Havilah Mining Corporation

Management Discussion and Analysis
For the Year Ended December 31, 2018

This Management Discussion and Analysis ("MD&A") is an overview of all material information about the operations, liquidity and capital resources of Havilah Mining Corporations (the "Company" or "Havilah") for the year ended December 31, 2018. The MD&A was prepared as of April 25, 2019 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and 2017, and the related notes contained therein which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All figures are in Canadian dollars unless otherwise stated. In this MD&A, references to grams per tonne and ounces per tonne will be shown as g/t and oz/t.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HMC" and in the United States on the OTCBB under the stock symbol "HAVXF". Additional information related to the Company is available for view on SEDAR at www.sedar.com and on the Company's website www.havilahmining.com.

OVERVIEW

Havilah is a junior gold producer and explorer that owns the True North mine and mill complex, and is currently reprocessing historic tailings on a seasonal basis. In addition to operating True North in Bissett, Manitoba, Havilah holds approximately 53,000 hectares of highly prospective land within and adjacent to the Rice Lake greenstone belt. Havilah believes its land package is a prime exploration opportunity, with potential to develop a mining district centered on its True North facility. The Company also owns the Tully project near Timmins, Ontario, and intends to focus on both organic growth opportunities and accretive acquisition opportunities in North America.

ARRANGEMENT AGREEMENT AND CONTINUITY OF INTEREST

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, which closed on July 20, 2018, Hecla acquired all the outstanding common shares of Klondex. As part of the Arrangement Agreement, holders of common shares of Klondex ("Klondex Shareholders") received consideration consisting of either cash, Hecla common stock, or a combination of cash and Hecla common stock, plus shares of Havilah, a new company, incorporated on May 3, 2018 to hold Klondex's former Canadian assets comprised of Klondex Canada Ltd. (subsequently renamed to Havilah Mining Canada Ltd., ("Havilah Canada")) and Bison Gold Resources Inc. ("Bison"). Under the terms of the Arrangement Agreement Hecla also subscribed for a 13.46% interest in Havilah by contributing $9,242,800 (US$7.0 million). All remaining liabilities related to Havilah Canada and Bison were funded by Klondex prior to the transfer of the assets with no liabilities transferring on completion of the Arrangement Agreement.

As Klondex Shareholders received the Havilah Common Shares in their respective, pre-arrangement proportionate interests, no change of control resulted in either the Company, or the underlying assets or business acquired. As such, the Arrangement Agreement is considered a capital reorganization and is excluded from the scope of IFRS 3, Business Combinations. Accordingly, the results up to July 20, 2018 have been presented in this MD&A, and in the consolidated financial statements for the year ended December 31, 2018, on a continuity of interest basis of accounting with financial positions prior to the Arrangement Agreement based on amounts related to Havilah Canada and Bison previously recorded by Klondex. In addition, the information contained in the statements of comprehensive loss and statements of changes in equity have been derived from certain allocations from Klondex's financial statements, and management cautions readers of this MD&A that the allocation of expenses may not necessarily reflect, or be otherwise indicative of, the future financial performance of the Company.

