



# **REUNION**

## **GOLD CORPORATION**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months  
ended December 31, 2016**

In Canadian dollars

**UNAUDITED**

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#### **Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Reunion Gold Corporation have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

# Reunion Gold Corporation

## Condensed Interim Consolidated Statements of Financial Position

	December 31, 2016	March 31, 2016
<i>(unaudited, in Canadian dollars)</i>		
	\$	\$
<b>ASSETS</b>		
Current		
Cash	114,690	75,388
Sales taxes receivable	12,007	-
Receivable from related parties	-	861
Other receivables (Note 3)	7,243,541	283,726
Prepaid expenses	6,930	4,632
	7,377,168	364,607
Non-current		
Performance bond (Note 3)	-	150,649
Exploration and evaluation assets (Note 3)	-	496,128
<b>TOTAL ASSETS</b>	<b>7,377,168</b>	<b>1,011,384</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	1,339,918	1,423,602
Due to related parties	84,218	-
Loans from related parties (Note 4)	1,721,643	1,619,969
	3,145,779	3,043,571
Non-current		
Rental fees payable (Note 3)	-	236,051
<b>TOTAL LIABILITIES</b>	<b>3,145,779</b>	<b>3,279,622</b>
<b>EQUITY (DEFICIT)</b>		
Share capital (Note 5)	101,477,165	101,477,165
Equity component of convertible loans	17,935	17,935
Contributed surplus	14,411,085	14,411,085
Deficit	(111,731,545)	(118,234,484)
Cumulative translation adjustment	56,749	60,061
<b>TOTAL EQUITY (DEFICIT)</b>	<b>4,231,389</b>	<b>(2,268,238)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT)</b>	<b>7,377,168</b>	<b>1,011,384</b>

Going concern (Note 1); Events after the Reporting Date (Note 8).

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

On behalf of the Board,

/s/ David Fennell  
David Fennell, Director

/s/ Leanne Baker  
Leanne Baker, Director

# Reunion Gold Corporation

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited, in Canadian dollars)	Three months ended December 31,		Nine months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses and other items</b>				
Salaries and benefits	81,897	76,757	367,017	353,993
Contractors and consultants	139,806	12,439	221,928	48,633
Professional fees	2,211	205	40,252	44,348
Reporting issuer costs	3,523	5,162	8,809	11,546
Investor relations and travel	4,589	264	10,888	7,920
Camp costs	7,762	4,801	12,679	30,754
Office and others	92,367	28,315	64,673	29,628
Depreciation and amortization	-	101,870	17,542	380,452
Recovery of expenses (Note 3)	(260,450)	-	(260,450)	-
Gain on sale of exploration and evaluation assets (Note 3)	(6,554,411)	(31,399)	(7,103,299)	(72,309)
Finance expense on loans from related parties (Note 4)	30,210	30,210	90,630	98,006
Accretion on rental fees payable	2,579	-	17,019	-
Finance income	-	-	(1)	(44)
Loss on foreign exchange	6,116	12,046	9,374	29,008
<b>Net income (loss) for the period</b>	<b>6,443,801</b>	<b>(240,670)</b>	<b>6,502,939</b>	<b>(961,935)</b>
Other comprehensive income (loss)				
Item that will not be subsequently reclassified to income				
Foreign currency translation adjustment	190	(1,837)	(3,312)	(9,572)
<b>Comprehensive income (loss) for the period</b>	<b>6,443,991</b>	<b>(242,507)</b>	<b>6,499,627</b>	<b>(971,507)</b>
Basic and diluted earnings (loss) per common share	0.04	(0.00)	0.04	(0.01)
Weighted average number of common shares - basic and diluted	180,317,936	180,317,936	180,317,936	180,317,936

