MARGAUX RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2018 AND 2017

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Margaux Resources Ltd. ("Margaux" or the "Corporation") is dated August 24, 2018 and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and nine months ended June 30, 2018 and 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim financial statements of the Corporation for the three and nine months ended June 30, 2018 and 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The condensed interim financial statements of the Corporation for the three and nine months ended June 30, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Margaux common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The date of this MD&A is August 24, 2018.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from **www.sedar.com**.

Cautionary Note Regarding Forward-Looking Information

This document contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond Margaux's control. Forward looking information does not relate strictly to historical or current facts and can be identified by words such as "anticipate", "believe", "estimate", "expect", "forecast", "intend", "may", "project", "should", "will" or similar expressions. These statements represent management's reasonable projections, expectations and estimates as of the date of this document but undue reliance should not be placed upon them, as they are derived from many assumptions. Such assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A, which may cause actual performance and financial results to differ materially from any projections of future performance or results implied by such forward looking statements.

The forward looking information in the MD&A is subject to significant risks and uncertainties and is based on many factors and assumptions which may prove to be incorrect; including, but not limited to, the following:

- The Corporation's expectations with regards to qualified expenditures for flow-through shares;
- The sufficiency of the Corporation's financial resources with which to conduct its capital program; and
- Whether or not the Corporation can obtain additional capital through equity or debt issuances.

The forward looking information represents management's views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. Management has attempted to identify important factors that could cause actual results to vary from those current expectations or estimates expressed or implied by the forward looking information. However, there may be other factors that cause actual results or performance to differ materially from current estimates and expectations. Other risks and uncertainties include, but are not limited to:

- Normal risks common to the mining industry, including various operational risks in the implementation of exploration, development and production operations;
- Risks and uncertainties of mining economic geological reserves;

- Revisions or amendments to capital expenditure programs, including development and exploitation opportunities;
- The Corporation's ability to attract and retain qualified professional employees and consultants;
- Risks as to the availability and pricing of appropriate financing alternatives on acceptable terms; and
- Potential changes in government policies, rules, approval process changes, delays or enhancements, or income tax regulations.

The preparation of the condensed interim financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgment and decisions based on available geological, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Margaux's actual results, performance or achievements could differ materially from those expressed in, or implied in, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Margaux will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to Margaux or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and Margaux does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

DESCRIPTION OF THE BUSINESS

Margaux Resources Ltd. (the "Corporation" or "Margaux") was incorporated under the *Business Corporations Act (Alberta)* on August 5, 2009 and was a Capital Pool Company under Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). In January 2011, the Corporation completed an initial public offering ("IPO") and currently trades on the TSX-V and the OTCQB Venture Market under the trading symbols "MRL" and "MARFF" respectively. The registered address of the Corporation is 1600, 510 – 5th Street SW, Calgary, Alberta, T2P 3S2.

The Corporation is a polymetallic exploration company and regional consolidator focused on the exploration and development of previously producing properties in the Kootenay Arc, located in southern British Columbia, including the Jackpot/Oxide, Jersey-Emerald, Sheep Creek and Bayonne properties, on which Margaux has options.

For a full description of the Corporation's properties, including the Jersey-Emerald Property, Jackpot Property, YSR Properties, CANEX property, Ore Hill property and Aspenex property (as such terms are defined in the Corporation's management's discussion and analysis for the year ended September 30, 2017), please see the Corporation's management's discussion and analysis dated January 29, 2018, for the year ended September 30, 2017 which is available on the Corporation's SEDAR profile at www.sedar.com.

CORPORATE UPDATES

Summary of 2018 Exploration Matters

On April 23, 2018, the Corporation commenced a ground-based geophysical survey (both VLF and Magnetic) on the Kootenay Arc District in southern B.C. The 17-line kilometer survey will better characterize a near mine conductive horizon, as identified from a 2009 airborne HeliGEOTEM survey, for subsequent drill testing.

On June 6, 2018, the Corporation commenced its 2018 drill program, initiated testing of Sheep Creek Gold District historic mine dumps for potential gold recovery and provided an update on the Corporations tungsten tailings metal recover and remediation initiative.