HIGHLIGHTS

- On January 9, 2018, underground operations at the True North mine were reduced to a level required for the mining of remaining developed ore which was completed on March 2, 2018. The underground operation has since been placed on care and maintenance. Prior to the shutdown, True North mined 19,301 tons of ore and produced 2,091 ounces of gold.
- On April 20, 2018, the Company commenced the 2018 tailings re-processing season, averaging approximately 976 tons per day at an average grade 0.92 g/t (0.03 oz/t) gold. Proceeds from the tailings re-processing partially fund the ongoing care and maintenance of the underground infrastructure as well as the milling operations. On December 13, 2018 the Company announced the successful completion of tailings re-processing for fiscal 2018, temporarily suspending the operations for the winter. A total of 230,427 tons of tailings were re-processed during this period, recovering 5,187 ounces of gold.
- On July 20, 2018, the Arrangement Agreement between Klondex and Hecla, as described above, was completed, and the shares of Havilah Mining Canada Ltd. and Bison Gold Resources Inc. were transferred to Havilah Mining Corporation. Subsequent to the completion of the Arrangement Agreement, the Company successfully completed its application to list on the TSX-V under the symbol “HMC” and commenced trading on July 25, 2018.
- The Company hired Dr. Scott Anderson as Vice President of Exploration on September 9, 2018. Dr. Anderson was formerly the Chief Geologist of Precambrian Geoscience with the Manitoba Geological Survey. In his 17 years with the survey, Dr. Anderson's primary research focus was documenting the stratigraphic and structural controls on orogenic gold mineralization in the Archean Rice Lake greenstone belt, site of Havilah’s True North mine and mill complex.
- On September 19, 2018 the Company closed a non-brokered private placement for total proceeds of $960,300, funded primarily by management. Of this, $724,500 was raised by way of flow through financing and was used for exploration and resource verification work at the Ogama-Rockland project. The Company issued an additional 451,667 units to senior officers and directors of the Company on January 10, 2019 and March 21, 2019, for total additional proceeds of $129,725.
- On November 13, 2018 the Company regretfully announced the passing of Brian Morris, a director of the Company. Brian was taken prematurely from his family while attempting to help victims of a car collision in Reno, Nevada on November 10. His presence and passion are sorely missed by all employees and Directors of the Company.
- On November 27, 2018, the Company announced the appointment of Ron Clayton to the Board of Directors. Subsequent to year-end, on January 15, 2019, Mr. Clayton was appointed the President and Chief Executive Officer of the Company. Ron brings over 37 years of experience to the Company and was most recently the President and CEO of Tahoe Resources Inc. until June of 2018, where he led the construction and commissioning of the Escobal mine as the Company’s first Chief Operating Officer.
- On March 5, 2019, the Company closed a non-brokered private placement by issuing 8,333,333 flow-through common shares for gross proceeds of $4,000,000. The gross proceeds from the sale of the flow through shares will be used to incur eligible Canadian Exploration Expenses on the Company’s exploration properties in the Rice Lake greenstone belt located in Manitoba, Canada.

FINANCIAL AND OPERATING SUMMARY

For the year ended December 31, 2018 the Company initially operated as a subsidiary of Klondex up until July 20, 2018. With the completion of the Arrangement Agreement, the Company operated as a separate operating entity. The activities for the entire fiscal year have been reflected below on a continuous basis over these periods along with the comparative period for 2017.

Year ended December 31		2018		2017
Financial Results (in thousands)				
Revenue	$	17,993	$	42,174
Cost of sales:				
Production costs		24,500		41,427
Depreciation and depletion		4,855		5,449
Write-down of production inventories		4,025		8,306
Total Cost of Sales		33,380		55,182
General and Administrative Costs		1,426		5,201
Exploration expense		526		-
Impairment of mineral properties		9,674		28,230
Other expenses		6,095		4,754
Net Loss and Comprehensive loss	$	(33,108)	$	(51,193)
Operating Results				
Gold equivalent ounces recovered		7,299		27,877
Gold ounces sold		10,814		25,806
Per Ounce Data				
Average realized price	$	1,631	$	1,632
Cash cost of operations per ounce produced(1)		2,603		1,927
All in sustaining costs per ounce produced(1)		2,762		2,614
Per Share Data				
Basic and diluted loss per share	$	(1.32)	$	(2.25)
Weighted average common shares outstanding		25,017,871		22,755,979
Balance as of December 31		**2018**		**2017**
Financial Position (in thousands)				
Cash and cash equivalents	$	5,971	$	5,683
Total assets		52,284		74,412
Total liabilities		3,956		12,986
Shareholder equity		48,328		61,426

(1) This is a non-IFRS measure; refer to the Non-IFRS Performance Measures section of this MD&A for additional detail. The cash cost includes the cost of underground mine care and maintenance.

REPORT ON OPERATIONS

During the first quarter, while the Havilah Canada operations (also referred to as the “True North operations” hereafter) remained under Klondex management, the underground operations were halted, and initial planning commenced for the reprocessing of the tailings from past production. Prior to the cessation of underground production, the True North operations mined 19,301 tons of ore and produced 2,091 ounces of gold. On April 20, 2018, the Company commenced tailings re-processing at a rate between 900 and 1,200 tons per day of material with an average grade of 0.92 g/t or 0.03 oz/t gold. A total of 230,427 tons of tailings material containing 6,754 gold ounces was processed in 2018. During 2018, recovery of ounces from tailings material was impacted by a fixed amount of gold lost to tailings (not recovered) of approximately 0.008 oz/t, resulting in a lower recovery percentage when compared to 2017 and 2016 levels. The Company is continuing to analyze the processing method to reduce the fixed tail amount and improve recoveries in 2019.