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

# Reunion Gold Corporation

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(unaudited, in Canadian dollars)	Number of issued and outstanding common shares	Equity				Cumulative translation adjustment	Total equity (deficit)
		Share capital	of convertible loans	Contributed surplus	Deficit		
		\$	\$	\$	\$	\$	\$
Balance at March 31, 2016	180,317,936	101,477,165	17,935	14,411,085	(118,234,484)	60,061	(2,268,238)
Net income for the period	-	-	-	-	6,502,939	-	6,502,939
Other comprehensive income							
Foreign currency translation adjustment	-	-	-	-	-	(3,312)	(3,312)
<b>Balance at December 31, 2016</b>	<b>180,317,936</b>	<b>101,477,165</b>	<b>17,935</b>	<b>14,411,085</b>	<b>(111,731,545)</b>	<b>56,749</b>	<b>4,231,389</b>
Balance at March 31, 2015	180,317,936	101,477,165	17,935	14,411,085	(117,218,216)	65,271	(1,246,760)
Net loss for the period	-	-	-	-	(961,935)	-	(961,935)
Other comprehensive income							
Foreign currency translation adjustment	-	-	-	-	-	(9,572)	(9,572)
<b>Balance at December 31, 2015</b>	<b>180,317,936</b>	<b>101,477,165</b>	<b>17,935</b>	<b>14,411,085</b>	<b>(118,180,151)</b>	<b>55,699</b>	<b>(2,218,267)</b>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

# Reunion Gold Corporation

## Condensed Interim Consolidated Statements of Cash Flows

	Nine months ended December 31,	
<i>(unaudited, in Canadian dollars)</i>	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	6,502,939	(961,935)
Adjustments		
Depreciation and amortization	17,542	380,452
Gain on sale of exploration and evaluation assets	(7,103,299)	(72,309)
Finance expense on loans from related parties	90,630	98,006
Accretion on rental fees payable	17,019	-
Changes in working capital items		
Sales taxes receivable	(12,007)	-
Other receivables	950	-
Prepaid expenses	(2,298)	59,761
Accounts payable and accrued liabilities	75,523	356,446
Due to related parties	85,079	(23,196)
	(327,922)	(162,775)
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of exploration and evaluation assets	355,114	87,238
Effect of exchange rate changes on cash held in foreign currency	12,110	22,819
Net change in cash	39,302	(52,718)
Cash, beginning of period	75,388	73,713
Cash, end of period	114,690	20,995
<b>Supplemental cash flow information</b>		
Finance income received, included in operating activities	1	42
Other receivables related to the sale of exploration and evaluation assets	7,308,226	-

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** *(unaudited - in Canadian dollars)*

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### 1. GENERAL INFORMATION

Reunion Gold Corporation ("Reunion Gold") is a Canadian-based company. Reunion Gold and its subsidiaries (together the "Company") are primarily engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not earned significant revenue.

On November 4, 2016, the Company entered into an agreement to sell its Matthews Ridge manganese project located in Guyana, South America. This transaction closed on February 1, 2017 (Note 8). On December 1, 2016, the Company entered into an option agreement to acquire an 80% interest in the Haute Mana gold project in French Guiana, South America (Note 3) and on February 7, 2017, the Company entered into an option agreement to acquire a 75% interest in the Dorlin gold project, in French Guiana (Note 8).

All financial results in these unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. Reunion Gold's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol RGD.

The Board of Directors approved these unaudited condensed interim consolidated financial statements on February 20, 2017.

#### *Going concern*

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

At December 31, 2016, management of the Company believes that it has sufficient working capital to pay for its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for at least the next 12 months. As described in Notes 3 and 8, the Company has recently entered into option agreements to acquire an interest in two gold projects located in French Guiana, which will require that a certain level of expenditure be incurred. The Company will need to raise funds in the future through the issuance of equity instruments or other arrangement to meet future work requirements. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that sources of funding or initiatives will be available to the Company or that they will be available when such funds are required.