HIGHLIGHTS

	Three months ended June 30, 2018	Three months ended June 30, 2017	**Nine months ended June 30, 2018**	Nine months ended June 30, 2017
Cash from financing activities	**$ -**	$ 942,812	**$ 3,065,552**	$ 5,685,119
Cash used in operations	**(53,330)**	(668,240)	**(1,492,004)**	(1,966,872)
Net loss	**(205,275)**	(564,966)	**(1,353,530)**	(2,093,024)
Weighted average number of shares	**60,282,281**	49,655,350	**57,377,357**	40,679,421
Loss per share - basic and diluted	**(0.00)**	(0.01)	**(0.02)**	(0.05)

As at	**June 30, 2018**	June 30, 2017	September 30 2017
Total assets	**8,144,797**	6,753,448	6,450,354
Current assets	**863,432**	2,343,064	1,157,908
Current liabilities	**241,046**	227,148	305,718
Working capital (deficiency)	**$622,386**	$ 2,115,916	$ 852,190
Common shares outstanding	**60,282,181**	49,693,118	49,843,118

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's quarterly financial results:

	June 30		**March 31**		**December 31**		**September 30**	
Three months ended,	**2018**	2017	**2018**	2017	**2017**	2016	**2017**	2016
Expenses								
General and administrative	**$ 243,673**	$ 467,050	**$ 427,889**	$ 800,953	**$ 357,456**	$ 468,273	**$ 427,073**	$ 250,050
Operating and production costs	**16,942**	23,087	**25,516**	33,105	**275,879**	27,430	**73,149**	(16,287)
Depreciation and depletion	**10,606**	5,118	**9,219**	4,896	**8,994**	5,339	**9,284**	5,083
Share based compensation	**36,567**	100,686	**68,399**	110,890	**69,171**	110,750	**194,537**	35,711
Loss before other items	**$ 307,788**	$ 595,941	**$ 531,023**	$ 949,844	**$ 711,500**	$ 611,792	**$ 704,043**	$ 274,557
Interest Income	**-**	-	**-**	-	**-**	-	**(403)**	-
Flow through share premium	**(102,513)**	(30,975)	**(75,971)**	(18,545)	**(18,297)**	(15,426)	**-**	(7,774)
Fair value gain on derivative	**-**	-	**-**	(1,007)	**-**	-	**1,007**	-
Forgiveness of debt	**-**	-	**-**	-	**-**	-	**-**	(80,000)
Net loss from Operations	**$ 205,275**	$ 564,966	**$ 455,052**	$ 930,292	**$ 693,202**	$ 596,367	**$ 704,647**	$ 186,783
Loss per share – basic and diluted	**$ 0.00**	$ 0.01	**$ 0.01**	$ 0.03	**$ 0.02**	$ 0.02	**$ 0.01**	$ 0.00

DISCUSSION OF OPERATIONS

The Corporation is focused on the development of zinc, gold, and tungsten deposits in the Kootenay Arc, in the southeastern region of British Columbia. The Corporation's general and administrative expenses decreased to $243,673 and $1,029,018 for the three and nine months ended June 30, 2018 from the 2017 comparative amounts of $467,050 and 1,737,119. The decrease in general and administrative expenses is a result of cost savings measures implemented by management and decreased consultants, travel, marketing and professional fees related to the business of the Corporation for the three and nine months ended June 30, 2018.

General and administrative details for the three and nine months ended June 30:

	3 Months		9 Months	
	2018	**2017**	**2018**	**2017**
Consulting	$ 149,097	$ 148,418	$ 424,225	$ 556,668
Travel & Meals	17,027	42,025	84,773	198,306
Office & Administrative	11,800	36,266	48,322	91,438
Marketing	48,836	136,956	358,204	617,007
Professional Fees	16,913	103,385	113,494	273,700
Total	**$ 243,673**	**$ 467,050**	**$ 1,029,018**	**$ 1,737,119**

Operating Expenses

The Corporation incurred operating costs of $16,942 and $318,337 for the three and nine months ended June 30, 2018 (2017 –$23,087 and $84,179). The increase for the three and nine months ended June 30, 2018 is a result of increased exploration activity at the Corporation's Properties.

Total expenses

Total expenses for the three and nine months ended June 30, 2018 was $307,788 and $1,550,311 (2017 - $595,941 and $2,158,977). The decrease for the three and nine months ended June 30, 2018 is a mainly a result of decreased general and administrative expenses.

Financial Instruments

The Corporation's financial instruments, consisting of cash, other receivables and trade payables, approximate fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at June 30, 2018, the Corporation had trade and other payables of $191,705 (September 30, 2017 - $305,718) due within 12 months and had cash on hand of $699,275 (September 30, 2017 - $1,024,387).

The Corporation currently has sufficient cash to fund its current commitments and payables and to carry out its ongoing drill program at its properties. Pursuant to the Jersey-Emerald Option Agreement, the Corporation is required to make option payments of $50,000 per month until December 1, 2018. If the Corporation is successful in raising an additional $1.5 million of hard dollars, the Corporation will then remit $75,000 per month for the remainder of the period (for a total of not less then $1,050,000). Commencing on January 1, 2019 the Corporation will be required to make option payments of $100,000 per month until a total of $4 million has been paid to Apex.