The tailings impoundment contains a probable mineral reserve of 2.0 million tons at a grade of 0.75 g/t (see table below), sufficient for over four years of production at planned rates. The Company is continually optimizing the tailings re-processing operation to enhance both the longevity of the probable reserve and the grade of the processed material . The income received from the processing of tailings is used to support the ongoing care and maintenance of the underground mines as well as partially fund the sustaining cost of mill operations.

True North Tailings Probable Mineral Reserves

Category	Tons (k)	Au oz/t	Au g/t	Au koz
Probable	1,950	0.022	0.75	43.2

1. Tailings Probable Mineral Reserve estimate is based on tailings located at True North produced by previous operators to Havilah.
2. Tailings Probable Mineral Reserve was estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Best Practice Guidelines on Estimation of Mineral Resources and Mineral Reserves, and CIM Definition Standards for Mineral Resources and Mineral Reserves, as prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
3. No mining losses have been applied to the designed historic tailing excavations and no additional unplanned dilution has been included.
4. Contained metal may differ due to rounding.
5. Cut-off grade = 0.026 oz/t Au (0.89 g/t Au) for 2016 to 2018 and 0.020 oz/t Au (0.69 g/t Au) for 2019 to 2023.
6. A dry bulk density of 0.044 tons per cubic foot was utilized in the Tailings Probable Mineral Reserve tonnage calculation.

Following the spin out of the Canadian operations from Klondex to Havilah, the Company turned its focus towards gaining a better understanding of the Ogama-Rockland property acquired in 2017 by Klondex as part of the Bison Gold Resources Inc. acquisition. Ogama-Rockland is located approximately 26 km southeast of True North (43 kilometres by road) and during the years 1948 to 1951 this property produced a total of 45,440 ounces of gold from 139,101 tons of ore at a recovered grade of 10.26 g/t gold.

In Q4 2018, the Company commenced a $0.7 million program which included an initial five drill holes totaling 1,900 metres, designed to twin drill holes completed by the previous operator. Results obtained from this program in Q1 2019 are being utilized to verify results reported by the previous owners, which were used to establish a historical inferred mineral resource estimate of 1.28 million tonnes containing 337,000 ounces of gold at a grade of 8.17 g Au/t (note: a Qualified Person as such term is defined by NI 43-101 has not done sufficient work to classify the historical estimate as a current mineral resource or mineral reserve, and the Company is not treating the historical estimate as a current mineral resource or mineral reserve). As part of this program, over 21,000 metres of historical drill core was relocated from the Ogama-Rockland property to the secure facilities at True North, and was photographed and properly archived for future reference.

Also during Q4 2018, the Company began planning and budgeting for a significant regional exploration program on its consolidated mineral dispositions in the Rice Lake belt, with the goal of discovering additional long-term sources of feed for the True North mill in Bissett. As a first step, this program included the acquisition via ground staking of an additional 11,150 hectares of mining claims in previously under-explored portions of the belt.

As part of a general site cleanup, the Company also began identifying and disposing of old equipment, unused materials and waste oil at the True North complex subsequent to the spin out in July, receiving total proceeds of $0.3 million for the year ended December 31, 2018. This process continued into early 2019 as management focused on improving the efficiency of the operations and increasing working capital.

REVIEW OF FINANCIAL RESULTS

During the year ended December 31, 2018, the Company generated a loss of $33.1 million compared to a loss of $51.2 million for 2017. In 2017 the Company had recorded an impairment charge of $28.2 million against the True North mineral properties, plant and equipment based on comparing the assets value to the fair value less cost of disposal. In 2018, the earnings were negatively impacted by the cessation of mining activities at the True North mine, related closure costs, and periods where the tailings operation were shut down during the winter (approximately 129 days total in 2018). The Company also recorded a $9.7 million impairment charge to capitalized development costs associated with the underground mine in the third quarter of 2018.

Revenue

For the year ended December 31, 2018, the Company sold 7,234 gold ounces at an average realized price of $1,631 compared with the sale of 25,806 gold ounces in 2017 at an average realized price of $1,632 (this excludes the effect of any derivative instruments used during that period).