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** (unaudited - in Canadian dollars)

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies as the Company's most recent annual consolidated financial statements. These condensed interim consolidated financial statements do not contain all of the information and disclosures required for annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended March 31, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

### 3. EXPLORATION AND EVALUATION ASSETS

	Mineral properties	Mobile equipment and service vehicles	Computer equipment, leasehold improvements and furniture	Total
	\$	\$	\$	\$
Balance at March 31, 2016	446,864	49,264	-	496,128
Disposals	(451,398)	(31,487)	-	(482,885)
Depreciation and amortization	-	(17,542)	-	(17,542)
Net exchange differences	4,534	(235)	-	4,299
<b>Balance at December 31, 2016</b>	-	-	-	-
Balance at March 31, 2015	319,917	563,206	8,069	891,192
Disposals	-	(12,115)	(2,814)	(14,929)
Depreciation and amortization	-	(375,197)	(5,255)	(380,452)
Net exchange differences	29,301	22,748	-	52,049
<b>Balance at December 31, 2015</b>	<b>349,218</b>	<b>198,642</b>	<b>-</b>	<b>547,860</b>

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** (unaudited - in Canadian dollars)

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### 3. EXPLORATION AND EVALUATION ASSETS (continued)

#### *Sale of Matthews Ridge project*

On November 4, 2016, the Company entered into an agreement to sell all of its rights, title and interest in the Matthews Ridge manganese project to Bosai Minerals Group Co., Ltd. ("Bosai"), an arm's length Chinese corporation. Total consideration for the sale of the project is US\$10 million including US\$5 million payable at closing (paid on February 1, 2017 – Note 8) and US\$5 million to be paid at the rate of US\$2.00 per tonne of manganese concentrate or ore shipped from Matthews Ridge once it enters into production. Pursuant to the agreement, the Company agreed to transfer to Bosai the four prospecting licenses (which make up the Matthews Ridge project), the March 2011 Mineral Agreement between the Company, the Co-Operative Republic of Guyana and the Guyana Geology Mines Commission ("GGMC"), and capital assets located at Matthews Ridge.

Given that the transaction was agreed to during the reporting period and that the consent to complete the transaction by a majority of the Company's shareholders, the conditional approval of the TSXV and the conditional approval from the Board of Directors of the GGMC were all obtained prior to December 31, 2016, the Company accounted for the sale of the Matthews Ridge project during the reporting period ended December 31, 2016. The definitive approvals from the Government of Guyana and the GGMC were obtained on January 25, 2017 and closing of the transaction occurred on February 1, 2017. The amount of US\$5,000,000 paid at closing less capitalized mineral properties expenditures, net of rental fees payable, resulted in a gain on sale of the Matthews Ridge project of \$6,687,801. The remaining amount of US\$5 million, which is to be paid based on future production, will be accounted for as the amounts are received.

As part of the transaction, Bosai has agreed to reimburse the Company at closing for the amount of the performance bond of \$155,753 (US\$116,000) that had been paid by the Company to the GGMC at the time that the prospecting licenses had been granted in 2010.

At December 31, 2016, other receivables included an amount of \$6,869,253 (US\$5,116,000) related to the sale of the Matthews Ridge project and the reimbursement of the performance bond, which amount was received on February 1, 2017.

#### *Sale of mobile equipment and service vehicles*

During the nine months ended December 31, 2016, the Company sold some mobile equipment, service vehicles and other equipment located at the Matthews Ridge project for net proceeds of \$446,647, resulting in a gain on sale of \$415,498. At December 31, 2016, other receivables included an amount of \$374,288 to be received from the sale of such assets.

#### *Recovery of expenses*

During the reporting period, the Company recovered an amount of \$260,450 from the GGMC for expenses incurred by the Company on behalf of the GGMC for the removal of scrap metal located at the Matthews Ridge property.



# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** (unaudited - in Canadian dollars)

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### 3. EXPLORATION AND EVALUATION ASSETS (continued)

#### *Option agreement on the Haute Mana gold project in French Guiana*

On December 1, 2016, the Company entered into an option agreement with Union Minière de Saül ("UMS"), an arm's length private company. Pursuant to the option agreement, the Company has the right to acquire an 80% interest in the Haute Mana gold project in French Guiana, South America by completing a preliminary economic assessment ("PEA") on the project within a period of five years (the "Option Period"). The Option Period will commence upon receipt of all required approvals and UMS having fulfilled the following two conditions: (1) the submission by December 31, 2016 of renewal applications for all Concessions which are expiring on December 31, 2018; and (2) the receipt from the French regulatory authority of a plan describing environmental reclamation work required to be done on the Concessions as a result of past mining activities (the "Plan"). At December 31, 2016, the first condition has been fulfilled and the French regulatory authority had not yet provided the environmental reclamation work plan.

In connection with the work required to be done by UMS under the Plan, the Company has agreed to advance, as a loan to UMS, up to 250,000 euros. The Loan will bear interest at the legal rate in effect in French Guiana at the time of the disbursement. The Loan and accrued interest will be repayable within 60 days of the completion of the PEA. If the Company does not exercise the option, the Loan will be cancelled. Upon exercise of the option by the Company, the Company will be deemed to have acquired an 80% interest in the Concessions. UMS will then have the option to retain its 20% participating interest or convert its interest in a 5% net profit interest or sell its 20% interest to the Company at a price to be agreed to at that time.

### 4. LOANS FROM RELATED PARTIES

At December 31, 2016, loans from related parties amounted to \$1,721,643 (\$1,619,969 at March 31, 2016), including \$1,188,761 owed to the Company's chairman (consisting of a convertible note of \$1,020,252 and a deferred bonus payment of \$168,509) and \$532,882 owed to the Company's former president and CEO (consisting of a convertible note of \$364,373 and a deferred bonus payment of \$168,509).

The convertible notes bear interest at the rate of 1% per month whereas the deferred bonus payments are non-interest bearing. The convertible notes are repayable by the Company either in cash or in common shares of the Company, at the option of the holder. The conversion price for the outstanding principal of the convertible notes is \$0.14 per share, and the conversion price of the accrued interest on the convertible notes will be equal to the market price of the Company's shares at the time of conversion, if such election is made.

The loans from related parties were presented under current liabilities at December 31, 2016 given that they have become due following the completion of the sale of the Matthews Ridge project for an amount of US\$5,000,000. Loans from the Company's former president and CEO were repaid in cash on February 13, 2017 (Note 8).

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** (unaudited - in Canadian dollars)

### 5. SHARE CAPITAL

At December 31, 2016 and March 31, 2016, the Company had 180,317,936 issued and outstanding common shares and no outstanding share purchase warrants. No securities were issued during the nine months ended December 31, 2016.

### 6. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended December 31,		Nine months ended December 31,	
	2016		2016	
	Weighted average exercise price (\$)		Weighted average exercise price (\$)	
	Number		Number	
Options, beginning of period	1,812,500	0.56	7,265,000	1.27
Expired	(250,000)	(1.00)	(5,702,500)	(1.48)
Options, end of period	1,562,500	0.49	1,562,500	0.49

The following table reflects the stock options issued and outstanding at December 31, 2016:

Issue date	Number of options	Exercise price \$	Remaining contractual life Years	Number of options exercisable
April 12, 2012	937,500	0.73	0.3	937,500
September 18, 2013	625,000	0.13	1.7	625,000
	1,562,500	0.49	0.9	1,562,500

### 7. LEASE COMMITMENT

The Company has entered into a long-term lease agreement expiring in June 2017 which calls for minimum lease payments of \$49,640 for the rental of office space. Minimum lease payments are \$24,820 in 2017 and \$24,820 in 2018.

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** (unaudited - in Canadian dollars)

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### 8. EVENTS AFTER THE REPORTING DATE

#### *Sale of Matthews Ridge project*

On February 1, 2017, the Company completed the sale of the Matthews Ridge project to Bosai. The Company received an amount of US\$5,116,000 at closing, including US\$116,000 for the reimbursement of the performance bond.

