# 92 RESOURCES CORP.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE MONTHS ENDED JUNE 30, 2018

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August 29, 2018

**Overview**

The following is a management's discussion and analysis ("MD&A") of 92 Resources Corp. (the "Company" or "92 Resources"), prepared as of August 29, 2018. This MD&A should be read together with the unaudited financial statements for the three months ended June 30, 2018 and related notes which are prepared in accordance with International Financial Reporting Standards ("IFRS") and the audited financial statements for the year ended March 31, 2018, and related notes which are prepared in accordance with IFRS, copies of which are filed on the SEDAR website: www.sedar.com.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions that are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of August 29, 2018 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Additional information related to 92 Resources Corp. is available for view on SEDAR at www.sedar.com.

**The Company's Business**

The Company was incorporated on May 10, 2007, under the British Columbia *Business Corporations Act*. On June 10, 2014, the Company's common shares were consolidated on a five old for one new share basis and the Company's name was changed from Rio Grande Mining Corp. to **92 Resources Corp.**

The Company is domiciled in Canada and is a reporting issuer in British Columbia and Alberta, with its common shares publicly traded on the TSX Venture Exchange (the "Exchange") under the stock symbol "NTY". The address of its head office is Suite 1400, 1111 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4M3.

The principal business of the Company is the identification, evaluation and acquisition of exploration and evaluation properties, as well as exploration of those properties once acquired. At June 30, 2018, the Company had not yet determined whether any properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

**Hidden Lake Lithium Property**

On February 16, 2016, the Company entered into an Agreement (the "Agreement") with DG Resource Management Ltd. ("DG Resource"), Zimtu Capital Corp. ("Zimtu") and Michael V. Sklavenitis ("MS") for an option to acquire interest in two mineral claims consisting of 1,100 hectares, located northeast of Yellowknife, Northwest Territories. Under the terms of the Agreement, the Company could earn 100% interest by paying cash of $85,000, issuing 4,000,000 common shares and completing $500,000 in exploration expenditures as follows:

| | Common Shares | Cash | Exploration Expenditures |
|---|---|---|---|
| | # | $ | $ |
| Upon closing (paid) | - | 5,000(1) | - |
| Upon regulatory approval of the Agreement (issued) (2) | 2,000,000(2) | - | - |
| 30 days after regulatory approval of Agreement (paid) | | 45,000(3) | - |
| 12 months after regulatory approval of the Agreement (issued; paid) | 2,000,000(2) | 35,000(3) | - |
| On or before September 30, 2016 (incurred) | - | - | 250,000 |
| On or before May 31, 2018 (incurred) | - | - | 250,000 |
| Total | 4,000,000 | 85,000 | $500,000 |

(1) Non-refundable deposit paid to DG Resources upon execution of the Agreement
(2) Issuable 50% to DG Resource, 25% to Zimtu and 25% to MS
(3) Payable to DG Resources

The regulatory approval related to the Hidden Lake Lithium Agreement was obtained from the TSXV on April 21, 2016.

On November 27, 2017, the Agreement was amended to extend the completion date of $250,000 exploration expenditures from on or before May 31, 2017 to on or before May 31, 2018.

Hidden Lake Property is subject to 2% Net Smelter Royalty with respect to the production of all material from the property, 1% of which can be purchased back from DG Resource by the Company within 5 years of the regulatory approval for $2,000,000 (the "DGRM Royalty").

*Government Grant*

In 2017, the Government of the Northwest Territories conditionally approved a grant of $140,000 relating to the Mining Incentive Program (the "Northwest Territories Grant"). A condition of the Northwest Territories Grant is to incur $280,000 eligible expenses in the Northwest Territories, consisting of 2 phrases of work, channel sampling and diamond drilling, during the period from April 1, 2017 to March 31, 2018.

During the year ended March 31, 2018, the Company received $119,000 as an advance from the Northwest Territories Grant, which was recorded as a reduction to the carrying amount of the Hidden Lake Lithium Property. As at March 31, 2018, the Company has not completed the second phase of the program within the required timeframe, and as a result, is required to repay a portion of the grant. On May 18, 2018, the Company repaid $81,590 to the Government of the Northwest Territories related to the Northwest Territories Grant.