The Corporation defines capital to include equity, comprised of share capital including warrants, contributed surplus and deficit.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions and to maintain the development program for the Jersey Emerald, Jackpot/Oxide, Bayonne Sheep Creek Properties and Ore Hill and Aspenex properties (collectively, the "Properties"). To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity, by securing strategic partners or assuming debt.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation is exposed to liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at June 30, 2018, the Corporation had cash and cash equivalents of $699,275 compared with $1,024,387 at September 30, 2017. The Corporation continues to experience negative operating cash flow as a result of no revenue coupled with the Corporation's ongoing expenses related to its exploration and business development activities. The Corporation anticipates a negative operating cash flow will continue until such time as production begins on its existing properties.

As at June 30, 2018, the Corporation's working capital was $622,386 compared with $852,190 at September 30, 2017.

The Corporation's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate sufficient cash from operating and financing activities to meet the Corporation's needs. However, certain conditions exist that may cast significant doubt on the validity of this assumption. The Corporation incurred a net loss of $205,275 and $1,353,530 for the three and nine months ended June 30, 2018 (2017 - $564,966 and $2,093,024) and had negative cash flows from operating activities of $53,330 and $1,492,004 (2017 - $668,240 and $1,966,872). The condensed interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in the condensed interim financial statements. The Corporation intends to raise the required funds through the issuance of equity, by securing strategic partners or assuming debt.

Off-Balance Sheet Arrangements

The Corporation has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Corporation or engages in leasing or hedging services with the Corporation.

PROPERTY AND EQUIPMENT

	Equipment $	Total $
Cost		
Balance as at October 1, 2017	**218,714**	**491,113**
Additions	**41,572**	41,572
Balance as at June 30, 2018	**260,286**	**532,685**
Balance as at October 1 2017	**52,299**	**324,698**
Charge for the period	28,819	28,819
Balance as at June 30, 2018	**81,118**	**353,517**
Net book value		
June 30, 2018	**179,168**	**179,168**

EXPLORATION AND EVALUATION ASSETS

	$
Balance as at October 1, 2017	4,926,031
Additions – Kootenay Arc Zinc Project	1,512,663
Additions – Sheep Creek Project	413,507
Additions – Tungsten Tailings Project	49,996
Balance as at June 30, 2018	**6,902,197**

E&E assets consist of costs expended on the Corporation's projects which are pending determination of technical feasibility and commercial viability.

Management assessed the E&E assets at June 30, 2018 and determined that no indicators of impairment existed.

During the three and nine months ended June 30, 2018, the Corporation primarily focused its activities to mining on its Sheep Creek Project, Kootenay Arc Zinc and Tungsten Tailings Project, located in Salmo, British Columbia.

<u>Kootenay Arc Zinc Project</u>

The Kootenay Arc Zinc Project consists of the Jersey Emerald Property, Jackpot Property, Ore Hill Property and Aspenex Property (collectively the "Kootenay Arc Zinc Project") The Corporation incurred $1,512,663 of E&E on the Kootenay Arc Zinc Project during the three and nine months ended June 30, 2018, relating to exploration activity.

<u>Jersey Emerald Property</u>

The Corporation made $450,000 in option payments to Apex Resources Inc. ("Apex") as part of the Jersey Emerald Option Agreement during the three and nine months ended June 30, 2018.

The Jersey Emerald Property is also subject to several additional net smelter returns ("NSR"), ranging from 1%-3% on various areas of the Jersey Emerald Property and these additional NSRs require advance royalty payments totalling $50,000 per year. As at June 30, 2018, $200,000 (2017 - $150,000) has been paid towards the advance royalty payments and are recorded in long-term prepaids on the statement of financial position.

Jackpot/Oxide Property

During the three and nine months ended June 30, 2018, the Corporation paid $30,000 cash in option payments and issued 50,000 shares.

The shares were valued at $43,500 less a discount of $9,489 which has been applied due to a resale restriction on the shares (note 7).

Ore Hill Property

The Corporation incurred $34,593 of E&E costs on the Ore Hill Property during the three and nine months ended June 30, 2018, relating to exploration activity.

Sheep Creek Project

The Sheep Creek Project consists of the Bayonne and Sheep Creek Properties(collectively the "Sheep Creek Project")

Bayonne & Sheep Creek Properties

The Corporation incurred $413,507 of E&E costs on the Sheep Creek Project during the three and nine months ended June 30, 2018, relating to exploration activity.

