GATLING
EXPLORATION

REPORT FOR THE 151 DAYS ENDED
ENDED DECEMBER 31, 2018
MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the 151 days ended December 31, 2018 contains forward-looking information, including forward-looking information about Gatling Exploration Inc.'s (the "Company" or "Gatling") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the 151 days ended December 31, 2018 should be read in conjunction with the condensed interim financial statements as at December 31, 2018. This MD&A is effective February 28, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The Company has prepared its condensed interim financial statements for the 151 days ended December 31, 2018 in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34 *Interim Financial Statements*, as issued by the International Accounting Standards Board.

Previously reported in the condensed interim financial statements for the six months ended September 30, 2018, the historical accounts of the Company were prepared on a carve-out basis from Bonterra Resources Inc. ("Bonterra"), representing the historical operations of the Larder Lake Project since March 16, 2016 (the date of acquisition of the Larder Lake Project by Bonterra) and were derived from Bonterra's historical accounting records. The historical accounts of the Company reflected the statements of financial position, comprehensive loss, changes in equity and cash flows as if the Larder Lake Project had been an independent operation during the periods reported. The statements of comprehensive loss included an allocation of Bonterra's general and administrative expenses calculated on the basis of the ratio of time spent on the Larder Lake Project as compared to time spent on Bonterra's other exploration and evaluation assets.

For the 151 days ended December 31, 2018, the Company is now reporting the carve-out using a fair value approach where the Arrangement between Bonterra and the Company was deemed to be a purchase of an asset. As such IFRS 2 *Share-Based Payments* was used to determine fair value of the asset acquired.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the province of British Columbia on August 2, 2018. The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties.

On September 24, 2018, Bonterra completed a plan of arrangement (the "Arrangement") whereby Bonterra spun out its Larder Lake Project assets of $2,359,423 and cash of $7,000,000 in order to create a new exploration company (the Company), by way of plan of arrangement under the *Business Corporations Act* (British Columbia). Each holder of common shares of Bonterra received one common share of the Company for each seven common shares of Bonterra held.

BOARD OF DIRECTORS

Nav Dhaliwal
Position: President, Chief Executive Officer & Director

Mr. Dhaliwal brings a wealth of entrepreneurial, sales and financing experience. He is particularly adept at nurturing early stage companies through their critical phases of evolution, having founded a number of companies over his career. Mr. Dhaliwal is also very experienced in corporate development, corporate communications and investor relations, bringing valuable business relationships with international analysts, brokers and investment bankers from Canada, the United States and Asia.

Leigh Hughes
Position: Director

Mr. Hughes has been CEO and a director of Comverj Pty. Ltd., a boutique integrated marketing communications and innovations firm, since January 2003. He was appointed Chairman of Next Green Wave, a company established to produce and supply medical and recreational cannabis products to patients throughout the state of California, earlier this year. He is PMI Certified and has completed a Bachelor of Commerce degree at Curtin University, Western Australia. Mr. Hughes is also currently a corporate advisor to multiple listed companies on the ASX, CSE and Exchange.

Richard Boulay, B.Sc.
Position: Director

Mr. Boulay has over 40 years of experience in the exploration and mining industries in Canada and internationally, including 15 years of mining and infrastructure financing experience gained with Bank of Montreal, Royal Bank of Canada and Bank of Tokyo. He has extensive experience in the management and financing of public companies in Canada and the United States. He is also a director of Moneta Porcupine and Latin American Minerals Inc.