*Option-out Agreement*

On January 22, 2018, the Company entered into an agreement to option out up to 90% of their interest in the Hidden Lake Property to Far Resources Ltd. ("Far") (the "Hidden Lake Option Out Agreement"), except for the DGRM Royalty, on the following terms and payments by Far to the Company:

| | **Value of Far Common Shares** | **Cash** | **Exploration Expenditures** |
|---|---|---|---|
| | $ | $ | $ |
| *To earn an initial 60% undivided interest* | | | |
| Upon closing (received) | 500,000[1] | 50,000 | - |
| On or before January 25, 2018 (incurred) | - | - | 500,000 |
| *To earn an additional 10% interest (70% interest in total* [5] | | | |
| Within 10 business days after January 25, 2018 | 250,000[2] | - | - |
| On or before January 25, 2019 | - | - | 500,000 |
| *To earn an additional 10% interest (80% interest in total* [5] | | | |
| Within 10 business days after January 25, 2019 | 300,000[3] | - | - |
| On or before January 25, 2020 | - | - | 600,000 |
| *To earn an additional 10% interest (90% interest in total)* | | | |
| Within 10 business days after January 25, 2020 | 400,000[4] | - | - |
| On or before January 25, 2021 | - | - | 700,000 |
| Total | 1,450,000 | 50,000 | 2,300,000 |

(1) Such number of common shares having an aggregate amount equal to $500,000 at an issue price of $0.90 per share. During the year ended March 31, 2018, 555,555 common shares were issued to the Company with a fair value of $227,777.
(2) Such number of common shares having a then aggregate fair market value equal to $250,000 based on an issue price per share equal to, the lesser of (A) the average closing price of Far's common shares on the CSE for the 20 trading days immediately preceding the date of issuance, and (B) $1.50 per share.
(3) Such number of common shares having a then aggregate fair market value equal to $300,000 based on an issue price per share equal to the lesser of (A) the average closing price of Far's common shares on the CSE for the 20 trading days immediately preceding the date of issuance and (B) $1.50 per share.
(4) Such number of common shares having a then aggregate fair market value equal to $400,000 based on an issue price per share equal to the lesser of (A) the average closing price of Far's common shares on the CSE for the 20 trading days immediately preceding the date of issuance, and (B) $1.50 per share

(5) In the event that Far does not exercise these options to acquire additional interest, Far will be responsible for funding 100% of the first $1,000,000 in joint expenses according to the Hidden Lake Option Out Agreement.

**Upper Ross Lake Property**

On July 7, 2016, the Company staked 2 claims totaling 57 hectares in Upper Ross Lake, Northwest Territories.

**Pontax Lithium Property**

On July 25, 2016, the Company entered into an agreement (the "Pontax Agreement") with DG Resource Management Ltd. ("DG Resources") and Michael Sklavenitis ("MS") for an option to acquire 100% interest in 104 mineral claims consisting of 5,536 hectares near Eastmain, Quebec by paying cash of $50,000 and issuing 3,000,000 common shares as follows:

| | **Common Shares** | **Cash** |
|---|---|---|
| | # | $ |
| Upon execution (paid) | - | 12,500(1) |
| Upon regulatory approval of the agreement (issued) | 1,500,000(2) | - |
| Within 60 days of regulatory approval (paid) | - | 12,500(3) |
| On or before May 31, 2018 (issued; paid) | 1,500,000(2) | 25,000(3) |
| Total | 3,000,000 | 50,000 |

(1) Non-refundable deposit paid to DG Resource upon execution of the Pontax Lithium Agreement
(2) #1,000,000 issuable to DG Resource and #500,000 issuable to MS
(3) Payable to DG Resource

Regulatory approval for the Pontax Agreement was obtained on September 20, 2016.