Total revenue for 2018 decreased by approximately $24.2 million or 57.3% from $42.2 million in 2017, as a result of 18,572 fewer ounces of gold sold during 2018. During 2018 the Company produced 21,822 fewer ounces of gold compared with 2017 as a result of the suspension of underground mining operations and the processing of only lower grade tailings from April to December 2018. This decline was partially offset by stockpile inventories of ore mined from underground that were on hand at the end of 2017 and were processed in 2018.

Cost of sales

Cost of sales, comprised of the full cost of site operations, the care and maintenance costs for the True North underground mine and depreciation and depletion, amounted to $33.4 million for 2018 compared to $55.2 million during 2017. The decrease was primarily due to the suspension of mining operations at the True North mine in January 2018 resulting in a significant decrease in mining related costs during the year. This was offset by the $1.4 million in severance costs incurred in Q1 2018 in lieu of notice as the Company laid off all but essential personnel required for continued mill operations, care and maintenance of the underground facilities, and for the operation of equipment necessary for the tailings re-processing operations.

The decrease in depreciation arises from lower average capital asset balances in 2018 compared with 2017 as a result of impairment charges taken both at December 31, 2017 and during 2018 as well as equipment disposals in 2018.

During the year, gold inventory (measured based on gold ounces measured) will vary depending on production levels as well as timing of gold sales. During 2018, due to the focus on processing tailings, the Company maintained significantly lower gold inventory levels, with 896 ounces in circuit and another 63 ounces held at Asahi Refining, a third-party precious metals refiner, compared with a total of 6,020 gold ounces at the end of 2017. The production costs applicable to ore processing for Q4 2018 were $2.3 million compared with $14.4 million in Q4 2017.

General and administrative costs

General and administrative costs were $1.4 million for the year ended December 31, 2018 compared to $5.2 million for the year ended December 31, 2017. This $3.8 million decrease primarily resulted from a significant reduction in costs allocated from the Klondex corporate office during the period from January 1 to July 20, 2018 and lower monthly administrative costs subsequent to the spin out. For the six months from July 1, 2018 to December 31, 2018, the period during which the operations operated independently under Havilah, the Company continued to minimize general and administrative costs, incurring $1.2 million in the second half of 2018 compared with $2.5 million in the second half of 2017.

Other expense

Finance charges

Finance charges primarily relate to interest incurred on the advances from Klondex to Havilah during the period where Havilah was a subsidiary of Klondex. Total interest on these advances as at July 20, 2018, the completion date for the Arrangement Agreement, was $4.4 million, compared with $6.1 million for the year ended December 31, 2017. The decrease in finance charges is a result of the settlement of all advances from Klondex on completion of the Arrangement Agreement. Also included in finance charges is $0.1 million of accretion expense related to the reclamation obligation.

Foreign exchange gain or loss

Prior to the completion of the Arrangement Agreement, Havilah held significant US dollar loans from its parent company at the time, Klondex. These were subject to mark-to-market adjustments at each reporting period, resulting in a $1.1 million loss and a $1.2 million gain for the years ended December 31, 2018 and 2017, respectively, as the Canadian currency weakened from $1.24 to $1.36 Canadian for every US dollar in 2018 and strengthened from $1.32 to $1.25 Canadian for every US dollar in 2017.

Impairment of mineral properties

On January 9, 2018, under the management of Klondex, the Company announced the cessation of all underground activities at the True North mine other than the minimum required to deplete developed stopes and begin care and maintenance. This change to operations was based on the continued inability to achieve planned operating and cash flow metrics.

During the fourth quarter of 2017, the Company, based on the impairment indicators present, evaluated the True

North operations based on the higher of a) operations value in use or b) fair value of the assets less cost of disposal (FVLCD). The estimated FVLCD for True North was determined to be $45.6 million (US$36.4 million) which resulted in a $28.2 million impairment charge during the year ended December 31, 2017.

The Company commenced a strategic review of the operations and focused on re-processing tailings from past production at rates between 900–1,200 tons per day. With the subsequent spin-off of the True North operations to Havilah, the Board and senior management continued this review and determined that the past mine plans were uneconomic based on prevailing market conditions and the mine should remain under care and maintenance for an indefinite time period while the Company pursues an aggressive exploration plan. The current focus of the Company, as explained in the Outlook section, will be on the identification of other resources in the Rice Lake District as well as revising the underground mine plans.