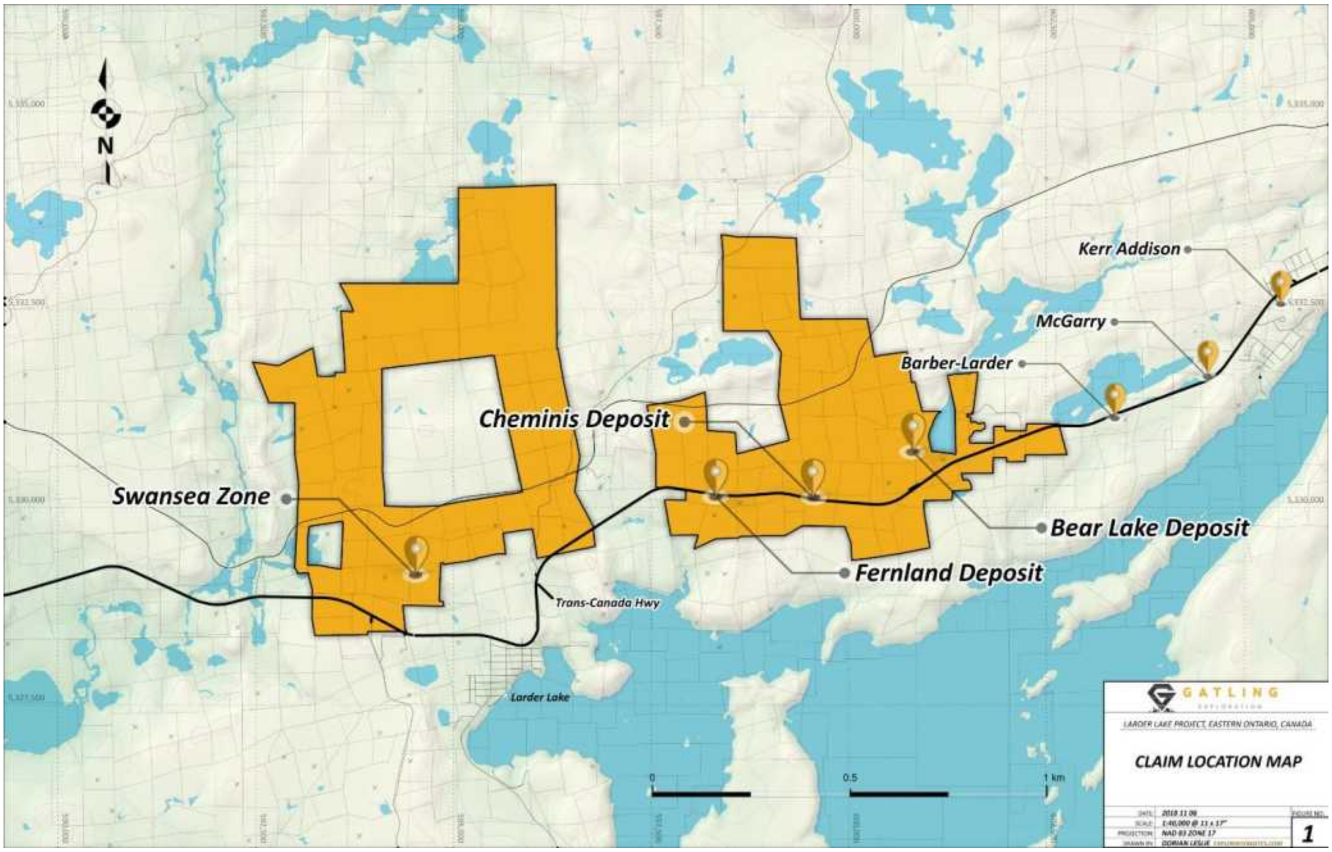
Carrie Cesarone
Position: Director

Ms. Cesarone has worked in the public company sector for over 20 years as a paralegal. She is an independent contractor for a number of Exchange and CSE listed companies. She has been the Chief Financial Officer of Nomad Ventures Inc. since September 2016 and serves as its Secretary. Ms. Cesarone also serves as the Corporate Secretary of Sudamet Ventures Inc. and has been the Corporate Secretary of Goldeneye Resources Corp. since October 2012. She holds a Bachelor of Arts degree from Simon Fraser University.

BUSINESS OF THE COMPANY

Gatling is a Canadian gold exploration company focused on resource development at the Larder Lake Project, a high-grade gold deposit located in the prolific Abitibi greenstone belt. An updated National Instrument 43-101 mineral resource update is anticipated in 2019.

GATLING EXPLORATION PROJECTS – LARDER LAKE, ONTARIO



On September 24, 2018, as part of the Arrangement, the Company received a 100% interest in the Larder Lake Project, located in Ontario. One claim includes a 1.5% net smelter return royalty, of which 1% may be repurchased by the Company for $750,000.

The Arrangement was deemed to be a purchase of an asset. As such, IFRS 2 *Share-Based Payments* was used to determine fair value of the asset acquired. As the fair value of the assets given up to acquire the asset was more readily available, the Company valued the acquisition using the fair value of shares issued of $0.28 per share. On September 24, 2018, the fair value of the assets acquired and liabilities assumed from Bonterra were as follows:

		Amount
Consideration provided (fair value of 33,426,512 common shares at $0.28 per share)	$	9,359,423
Allocated to net assets acquired:		
Cash transferred from Bonterra		(7,000,000)
Fair value of Larder Lake Property acquired	$	2,359,423

Fair value of $2,359,423 was allocated to the project and expensed for the period as pre-exploration cost.

The Larder Lake Property is located in northern Ontario, 35 kilometres ("km") east of Kirkland Lake and 6 km west of Virginiatown. The property hosts the Bear, Cheminis and Fernland gold deposits that extend along 10 km of the Cadillac-Larder break between Kirkland Lake and Virginiatown. It is positioned 7 km west of the Kerr Addison Mine, which produced 11 million ounces of gold. All parts of the Larder Lake Property are accessible by truck or all-terrain vehicles on non-serviced roads and trails.

SELECTED QUARTERLY INFORMATION

Results for the two most recently completed quarters are summarized below.