On November 27, 2017, the Pontax Agreement was amended to extend the date of the 1,500,000 common share issuance, and $25,000 cash payment from 1 year after the regulatory approval of the agreement to on or before May 31, 2018.

The Pontax Agreement is subject to a 3% Net Smelter Royalty ("NSR"). The Company can purchase 1.5% NSR within 5 years of regulatory approval by paying $2,000,000 to DG Resource.

**Zim Frac Property**

On January 27, 2014, the Company entered into a sale and purchase agreement (the "ZimFrac Agreement") with Cannon Bridge Capital Corp. ("Cannon") and Zimtu Capital Corp. ("Zimtu") (collectively, the "Vendors") and purchased from the Vendors a 100% interest in certain silica claims located near Golden, BC (the "ZimFrac Property"). In consideration, the Company issued 400,000 common shares (200,000 common shares to each of Cannon and Zimtu issued on February 6, 2014), subject to a 2% Net Smelter Royalty ("NSR"). The Company also issued 40,000 common shares in 2014 with a fair value of $0.25 per share as finder's fee.

The Company can purchase up to 1% NSR by paying an aggregate sum of $1,000,000 ($500,000 to each of Cannon and Zimtu).

The ZimFrac Agreement received regulatory approval on February 6, 2014.

On March 3, 2017, the Company entered into an agreement (the "Golden Frac Sand Agreement") with Dahrouge Geological Consulting Ltd. ("Dahrouge") and DG Resource Management Ltd. ("DG Resource") to purchase a 100% interest in certain mineral claims located near Golden, BC (the "Golden Frac Sand Property") to expand the size of the ZimFrac Property. In consideration, the Company paid $40,000 ($20,000 payable to Dahrouge and $20,000 payable to DG Resource) within five days of signing the Golden Frac Sand Agreement on March 17, 2017.

The property has a Gross Over-Riding Royalty of 2% payable to DG Resource in the revenue from the sale of the production. The Company can purchase 1% of the GORR for $2,000,000 at any time.

**Quebec Properties**

On September 18, 2017, the Company entered into an agreement (the "Quebec Properties Agreement") with DG Resource Management Ltd. ("DG Resource"), Simon Dahrouge ("SCD"), Sydney Dahrouge ("SAD") and Michael V. Sklavenitis ("MS") for an option to acquire interest in 115 mineral claims in the Eastmain Property, Lac Du Beryl Property and Corvette Property, located in the James Bay Region, Quebec. Under the terms of the Agreement, the Company could earn 100% interest by paying cash of $45,000 to DG Resource and issuing 1,500,000-share purchase warrants (500,000 each to SCD, SAD and MS) as follows:

| | **Warrants** | **Cash** |
|---|---|---|
| | # | $ |
| Upon closing (paid) | - | 12,500(1) |
| Earlier of regulatory approval or within 60 days of closing (paid) | - | 32,500(1) |
| Upon regulatory approval (issued) | 1,500,000(2) | - |
| Total | 1,500,000 | 45,000 |

(1) Payable to DG Resource
(2) Issuable 500,000 each to SCD, SAD and MS

The regulatory approval related to the Quebec Properties Agreement was obtained from the TSXV on September 26, 2017.

On October 19, 2017, in connection with the Quebec Properties Agreement, the Company paid reimbursement costs to DG Resource of $2,220 incurred on the properties 2 months prior to signing the Quebec Properties Agreement.

The Quebec Properties Agreement is subject to a 2% Net Smelter Return with respect to the production of all materials from the properties.

## SUMMARY OF QUARTERLY RESULTS

($000's expect loss per share)

The following is a summary of the Company's financial results for the eight most recent quarters:

| Quarter Ended | | Revenue | | Loss for the period | | Basic and diluted loss per share |
|---|---|---|---|---|---|---|
| September 30, 2016 | $ | Nil | $ | 177 | $ | 0.01 |
| December 31, 2016 | | Nil | | 173 | | 0.00 |
| March 31, 2017 | | Nil | | 400 | | 0.01 |
| June 30, 2017 | | Nil | | 200 | | 0.00 |
| September 30, 2017 | | Nil | | 199 | | 0.00 |
| December 31, 2017 | | Nil | | 274 | | 0.01 |
| March 31, 2018 | | Nil | | 291 | | 0.01 |
| June 30, 2018 | | Nil | | 200 | | 0.00 |