As a result of the Company's decision to continue indefinitely with the shutdown of underground mining operations, it was determined that the carrying costs of development associated with the mine plans previously in place were impaired and a total charge of $9.7 million was recorded in the third quarter of 2018. This determination was based on an evaluation of the expected future cashflows from continuing operations which, based on current mine plans and commodity prices, were expected to be negative and result in ongoing losses.

EXPLORATION ACTIVITY

During Q4 2018 the Company focused exploration activity on the Ogama-Rockland property, acquired previously by Klondex in Q4 2017 and transferred to Havilah pursuant to the Arrangement Agreement. Due to the focus of Klondex management on the Hecla transaction and the restrictions of the Arrangement Agreement, expenditures during the first half of 2018 were minimized at the Canadian operations and no exploration activity occurred at Ogama-Rockland until commenced by Havilah in Q4 2018, subsequent to the completion of the Hecla transaction.

The Company hired Dr. Scott Anderson as Vice President of Exploration on September 9, 2018. Dr. Anderson was the Chief Geologist of Precambrian Geoscience with the Manitoba Geological Survey. In his 17 years with the survey, Dr. Anderson's primary research focus was documenting the stratigraphic and structural controls on orogenic gold mineralization in the Archean Rice Lake greenstone belt, which is the site of the True North complex and Havilah's mineral dispositions in the district. Based in this extensive knowledge, Dr, Anderson and the True North geology team have compiled historic work, developed an exploration strategy, and prepared an exploration plan and budget for the 2019 field season. This program will involve the evaluation of high-priority targets in brownfields areas of the belt as well as developing new targets in the extensive greenfields areas of the belt, taking advantage of the company's consolidated land position, which, at 53,000 hectares and with very little exploration outside the footprint of the True North Mine, is the largest ever assembled for the Rice Lake belt.

In September of 2018, the Company commenced with a drilling program at the Ogama-Rockland property. This $0.7 million program included an initial five holes totaling 1,900 metres, designed to twin historical drill holes that were completed by the previous operator and were used to estimate a historical inferred mineral resource for the Ogama-Rockland deposit. The drill program included the acquisition of oriented drill core for the purpose of evaluating the geometry of the vein systems in much greater detail than had been done previously, thus refining the predictive exploration model for the Property. Concurrent with the drilling program, Havilah's geology team recovered and photographed approximately 21,000 metres of drill core from the previous operator, which was originally stored onsite at the Ogama-Rockland property but has now been relocated to secure facilities at Havilah's True North mine and mill complex. In addition, the 2018 program included channel sampling of mineralized veins and structures exposed on surface, and surveying of historical drill collar locations.

MINING OPERATIONS

True North is a past-producing underground gold mining operation consisting of three underground deposits with a modern, fully-permitted mill currently re-processing tailings material. The following is a summary of operational information for the years ended December 31, 2018 and 2017. Note that silver is relatively immaterial to current operations so only gold ounces are shown.

Year ended December 31		2018			2017	
Ore tons mined		19,301			228,495	
Gold ounces mined		2,374			28,208	
Ore tons milled		19,390			216,978	
Tailings processed (tons)		230,427			80,848	
Average gold mill head grade (oz/ton)		0.04			0.10	
Year ended December 31		**2018**			**2017**	
Average gold recovery rate		80.9	%		93.0	%
Gold ounces produced		7,299			27,877	
Gold ounces sold		10,814			25,806	
Average realized gold price	$	1,631		$	1,632	
Total cash cost per gold ounce sold(1)		2,603			1,927	
All-in sustaining cost per gold ounce sold(1)		2,762			2,614	

(2) This is a non-IFRS measure; refer to the Non-IFRS Performance Measures section of this MD&A for additional detail. The cash cost includes the cost of underground mine care and maintenance.

During the first quarter of 2018, the True North underground mine transitioned from operations to care and maintenance. During the transition True North continued to mine 19,301 ore tons and produced 2,091 gold ounces. The Company commenced processing tailings on April 20, 2018 through the mill to maximize cash flow and offset ongoing care and maintenance costs. The recovery of tailings material was significantly impacted by the existing configuration of the mill which produced an approximate fixed tail (gold that is returned to tailings) of 0.008 oz/t noted previously. Various upgrades to the mill are currently being contemplated to improve the recovery.

