

*Commodity Price Risk*

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company also hold marketable securities that are subject to changes in market price.

*Foreign Exchange Risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liability in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

*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 which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company does not maintain any trade payables beyond a 30-day period to maturity.

*Determination of Fair Value*

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for receivables, trade and other payables, and other liabilities approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

*Fair Value Hierarchy*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash and cash equivalents and marketable securities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the available-for-sale investments has been determined by reference to published price quotations in an active market, a Level 1 valuation.

*Capital Management*

The Company monitors its cash and cash equivalents, common shares, warrants and stock options as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period ended December 31, 2016.

***Outstanding Share Data***

Colorado's authorized capital is unlimited common shares without par value. As at the date of this report 82,049,232 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

| Type of Security | Number | Exercise price | Expiry Date |
|---|---|---|---|
| Stock options | 1,052,500 | $0.30 | 06-Jun-17 |
| Stock options | 100,000 | $0.29 | 30-Oct-18 |
| Stock options | 895,000 | $0.265 | 01-May-19 |
| Stock options | 210,000 | $0.25 | 12-Sep-19 |
| Stock options | 810,000 | $0.15 | 07-May-20 |
| Stock options | 1,995,000 | $0.08 | 31-Dec-20 |
| Stock options | 1,085,000 | $0.44 | 06-Jun-21 |
| Stock options | 200,000 | $0.22 | 21-Nov-21 |
| Warrants | 3,846,154 | $0.13 | 10-Dec-17 |
| Warrants | 1,337,500 | $0.13 | 18-Dec-17 |
| Warrants | 2,211,430 | $0.50 | 18-May-18 |
| Warrants | 61,800 | $0.35 | 18-May-18 |
| Warrants | 1,141,166 | $0.60 | 18-May-18 |
| Warrants | 128,119 | $0.42 | 18-May-18 |
| Warrants | 630,000 | $0.60 | 31-May-18 |
| Warrants | 4,463,500 | $0.50 | 31-May-18 |
| Warrants | 7,080 | $0.35 | 31-May-18 |
| Warrants | 2,600,000 | $0.50 | 01-Jun-18 |
| Warrants | 1,900,000 | $0.40 | 29-Dec-17 |

As at the date of this report there were no shares held in escrow.

***Other Requirements***

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at www.sedar.com.

***Risks and uncertainties***

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company continues to seek opportunities to acquire exploration and/or development projects. The main operating risks include: although the Company has secured the adequate funding to fulfill work commitment and option payment obligations on KSP for 2017 any further development will require additional funding, as well as to acquire, maintain and advance future exploration or advanced staged properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

**As a mineral exploration company, Colorado's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These include metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in provided high-risk equity capital to exploration companies, and the availability of qualified staff and equipment such as drilling rigs to conduct exploration.**

**The Company currently has nine employees. All significant work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project. In certain cases where consultants are unable to carry their own insurance the Company includes such individuals under its coverage.**