## RESULTS OF OPERATIONS

*Three months ended June 30, 2018*

The Company incurred a net loss of $199,599 for the three months ended June 30, 2018, as compared to $200,911 for the three months ended June 30, 2017. Total expenses of $204,010 for the three months ended June 30, 2018, related primarily to consulting, management and administration fees, professional fees and transfer agent and filing fees. During the corresponding period last year, the majority of the costs included consulting, management and administration fees, share-based payments, and transfer agent and filing fees.

During the three-month period June 30, 2018, there was a decrease in share-based payments to $Nil (2017 - $77,682) as the Company had not granted stock options during the period. There is an increase in consulting fees to $126,729 (2017 - $24,869) due to increase in consultants providing services. There was an decrease in transfer agent and filings fees to $14,840 (2017 - $39,108) because the Company had not issued shares through private placements or granted warrants and options during the current period.

All other costs in the current period are comparable to that of the corresponding period in 2017.

## LIQUIDITY AND CAPITAL RESOURCES

- On April 1, 2016, the Company amended the agreements related to key management compensation.

- On April 15, 2016, the Company closed a non-brokered private placement financing for gross proceeds of $109,500 by issuing 2,190,000 units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant will permit the holder to acquire one additional common share at a price of $0.10 per share until April 18, 2018. Value is allocated to the warrants using the residual method. The Company recognized $NIL as the fair value of warrants and $109,500 as the fair value of common shares. In connection with the private placement, the Company paid a finder's fee of $3,200 in cash and issued 64,000 agents warrants to Mackie Research Capital Corporation. Each agent warrant is exercisable to acquire one additional common share for a period of two years from the date of issuance at an exercise price of $0.05 per share.

- On April 27, 2016, the Company issued 2,000,000 common shares valued at $0.09 per share in accordance to the Hidden Lake Lithium Agreement.

- On May 4, 2016, the Company granted a total of 1,275,000 stock options to consultants. Each stock option is exercisable into one additional common share at $0.10 per share until May 4, 2021. All options vest when granted unless otherwise specified by the Board of Directors.

- On June 8, 2016, the Company paid outstanding interest on a loan from an unrelated party in full.

- On July 18, 2016, a total of 216,667 share purchase warrants expired with an exercise price of $0.10.

- On July 19, 2016, a total of 1,896,800 share purchase warrants with exercise price of $0.50 expired.

- On July 30, 2016, a total of 286,000 share purchase warrants expired with an exercise price of $0.50.

- On August 31, 2016, the Company granted a total of 500,000 stock options to a consultant. Each stock option is exercisable into one additional common share at $0.16 per share until August 31, 2018 and vested on the date of grant. On March 21, 2017, the Company amended the exercise price of these stock options to $0.115 per share.

- On September 19, 2016, the Company issued 1,500,000 common shares valued at $0.19 per share in accordance with the Pontax Agreement.

- On February 24, 2017, the Company closed a non-brokered private placement financing for gross proceeds of $895,200 by issuing 7,460,000 non-flow-through ("NFT") units at a price of $0.10 per unit and 1,243,333 flow-through ("FT") units at a price of $0.12 per unit. Each NFT unit consists of one NFT common share and one non-transferable share purchase warrant. Each warrant will permit the holder to acquire one additional NFT common share at a price of $0.15 per share until February 24, 2019. Each FT unit consists of one FT common share and one-half of one transferable share purchase warrant. Each whole warrant will permit the holder to acquire one additional NFT common share at a price of $0.15 per share until February 24, 2019. Value is allocated to the warrants using the residual method. The Company recognized $NIL as the fair value of warrants and $895,200 as the fair value of common shares. In connection with the private placement, the Company paid a finder's fee of $21,000 in cash, incurred share issuance costs of $5,226 and issued 35,000 agents warrants to PI Financial Corporation. Each agent warrant is exercisable to acquire one additional NFT common share for a period of two years from the date of issuance at an exercise price of $0.15 per share.