#### *Option agreement on the Dorlin gold project in French Guiana*

On February 7, 2017, the Company announced that it has entered into an option agreement to acquire a 75% interest in the Dorlin Project in French Guiana from Société Minière Yaou-Dorlin ("SMYD"), a subsidiary of Auplata S.A., a French company listed on Alternext. The Dorlin Project consists of an 84 km<sup>2</sup> Exploitation Permit for gold, in the central west region of French Guiana, approximately 190 km SW of the capital Cayenne, within an area open to mining activity. Auplata is carrying out a small scale alluvial gold mining operation using contractors on the Project area.

The option is subject to certain conditions precedent including the renewal of the Dorlin Project permit and the completion by the Company of technical and legal due diligence on the Project for a period of 120 days. The option will be valid for a period of five years from the date all conditions precedent are satisfied. To exercise the option to acquire a 75% interest in the Dorlin Project, the Company will have to complete and deliver a feasibility study to SMYD within a period of four years and six months of the beginning of the option period. To maintain the option, the Company is required to spend at least US\$3 million in the first three years. Once the option is exercised, SMYD can maintain a 25% participating interest ("PI") or can elect to receive a 5% net profit interest ("NPI"). If SMYD chooses a 25% PI, the Company will have the option to acquire an additional 5% PI from SMYD for a consideration based on the net present value as established in the feasibility study. The Dorlin Project is subject to a 0.5% royalty payable to a subsidiary of lamgold Corporation. SMYD filed an application to renew the Dorlin permit in July 2015 and it is still pending.

#### *Appointment of CEO and new director*

On February 10, 2017, the Company announced the appointment of Mr. Réjean Gourde, as President and CEO of the Company. Mr. David Fennell, who had been acting as President and CEO on an interim basis will continue as Chairman of the Company. The Company also announced that Ms. Elaine Bennett had been appointed to the Company's Board of Directors.

# Reunion Gold Corporation

## Notes to Condensed Interim Consolidated Financial Statements

**December 31, 2016** *(unaudited - in Canadian dollars)*

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### 8. EVENTS AFTER THE REPORTING DATE (continued)

#### *Grant of options*

On February 9, 2017, the Company approved, subject to regulatory approval, the grant of an aggregate of 9,045,000 incentive stock options to directors, officers, employees and consultants of the Company. The options are exercisable for a period of five years at an exercise price of \$0.07 and will be vesting over a period of two years.

#### *Repayment of loans and settlement agreement amount to the Company's former president and CEO*

On February 13, 2017, the Company repaid all outstanding amounts due to the Company's former president and CEO, including loans described in Note 4 and a final settlement amount of US\$100,000 following his resignation in February 2016.

#### *Private placement*

On February 14, 2017, the Company announced that it was undertaking a non-brokered private placement of 7,133,660 common shares of the Company at a price of \$0.10 per share to raise proceeds of \$713,366 (the "Offering"). Subscribers for this Offering are directors of the Company who are investing the net amount of their compensation for the period from October 2014 to December 2016, which was paid to them following the sale of the Matthews Ridge project. The Offering is subject to the final consent of the TSXV. The securities issued will be subject to a hold period expiring four months plus one day from the closing of the Offering. The closing is expected to occur on or about February 28, 2017.

**REUNION GOLD CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**– QUARTERLY HIGHLIGHTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2016**

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Reunion Gold Corporation ("**Reunion**" or the "**Company**") for the three months ended December 31, 2016 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended March 31, 2016 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended December 31, 2016 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended March 31, 2016 and 2015 (the "**Annual Financial Statements**"), and the Company's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is February 20, 2017.

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

***Description of Business***

Reunion Gold is a Canadian-based company focused on the acquisition, exploration and development of mineral projects located in the Guiana Shield region of South America. Reunion Gold's financial year-end is March 31 and its common shares trade on the TSX Venture Exchange ("TSXV") under the symbol RGD.