For the year ended December 31, 2018, the Company had net additions of $0.3 million, primarily related to pump replacement and mill refurbishment.

QUARTERLY RESULTS

The following selected financial information is a summary of the eight most recently completed quarters up to December 31, 2018.

Quarter Ended ***($ amounts in '000's)***	**Dec 31, 2018**	**Sept 30, 2018**	**June 30, 2018**	**Mar 31, 2018**	**Dec 31, 2017**	**Sept 30, 2017**	**June 30, 2017**	**Mar 31, 2017**
Gold sold (ounces)	3,580	240	1,843	5,151	8,983	5,591	6,832	4,400
Revenues	$ 5,774	$ 394	$ 3,137	$ 8,688	$ 14,621	$ 9,027	$ 11,287	$ 7,239
Comprehensive (Loss)	$ (5,475)	$ (13,656)	$ (4,137)	$ (9,840)	$ (33,134)	$ (4,948)	$ (4,257)	$ (8,854)

The True North operations were acquired by Klondex on January 22, 2016 and production recommenced during the third quarter of 2016. The underground operations continued until January 9, 2018, at which point True North was placed on care and maintenance as a result of the continued shortfall in meeting operating and production targets required to return to profitability. Since the acquisition, the operations continually recorded net losses, negative cash flows from operations, and relied historically on Klondex, the parent company until July 20, 2018, to fund business operations. During the fourth quarter of 2017, the Company, based on the impairment indicators present, recorded a $28.2 million impairment charge during the year ended December 31, 2017.

The three months ended September 30, 2018 was the first full quarter where the Company operated on a standalone basis. Havilah continued to re-process tailings from the existing impoundment facility, milling a total of 90,814 tons with an average grade of 0.89 g/t (0.03 oz/t) at a 75% recovery rate, producing 1,922 ounces of gold for the period. Overall tons processed were less than planned due to mill feed issues which were corrected in the fourth quarter with the addition of air cannons to the feed bins in order to reduce material buildup at the loading area. During the quarter, the Company also recorded a write down on mine development costs based on the assessment that previous mine plans were no longer economic, resulting in a charge of $9.7 million.

During the three months ended December 31, 2018, the Company processed an additional 60,816 tons at an average grade of 90 g/t (0.03 oz/t) at a 71% recovery rate, producing 1,244 ounces of gold for the quarter ended December 31, 2018. On December 13, 2018 the Company suspended the operations due to the onset of winter, completing the Company's planned 2018 operating season. During 2018 the recovery of ounces from tailings material was impacted by an approximate fixed amount of gold returning to tailings (not recovered) of 0.008 oz/t, resulting in a lower recovery percentage when compared to historical activity at higher feed grades. The Company is continuing to analyze the processing method to reduce the fixed tail amount and is taking steps in the first half of 2019 to implement solutions to minimize this issue.

LIQUIDITY AND CAPITAL RESOURCES

($ amounts in '000's)	December 31, 2018	December 31, 2017
Cash	$ 8,971	$ 5,683
Total current assets	12,672	20,018
Total assets	52,284	74,412
Total current liabilities	1,494	10,680
Total liabilities	3,956	12,986
Total equity	48,328	61,426

Historically, the operations were reliant on Klondex, the parent company until July 20, 2018, to provide funding for ongoing operating costs. Prior to the completion of the Arrangement Agreement, the Company did not have access to third party financial resources and continued to incur negative operating cash flows and significant capital expenditures. The Company's current strategy is focused on maximizing cashflow from the tailings operations to support the ongoing care and maintenance costs of the underground mine. The cash cost per ounce sold currently includes the care and maintenance costs for the undergound mine, excluding these costs would result in the tailings operations generating positive cashflow for the Company. The Company will utilize funds from operations, along with proceeds from financing activities, to fund exploration on several target areas within the Rice Lake district with the objective of identifying additional sources of ore feed. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the success or failure of the Company's operations, exploration, and development programs, as well as the ability to obtain equity or other sources of financing, and the price of gold.