- On March 17, 2017, the Company granted a total of 650,000 stock options to an officer and consultants. Each stock option is exercisable into one additional common share at $0.115 per share until March 17, 2020 and vested on the date of grant.

- On March 21, 2017, the Company re-priced 500,000 stock options issued to a consultant to $0.115 per share. The options were granted on August 31, 2016 and expire on August 31, 2018.

- On April 19, 2017, the Company issued 2,000,000 common shares in accordance with the Hidden Lake Lithium Agreement.

- On April 25, 2017, the Company paid $35,000 in connection to the Hidden Lake Lithium Agreement for the second and last property payment subsequent to year-end.

- On May 15, 2017, the Company granted a total of 1,150,000 stock options to officers and directors. Each stock option is exercisable into one additional common share at $0.08 per share until May 15, 2020. All options have been granted under and are governed by the terms of the Company's incentive stock option plan and are subject to a four months and one day hold period.

- On July 10, 2017, the Company and Unity Energy Corp. mutually agreed to terminate the Mitchell Lake Agreement.

- On August 1, 2017, the Company appointed David Ramsey to the newly established Advisory Board and entered into a Consulting Agreement with him.

- On August 1, 2017, the Company granted a total of 300,000 Consultant Stock Options exercisable at $0.10 per share until August 1, 2019, pursuant to the Company's Stock Option Plan, approved by the shareholders at the Company's Annual General Meeting held on September 6, 2016.

- On September 18, 2017, the Company entered into an agreement (the "Quebec Properties Agreement") with DG Resource Management Ltd. ("DG Resource"), Simon Dahrouge ("SCD"), Sydney Dahrouge ("SAD") and Michael V. Sklavenitis ("MS") for an option to acquire interest in 115 mineral claims in the Eastmain Property, Lac Du Beryl Property and Corvette Property, located in the James Bay Region, Quebec. Under the terms of the Agreement, the Company could earn 100% interest by paying cash of $45,000 to DG Resource and issuing 1,500,000-share purchase warrants (500,000 each to SCD, SAD and MS).

- On September 25, 2017, the Company issued the above-mentioned 1,500,000 warrants valued at $146,580 in accordance to the Quebec Properties Agreement.

- On October 19, 2017, the Company paid $45,000 and $2,220 to DG Resource pursuant to the Quebec Agreement.

- On December 18, 2017, the Company granted a total of 1,720,000 stock options to consultants. Each stock option is exercisable into one additional common share at $0.10 per share until December 18, 2019 and vested immediately on date of grant.

- On January 3, 2018, the Company closed a non-brokered private placement financing for gross proceeds of $1,141,000 by issuing 11,410,000 NFT units at a price of $0.10 per unit. Each NFT unit consists of one NFT common share and one-half of one share purchase warrant. Each whole warrant will permit the holder to acquire one additional NFT common share at a price of $0.15 per share until January 3, 2019. In connection with the private placement, the Company paid finders' fees of $16,400 in cash and issued 164,000 agent warrants. Each agent warrant is exercisable to acquire one NFT common share for a period of one year from the date of issuance at an exercise price of $0.15 per share.

- On January 8, 2018, a total of 325,000-share purchase warrants expired with an exercise price of $0.10.

- On February 28, 2018, the Company received 555,555 shares of Far Resources valued at $227,777 related to the Hidden Lake Option Out Agreement.

- During the year ended March 31, 2018, the Company issued 1,535,000 common shares in accordance with the exercise of stock options for proceeds of $157,500. On exercise, the Company transferred $139,643 from reserves to share capital.

- During the year ended March 31, 2018, the Company issued 772,500 common shares in accordance with the exercise of warrants for proceeds of $106,875. On exercise, the Company transferred $1,069 from reserves to share capital.

- On July 12, 2018, the Company appointed Darren Smith to the Advisory Board.