***Sale of Matthews Ridge project***

On November 4, 2016, the Company entered into an agreement to sell all of its rights, title and interest in the Matthews Ridge manganese project to Bosai Minerals Group Co., Ltd. ("Bosai"), an arm's length Chinese corporation. The total consideration for the sale of the project is US\$10 million, including US\$5 million which was paid to the Company on February 1, 2017, the closing date of the transaction, and US\$5 million to be paid at the rate of US\$2.00 per tonne of manganese concentrate or ore shipped from Matthews Ridge once it enters into production. Pursuant to the agreement, Reunion agreed to transfer to Bosai the four prospecting licenses (which make up the Matthews Ridge project), the March 2011 Mineral Agreement between Reunion, the Co-Operative Republic of Guyana and the Guyana Geology Mines Commission ("GGMC"), and capital assets located at Matthews Ridge.

As part of the transaction, Bosai agreed to reimburse the Company at closing for the amount of the performance bond of US\$116,000 that had been paid by the Company to the GGMC when the prospecting licenses were granted in 2010.

**Board and Management Appointments**

On February 10, 2017, the Company announced the appointment of Mr. Réjean Gourde, a Reunion board member since 2011, as President and CEO of the Company. Mr. Gourde has more than three decades of experience in the mining industry including 12 years as senior vice president of the Guiana Shield Division of Cambior Inc. (now Iamgold Corporation). Since 2007, Mr. Gourde has worked as a mining consultant on several mining projects in West Africa, Guyana and Peru. Mr. Gourde holds a Bachelor of Science Degree in Mining Engineering from Ecole Polytechnique at the Université de Montréal and is a registered Professional Engineer in Quebec.

The Company also announced the appointment of Ms. Elaine Bennett as director and member of the audit committee of the board, subject to TSXV approval. Since 2008, Ms. Bennett has been Vice President Finance and CFO for Sabina Gold & Silver Corp., an advanced exploration and development company listed on the TSX. Prior to joining Sabina, Ms. Bennett was VP Finance and CFO for Miramar Mining Corporation which was acquired by Newmont in 2007. Ms. Bennett has experience in financial reporting, mergers and acquisitions, corporate reorganizations, mine construction, accounting and information technology. Ms. Bennett, a Chartered Professional Accountant, has also been director and chair of the audit committee of three junior exploration companies listed on the TSXV.

The Company also appointed Mr. David Charles as Manager, Investor Relations and Business Development, subject to TSX Venture approval. Mr. Charles brings close to 30 years of experience in the financial services industry in Canada primarily as a mining equity analyst. During his career Mr. Charles has worked for BMO Capital Markets, GMP Securities and Dundee Capital Markets as a senior analyst and visited mines and projects in North and South America, Europe and Africa. Mr. Charles holds a bachelor's degree in geology from Trinity College Dublin, an MSc. (applied) in Mineral Exploration from McGill University and is a CFA charter holder.

**Option agreements to acquire an interest in 2 gold projects in French Guiana***Haute Mana gold project*

On December 1, 2016, the Company entered into an option agreement with Union Minière de Saül ("UMS"), an arm's length private company, subject to TSXV approval. Pursuant to the option agreement, the Company has the right to acquire an 80% interest in the Haute Mana gold project by completing a preliminary economic assessment ("PEA") on the project within a period of five years (the "Option Period"). The Option Period will commence upon receipt of all required approvals and the receipt from the French regulatory authority of a plan describing environmental reclamation work required to be done on the project as a result of past mining activities (the "Plan"). In connection with the work required under the Plan, the Company agreed to advance, as a loan to UMS, up to 250,000 euros, which will bear interest at the legal rate in effect in French Guiana at the time of the disbursement. The loan and accrued interest will be repayable within 60 days of the completion of the PEA. Upon exercise of the option by the Company, the Company will be deemed to have acquired an 80% interest in the Concessions. UMS will then have the option to retain its 20% participating interest or convert its interest in a 5% net profit interest or sell its 20% interest to the Company at a price to be agreed to at that time.