For the Quarter Periods Ending	December 31, 2018 $	September 30, 2018 $
Loss for the period	(1,539,607)	(2,428,078)
Basic and diluted loss per share	(0.04)	(0.48)
Total assets	9,855,845	6,967,096
Total current liabilities	621,782	32,751

OPERATIONS

During the three months ended December 31, 2018, the Company reported a net loss of $1,539,607. Expenses for the three months ended December 31, 2018 were as follows:

- Consulting fees of $106,197;
- Exploration and evaluation costs of $148,500 relating to the spin-out of the Larder Lake Project from the Arrangement, as well as exploration work performed on the project;
- Management and director fees of $245,000;
- Office and general expenses of $17,489;
- Professional fees of $93,585;
- Rent of $9,000;
- Share-based payments of $872,438 due to the issuance of stock options;
- Shareholder communications and investor relations of $54,407;
- Transfer agent and filing fees of $16,521 relating to the costs of listing the Company on the TSX Venture Exchange ("TSX-V") and issuing shares through private placements; and
- Travel of $7,447 related to conferences and to the Company's exploration sites.

During the 151 days ended December 31, 2018, the Company reported a net loss of $3,964,685. Expenses for the 151 days ended December 31, 2018 were as follows:

- Consulting fees of $121,697;
- Exploration and evaluation costs of $2,514,698 relating to the spin-out of the Larder Lake Project from the Arrangement, as well as exploration work performed on the project;
- Management and director fees of $245,000;
- Office and general expenses of $17,735;
- Professional fees of $93,630;
- Rent of $9,000;
- Share-based payments of $872,438 due to the issuance of stock options;
- Shareholder communications and investor relations of $61,232;
- Transfer agent and filing fees of $52,785 relating to the costs of listing the Company on the TSX-V and issuing shares through private placements; and

- Travel of $7,447 related to conferences and to the Company's exploration sites.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at December 31, 2018 was $9,411,752. The working capital was $9,078,179 at December 31, 2018.

On November 26, 2018, the Company closed a private placement for gross proceeds of $3,133,300. The Company issued 10,444,333 flow-through common shares of the Company at a price of $0.30. On November 30, 2018, the Company closed an additional tranche for gross proceeds of $329,999. The Company issued 1,099,995 common shares of the Company at a price of $0.30.

During the 151 days ended December 31, 2018, the Company issued 200,000 common shares for proceeds of $42,000 on the exercise of 200,000 stock options.

Other liabilities of $513,508 at December 31, 2018 represent the remaining premium on flow-through share expenditures, and is not a cash liability. At December 31, 2018, the Company had a remaining commitment to incur exploration expenditures in relation to its November 2018 flow-through share financings of $3,423,384. This amount is on a cash basis, and excludes any qualifying expenditures included in accounts payable.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

These amounts of key management compensation are included in the amounts shown on the condensed interim statement of comprehensive loss:

		151 Days Ended December 31, 2018
Short-term compensation (consulting fees, exploration and evaluation costs, management fees and professional fees)	$	385,000
Share-based compensation		629,730
	$	1,014,730

During the 151 days ended December 31, 2018, short-term compensation to related parties consisted of $47,500 in consulting fees, $45,000 in exploration and evaluation costs, $245,000 in management fees and $47,500 in professional fees.

Transactions with related parties are included in the amounts shown on the condensed consolidated interim statement of comprehensive loss as follows:

		151 Days Ended December 31, 2018
Related company controlled by officer and director (consulting fees and office and general)	$	30,000
Related company with a common officer (rent)		9,000
	$	39,000

As at December 31, 2018, the Company had payables of $31,500 related to shared office and administrative expenses with a company controlled by an officer and director.

EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to December 31, 2018, the Company granted 1,000,000 stock options to consultants at an exercise price of $0.33 and with a term to expiry of three years, and 400,000 stock options to officers and directors at an exercise price of $0.31 and with a term to expiry of three years.

RISKS AND UNCERTAINTIES

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations; however, it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

CAPITAL DISCLOSURES

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

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. The Company's investment policy is to invest its cash in financial instruments at high credit quality financial institutions with terms to maturity selected with regard to the expected timing of expenditures from continuing operations. The Company's overall strategy remains unchanged from the prior year.

FINANCIAL INSTRUMENTS AND RISKS

As at December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values.

Fair value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,411,752	$ -	$ -	$ 9,411,752

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale, and cause fluctuations in the fair value or future cash flows for assets or liabilities classified as held-to-maturity, loans and receivables, and other financial liabilities. The Company is exposed to other price risk on its marketable securities. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2018 equal $108,274. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at December 31, 2018, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

NEW ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

OTHER INFORMATION

The Company had the following securities issued and outstanding:

	February 28, 2019	**December 31, 2018**
Common shares	45,670,840	45,670,840
Warrants	-	-
Stock options	4,525,000	3,125,000
Fully diluted shares	50,195,840	48,795,840