- On July 11, 2018, the Company granted a total of 1,900,000 stock options to directors, officers and consultants. Each stock option is exercisable into one additional common share at $0.05 per share until July 11, 2021 and vested immediately on date of grant.

- On August 1, 2018, the Company closed a non-brokered private placement financing for gross proceeds of $217,750 by issuing 3,350,000 units at a price of $0.065 per unit. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant will permit the holder to acquire one additional common share at a price of $0.10 per share until August 1, 2019.

- On August 1, 2018 the Company granted a total of 800,000 Consultant Stock Options exercisable at $0.055 per share until August 1, 2020, pursuant to the Company's Stock Option Plan, approved by the shareholders at the Company's Annual General Meeting held on September 14, 2017.

As at June 30, 2018, the Company had cash and cash equivalents of $704,292 and working capital of $830,956. Some of the factors affecting the Company's liquidity are:

- The Company will have to incur ongoing costs to maintain its properties and plans to undertake exploration programs that will consume cash.
- As disclosed in note 8 of the June 30, 2018 financial statements, the Company must make option payments and complete minimum exploration expenditures if it is to retain its properties.
- As at June 30, 2018, the Company had 14,893,166 share purchase warrants outstanding at $0.15 per share.
- As at June 30, 2018, the Company had 4,052,000 stock options outstanding at between $0.08 and $0.25 per share.

As at June 30, 2018, the Company had not advanced its exploration and evaluation properties to commercial production. The Company's continuation as a going concern is dependent upon successful results from exploration activities on its mineral properties and its ability to attain profitable operations and generate cash from its operations in the foreseeable future. As at June 30, 2018, the Company has accumulated losses of $6,770,978 since inception, and is expected to incur further losses in the development of its business. The Company will have to rely on the issuance of shares or the exercise of options and warrants to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

## RELATED PARTY TRANSACTIONS

During the period ended June 30, 2018, the Company incurred the following related party transactions measured at exchange amounts, which were the amounts agreed upon by the transacting parties and are on terms and conditions similar to those for arm's length transactions:

- Management and administration fees of $23,451 (2017: $23,533) were incurred to an officer and director of the Company.

- Management and administration fees of $15,883 (2017: $15,964) were incurred to a company controlled by an officer of the Company.

- Consulting fees of $7,500 (2017: $7,500) were incurred to a company controlled by an officer of the Company.

- As at June 30, 2018, no amounts were due to key management, directors of the Company or companies controlled by management or directors of the Company.

*Key management personnel compensation*

The Company considers its President, Chief Executive Officer and Chief Financial Officer, Corporate Secretary and directors to be key management. During the three-month period ended June 30, 2018, the Company incurred $46,834 (2017: $124,679) on compensation.

## COMMITMENTS

The Company has certain commitments related to key management compensation for $12,500 per month with no specific expiry of terms.

## CHANGES IN ACCOUNTING POLICIES

New accounting policies that the Company has adopted or expects to adopt are noted below (also disclosed in the June 30, 2018 quarterly financial statements):

The Company has adopted all the following new standards relevant to the Company for the three-month period ended June 30, 2018:

- IAS 28 '*Investments in Associates and Joint Ventures*' is applicable for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted. Another amendment is applicable for annual periods beginning on or after January 1, 2018.

- IFRS 2, '*Share-based payment*' is applicable for annual periods beginning on or after January 1, 2018.

- IFRS 9 '*Financial Instruments: Classification and Measurement'* is effective for annual periods beginning on or after January 1, 2018.

The Company has retrospectively and irrevocably elected at the time of initial recognition to account for equity investments at fair value through other comprehensive income ("FVOCI") effective January 1, 2018 on the basis that this classification reflects the principal nature of the investments. As a result, there was no impact on the financial position and financial performance of the Company in the prior or current period, other than a reclassification from current to non-current on the statement of financial position.

- IFRS 7 '*Financial instruments: Disclosure*' is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

At the date of authorization of the condensed interim consolidated financial statements and this MD&A, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the relevant reporting periods.