As at December 31, 2018, the Company had cash and cash equivalents of $9.0 million (December 31, 2017 – $5.7 million) and working capital of $11.2 million (December 31, 2017 – $9.3 million). During the year ended December 31, 2018, the Company lost $10.6 million from operating, care and maintenance and investing activities, excluding cash held in short-term investments and net of working capital changes. Prior to the completion of the Arrangement Agreement, the Company received $3.7 million in advances from Klondex, the parent company during that period. On the closing of the Arrangement Agreement, Hecla subscribed for 3,539,332 common shares of Havilah by way of private placement, for total proceeds of $9.2 million. On September 19, 2018, the Company closed a mostly insider (80%) funded non-brokered private placement for aggregate proceeds of $1.0 million, including $0.7 million from the issuance of common shares on a flow-through basis which have been used to fund qualified exploration expenditures.

Management considers the Company's liquidity position at December 31, 2018, comprised of cash, cash equivalents, and short-term investments, together with cash flows from operations, enough to support the Company's normal operating requirements, exploration plans, and capital commitments on an ongoing basis.

Outstanding Share Data

Authorized: an unlimited number of common shares without par value	Common shares issued and outstanding	Stock Options	Restricted Share Units	Warrants
Outstanding as at April 25, 2019	37,460,311	2,290,000	640,000	2,440,000

FINANCIAL INSTRUMENTS

The Company's activities potentially expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange currency risk, and commodity price risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at December 31, 2018 the Company had working capital of $11.2 million. Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is currently not exposed to any interest rate risk as the Company does not have any interest-bearing debt obligations or any other interest-bearing liabilities.

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's historical foreign currency gains and losses primarily relate to advances from Klondex and US dollar transactions with vendors. Subsequent to the Arrangement Agreement the Company has had minimal US dollar transactions and all US dollar denominated advances were settled.

Commodity Price Risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. Prior to completion of the Arrangement Agreement, the Company's parent, Klondex, would mitigate price risk by entering into derivative financial instruments, such as fixed forward sales and collars. As of December 31, 2018, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

Contractual Obligations

The following table provides our gross contractual obligations as of September 30, 2018 (in thousands):

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Reclamation obligation	—	—	—	$ 9,824	$ 9,824

The amounts shown above represent undiscounted amounts not reflective of inflation, see Note 12 *Reclamation obligation* for additional details.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements and no short or long-term debt obligations.

RELATED PARTY TRANSACTIONS

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the year ended December 31, 2018 and 2017, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company. For the year ended December 31, 2017, the Company operated as a subsidiary of Klondex therefore no compensation was paid to Directors or Officers. All fees have been reported as general and administrative expenses:

	Year Ended	
($ amounts in '000's)	**December 31, 2018**	**December 31, 2017**
Professional fees	$ 10	$ –
Directors' fees	94	–
Management fees	280	–
Share-based payments	333	–
Total	**717**	**–**

OUTLOOK

With an experienced board of directors and management team, a working capital balance of $11.2 million, and access to external markets, Havilah is well poised to advance exploration at the Rice Lake property. The objective of this exploration will be to develop additional sources of ore to feed the True North mill, while also remaining flexible and responsive to continuing volatility in the resource sector. The Company recently completed ground-staking of 11,150 hectares, thus increasing its total land position in the Rice Lake belt to more than 53,000 hectares. This strategic acquisition provides the Company with a dominant and continuous land position along and adjacent to the crustal-scale Wanipigow Fault, over a total strike length of 80 kilometres. Major gold occurrences in the Rice Lake belt, including the True North mine at Bissett, Manitoba, which has produced approximately 2 million ounces of gold, are associated with structures that splay off this regional 'break'. The newly acquired ground provides an unprecedented opportunity to explore this fault system at a district scale.

Early in 2019, the Company completed the 1,900 metre drill program at Ogama-Rockland, which was designed to test each of the modelled vein systems in the locations previously reported to contain significant mineralized intercepts. The Company also commenced work to compile, level and merge high-resolution aeromagnetic datasets acquired by previous operators. This data will facilitate geological mapping and compilation of the district at scales suitable for the definition of project-scale targets. The Company has also acquired new high-resolution aeromagnetic data over two key, historically underexplored areas totaling roughly 21,500 hectares at the lateral extents of the Rice Lake belt. This helicopter-borne survey consisted of 4,733 line-kilometres flown at a spacing of 50 metres, with a terrain clearance of 30 metres. The results will complete a seamless aeromagnetic dataset over the entire exposed length of the Wanipigow Fault in Manitoba, and thus facilitate geological mapping, structural analysis and target generation. Data acquisition is expected to be completed early in the second quarter 2019.