The Haute Mana gold project consists of eight mining concessions covering an area of 121.5 km<sup>2</sup> in the central-south part of French Guiana, some 170 km SW from the capital city of Cayenne, being accessible by a forest trail and aircraft.

This is one of the most prolific gold producing area of French Guiana, from at least six "camps" along the Sophie-Saul shear zone, mostly from artisanal work both in alluvial and primary sources. The region was extensively mapped and explored by the Bureau de Recherches Géologiques et Minières (BRGM) in the 1980's. Ressources Franc-Or did further exploration work in the 1990's.

#### *Dorlin gold project*

On February 7, 2017, the Company announced that it had entered into an option agreement to acquire a 75% interest in the Dorlin Project in French Guiana from Société Minière Yaou-Dorlin ("SMYD"), a subsidiary of Auplata S.A., a French company listed on Alternext. The Dorlin Project consists of an 84 km<sup>2</sup> Exploitation Permit for gold, in the central west region of French Guiana, approximately 190 km SW of the capital Cayenne, within an area open to mining activity. The Project is underlain by rocks typical of the greenstone belts of the Guiana Shield, in the Yaou-Dorlin area, which hosts numerous small artisanal gold workings. In the 1990's substantial exploration work was conducted in the area by Guyanor Ressources and Cambior. SMYD is carrying out a small scale alluvial gold mining operation on the Project area using contractors.

The option is subject to certain conditions precedent including the renewal of the Dorlin Project permit and the completion by the Company of technical and legal due diligence on the Project for a period of 120 days. The option will be valid for a period of five years from the date all conditions precedent are satisfied. To exercise the option to acquire a 75% interest in the Dorlin Project, the Company will have to complete and deliver a feasibility study to SMYD within a period of four years and six months of the beginning of the option period. To maintain the option, the Company is required to spend at least US\$3 million in the first three years. Once the option is exercised, SMYD can maintain a 25% participating interest ("PI") or can elect to receive a 5% net profit interest ("NPI"). If SMYD chooses a 25% PI, the Company will have the option to acquire an additional 5% PI from SMYD for a consideration based on the net present value as established in the feasibility study. The Dorlin Project is subject to a 0.5% royalty payable to a subsidiary of Iamgold Corporation. SMYD filed an application to renew the Dorlin permit in July 2015 and it is still pending.

#### ***Grant of options***

On February 9, 2017, the Company approved, subject to regulatory approval, the grant of an aggregate of 9,045,000 incentive stock options to directors, officers, employees and consultants of the Company. The options are exercisable for a period of five years at an exercise price of \$0.07 and will be vesting over a period of two years.

#### ***Private placement***

On February 14, 2017, the Company announced that it was undertaking a non-brokered private placement of 7,133,660 common shares of the Company at a price of \$0.10 per share to raise proceeds of \$713,366 (the "Offering"). Subscribers for this Offering are directors of the Company who are investing the net amount of their compensation for the period from October 2014 to December 2016, which was paid to them following the sale of the Matthews Ridge project. The Offering is subject to the final consent of the TSXV. The securities issued will be subject to a hold period expiring four months plus one day from the closing of the Offering. The closing is expected to occur on or about February 28, 2017.

**Outlook**

Following the sale of the Matthews Ridge manganese project, the Company has decided to refocus its exploration efforts on early-stage gold projects located in the Guiana Shield region of South America, including the Haute Mana and Dorlin gold projects described above. The Company is also evaluating other gold projects in the Guiana Shield region. The Company intends to use the proceeds from the sale of Matthews Ridge to acquire and explore new gold projects and to settle its working capital deficiency,

**Operating activities**

During the three months ended December 31, 2016, the Company realized a net income of \$6,443,801 (\$0.04 per share) compared to a net loss of \$240,670 (nil per share) in 2015.