- IFRS 10 '*Consolidated Financial Statements*' is applicable for annual periods beginning on or after a date to be determined by the IASB. Earlier application is permitted if disclosed.

- IFRS 16 '*Leases*' is effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15.

- IFRIC 23 'Uncertainty over Income Tax Treatments' is applicable for annual periods beginning on or after January 1, 2019.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**PROPOSED TRANSACTIONS**

None

**CRITICAL ACCOUNTING ESTIMATES**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year and are discussed in the financial statements.

## FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at June 30, 2018, the Company does not have any Level 3 financial instruments.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments, trade and other payables and loans payable.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company considers its exposure to interest rate risk to be not significant.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Company ensures that it has sufficient capital to meet its short-term financial obligations.

## RISKS AND UNCERTAINTIES

The more significant risks and uncertainties not discussed elsewhere in this MD&A include:

### Financing Risk

The Company will need to continue raising funds to finance its operations and exploration activities. There is no certainty that the Company will be able to raise money on acceptable terms or at all.

### Exploration Risk

Exploration for mineral resources involves a high degree of risk. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. Few explored properties are ultimately developed into producing mines. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several different exploration prospects in a number of favorable geologic environments.

### Metal Price Risk

Even if the Company's exploration programs are successful in locating economic deposits of minerals or precious metals, factors beyond the Company's control may affect the value and marketability of such deposits. Natural resource prices have wide historic fluctuations due to many factors, including inflation, currency fluctuations, interest rates, consumption trends and local and worldwide financial market conditions. The prices of such natural resources greatly affect the value of the Company and the potential value of its properties. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed.

### Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenditures.

## OUTSTANDING SHARE DATA

As at the date of this MD&A there were:

- A total of 74,442,456 common shares issued and outstanding.
- Warrants to purchase the following:
  - up to 7,524,166 common shares at $0.15 per share and exercisable until February 24, 2019;
  - up to 1,500,000 common shares at $0.15 per share and exercisable until September 25, 2022;
  - up to 5,869,000 common shares at $0.15 per share and exercisable until January 3, 2019; and
  - up to 1,675,000 common shares at $0.10 per share and exercisable until August 1, 2019.
- Stock options to purchase the following:
  - up to 142,000 common shares at $0.25 per share until January 17, 2019;
  - up to 250,000 common shares at $0.12 per share until October 15, 2019;
  - up to 1,125,000 common shares at $0.10 per share until May 4, 2021;
  - up to 400,000 common shares at $0.115 per share until March 17, 2020;
  - up to 975,000 common shares at $0.08 per share until May 15, 2020;
  - up to 300,000 common shares at $0.10 per share until August 1, 2019;
  - up to 860,000 common shares at $0.10 per share until December 18, 2019;
  - up to 1,900,000 common shares at $0.05 per share until July 11, 2021; and

- o up to 800,000 common shares at $0.055 per share until August 1, 2020.

The maximum number of shares potentially issuable is therefore 23,320,166.

## SUBSEQUENT EVENTS

The following events occurred subsequent to the period ended June 30, 2018:

- Subsequent to the period June 30, 2018, on July 12, 2018, the Company appointed Darren Smith to the Advisory Board.

- On July 11, 2018, the Company granted a total of 1,900,000 stock options to directors, officers and consultants. Each stock option is exercisable into one additional common share at $0.05 per share until July 11, 2021 and vested immediately on date of grant.

- On August 1, 2018, the Company closed a non-brokered private placement financing for gross proceeds of $217,750 by issuing 3,350,000 non-flow-through ("NFT") units at a price of $0.065 per unit. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant will permit the holder to acquire one additional common share at a price of $0.10 per share until August 1, 2019.

- On August 1, 2018 the Company granted a total of 800,000 Consultant Stock Options exercisable at $0.055 per share until August 1, 2020, pursuant to the Company's Stock Option Plan, approved by the shareholders at the Company's Annual General Meeting held on September 14, 2017.

*ADDITIONAL INFORMATION*

Additional information related to the Company can be found on SEDAR at www.sedar.com.