In preparation for the 2019 milling season, the Company, using the experience gained from the 2018 operating season, is focusing on a number of initiatives to optimize the tailings reprocessing operations to increase recovery, minimize ongoing costs, and generate positive cashflow from these operations in the spring to fall operating season.

The Company is also actively evaluating other exploration and development assets with a view to building a robust and diversified mineral resource company. While at any given time discussions and activities may be in progress on various initiatives, the Company currently does not have any binding agreements or binding commitments to enter into any such transactions. There is no assurance that these corporate activities will ever progress to the stage where a potential transaction might be successfully completed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities; as well as, the reported expenses during the reporting period. Such estimates and assumptions affect the determination of the carrying value and the recoverability of exploration and evaluation assets and the inputs used in calculating the fair value of share-based payment expense. Management re-evaluates its estimates and assumptions on an ongoing basis; however, due to the nature of estimates, actual amounts could differ from its estimates. The most critical accounting estimates upon which the Company depends are those requiring estimates of reserves and resources, future recoverability of assets, future costs for reclaiming areas of operations, and assumptions around future commodity prices.

RECENTLY ADOPTED ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9").

IFRS 9

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

IFRS 15

The Company adopted IFRS 15 using the modified retrospective method, which required it to apply the new revenue standard to (i) all new revenue contracts entered into after January 1, 2018, and (ii) revenue contracts which were not completed as of January 1, 2018. In accordance with this approach, the consolidated revenues for periods prior to January 1, 2018 were not revised and there was no cumulative effect of the adoption of IFRS 15 as of January 1, 2018.

The Company's current revenue recognition policy is consistent with IFRS 15 which requires that revenue from contracts with customers be recognized upon transfer of control over a good to the customer. The recognition of revenue upon transfer of control is generally satisfied when title transfers to the customer. As a result, the adoption of IFRS 15 did not have an impact on the Company's financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISKS AND UNCERTAINTIES

In conducting its business, Havilah faces a number of risks and uncertainties, many of which are beyond its ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date hereof. Investors are urged to review the discussion of risk factors associated with the Company's business as set out in the Company's annual Management Discussion and Analysis for the year ended December 31, 2017 as well as in the Company's audited consolidated financial statements (under the headings "Nature and Continuance of Operations" and "Significant Accounting Policies" and elsewhere within that document) for the year ended December 31, 2017, as filed on the SEDAR website at www.sedar.com.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has included additional financial performance measures in this MD&A, such as production cash costs and all-in sustaining costs. The Company reports production cash costs and all-in sustaining costs on a per gold ounce sold basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

"Total cash costs per ounce" is calculated from operation's cash costs and dividing the sum by the number of gold ounces sold. Operations cash costs include mining, milling, smelter and other direct costs.

"All-in sustaining cash costs per ounce" includes total cash costs per ounce (as defined above) and adds the sum of G&A, share-based compensation, sustaining capital expenditures and certain exploration and evaluation costs, all divided by the number of ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in the calculation of all-in sustaining costs per ounce. Additionally, certain other cash expenditures, including income tax payments and financing costs, should they apply, are not included.

The following tables provide reconciliation of total production costs per ounce as disclosed in this MD&A to the consolidated financial statements for the year ended December 31, 2018 and 2017:

Year Ended		**December 31, 2018**			**December 31, 2017**	
(in thousands, except ounces and per ounce figures)						
Total cash costs per ounce						
Production costs[1]	$	24,500		$	41,427	
Write down of production inventory (cash portion)		3,654			8,306	
Total cash costs	$	28,154		$	49,733	
Gold ounces sold		10,814			25,806	
Total cash cost per ounce	**$**	**2,603**		**$**	**1,927**	
All-in sustaining costs per ounce						
Total cash costs	$	28,154			49,733	
General and administrative, net of depreciation		1,426			5,201	
Sustaining capital expenditures[2]		286			12,516	
All-in sustaining costs		29,866		$	67,450	
All-in sustaining costs per ounce	**$**	**2,762**			**2,614**	

(1) Production costs includes the care and maintenance cost of the underground mines.

(2) Sustaining capital expenditures are defined those expenditures which do not increase annual gold ounce production and excludes certain expenditures at the Company's operations which are deemed expansionary in nature. Capital expenditures include unpaid capital expenditures incurred in the period.

FORWARD LOOKING INFORMATION

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

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