Net income for the period includes the gain on sale of the Matthews Ridge project in the amount of \$6,687,801. Given that the transaction was agreed to on November 4, 2016 and that the consent to complete the transaction by a majority of the Company's shareholders, the conditional approval of the TSXV and the conditional approval from the Board of Directors of the GGMC were all obtained prior to December 31, 2016, the Company accounted the sale of the Matthews Ridge project during the three months ended December 31, 2016. The definitive approvals from the Government of Guyana and the GGMC were obtained on January 25, 2017 and closing of the transaction occurred on February 1, 2017.

During the reporting period, the Company recovered an amount of \$260,450 from the GGMC for expenses incurred by the Company on behalf of the GGMC for the removal of scrap metal located at the Matthews Ridge property.

Expenses incurred during the three months ended December 31, 2016 consisted mostly of wages and fees to contractors and consultants of \$221,703 (\$89,196 in 2015), office expenses of \$92,367 (\$28,315 in 2015) and finance-related expenses on loans from related parties of \$30,210 (\$30,210 in 2015).

**Liquidity and Capital Resources**

At December 31, 2016, the Company had a working capital of \$4,231,389 (at March 31, 2016, the Company had a working capital deficiency of \$2,678,964). The working capital at December 31, 2016 includes \$7,243,541 in accounts receivable related to the sale of the Matthews Ridge project and certain mobile equipment and service vehicles. During the nine months ended December 31, 2016, the Company received proceeds of \$355,114 from the sale of certain mobile equipment and service vehicles and on February 1, 2017, the Company received US\$5,116,000 from the sale of the Matthews Ridge project.

On February 13, 2017, the Company repaid all outstanding amounts due to the Company's former president and CEO, including loans made to the Company in 2013 and a final settlement amount of US\$100,000 following his resignation in February 2016.

At December 31, 2016, management of the Company believes that it has sufficient working capital to pay for its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for at least the next 12 months. As described above, the Company has recently entered into option agreements to acquire an interest in two



gold projects located in French Guiana, which will require that a certain level of expenditure be incurred. The Company will need to raise funds in the future through the issuance of equity instruments or other arrangement to meet future work requirements. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that sources of funding or initiatives will be available to the Company or that they will be available when such funds are required.

**Other Related Party Transactions**

During the nine months ended December 31, 2016, the Company provided administrative services to Highland Copper Company Inc. and Odyssey Resources Limited, two TSXV-listed companies related to Reunion by virtue of common management. The services, which consist mainly of the provision of office space and telecommunication, are provided at a fixed monthly charge. Amounts recovered for administrative services during the nine months ended December 31, 2016 totaled \$147,383 (\$506,844 in 2015). At December 31, 2016, the Company had an amount due to companies under common management of \$84,218 (an amount receivable of \$861 at March 31, 2016).

The remuneration awarded to key personnel, including directors, the executive chairman and interim president and chief executive officer, the chief operating officer and the chief financial officer totalled \$58,260 during the three months ended December 31, 2016 (\$34,802 in 2015).

**RISK FACTORS**

Refer to the risk factors described in the Annual MD&A.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This MD&A may contain "forward-looking information", within the meaning of Canadian securities laws, about anticipated future events. Specifically, this MD&A includes, but is not limited to, forward-looking information regarding: the Company's plans and objectives including plans to acquire other mineral projects, and the potential of the projects being acquired. There can be no assurance that such forward looking information will occur for various reasons including all necessary approvals for the option agreements may not be obtained, the Dorlin permit may not be renewed, the Company may not be able to satisfy the conditions to exercise the conditions to exercise the options to acquire an interest in the Haute Mana and Dorlin projects, and the Company may not have all the required funds to finance the expenditures required to complete a PEA on Haute Mana and a feasibility study on Dorlin. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.

**Additional Information and Continuous Disclosure**

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.reuniongold.com](http://www.reuniongold.com)).