Tungsten Tailings Project

The Tungsten Tailings Project consists of the Canex Property ("Tungsten Tailings Project")

Canex Property

The Corporation incurred $49,996 of E&E costs on the Tungsten Tailings Project during the three and nine months ended June 30, 2018, relating to exploration activity.

Related Party Transactions

Except as disclosed elsewhere, all related party transactions are in the normal course of operations.

As at June 30, 2018, the Corporation had an amount of $28,485 (2017 - $11,300) due to directors and officers included in trade and other payables.

During the period ended June 30, 2018, the Corporation was provided geological consulting services in the amount of $nil (2017 - $1,164) from a Company controlled by a director of the Corporation. The total amount had been capitalized to the mineral property as exploration costs. The Corporation paid $103,500 (2017 - $50,000) to an officer for compensation as Vice President Exploration of the Corporation. The total amounts have been capitalized to the mineral property as exploration cost.

The Corporation also incurred professional services in the amount of $25,000 (2017 - $52,088) provided by a Company controlled by a director of the Corporation. These fees have been reflected in general and administrative expenses.

An aggregate of $71,812 (2017 - $54,162) in consulting fees was paid to a corporation owned by an officer of the Corporation for compensation as CFO.

An aggregate of $182,500 (2017 - $188,000) in consulting fees were paid to a corporation owned by a director and officer of the Corporation for compensation as CEO of the Corporation. Costs associated with various administrative support costs of $14,075 (2017 - $74,722) and equipment rental fees of $nil (2017 - $13,500) were also reimbursed to a director and officer of the Corporation recorded in general and administrative expenses on the statement of net loss and comprehensive loss. Costs associated with property and equipment of $30,250 (2017 - $nil) was reimbursed to a director and officer of the Corporation recorded in property and equipment on the statement of financial position.

Compensation of key management personnel
The remuneration of directors and other members of key management personnel during the year were as follows:

	June 30, 2018	June 30, 2017
	$	$
Share-based payment	**174,137**	322,326
Capitalized - Share-based payments	**19,032**	-
Total	**193,169**	322,326

Outstanding Share Data

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, all without nominal or par value. The common shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued by the Corporation.

	June 30, 2018		September 30, 2017	
Issued	**Common Shares**	**Amount**	Common Shares	Amount
Opening balance	**49,843,118**	**$10,015,899**	29,093,938	$6,541,166
Shares issued, net (a)(b)(c)(e)(f)(g)	**10,439,063**	**$2,587,997**	20,749,180	$3,474,733
Closing Balance	**60,282,181**	**$12,603,896**	49,843,118	$10,015,899
Warrants				
Opening balance	**15,224,823**	**$3,119,823**	4,775,000	$ 747,392
Warrant Issuance (d)	**2,888,798**	**$357,433**	10,449,823	$ 2,372,431
Warrant Expiry	**(2,630,000)**	**(423,248)**		
Closing balance	**15,483,621**	**$3,82,549**	15,224,823	$ 3,119,823
Note payable – equity component	**-**	**-**	-	$ (2,746)
Total Share Capital		**$15,657,904**		$13,135,722

(a) On December 1, 2017, the Corporation issued 150,000 common shares as per the Jackpot/Oxide Property option agreement signed on October 12, 2016 and as per TSV-V approval received on December 1, 2016. The common shares were valued at a market price of $0.29 per common share. The shares carry a resale restriction the expire on April 1, 2018.

(b) On December 6, 2017, the Corporation closed a non-brokered private placement of 4,399,999 units of the Corporation at a purchase price of $0.30 per unit and 1,134,943 common shares of the Corporation issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.36 per Flow-Through share for aggregate proceeds of $1,728,579 Each unit consists of one common share of the Corporation and one half of one common share purchase warrant in the Corporation. Each whole warrant is exercisable by the holder at a price of $0.40 per warrant for a period of two years from December 6, 2017, subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Share of the TSX-V exceeds $0.50 per share.

(c) On December 22, 2017, the Corporation closed a non-brokered private placement of 1,377,600 units of the Corporation at a purchase price of $0.30 per unit and 3,076,521 common shares of the Corporation issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.36 per Flow-Through share for aggregate proceeds of $1,520,828. Each unit consists of one common share of the Corporation and one half of one common share purchase warrant in the Corporation. Each whole warrant is exercisable by the holder at a price of $0.40 per warrant for a period of two years from December 22, 2017, subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Share of the TSX-V exceeds $0.50 per share.

(d) As part of the non-flow through units issued on December 6, 2017 and December 22, 2017 (note 7(a)(b)); subscribers received one-half warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $0.40 for a period of 24 months from the date of closing. All warrants vest immediately. A value of $476,578 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	1.05% - 1.16%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	127%
Weighted-average fair value	$0.16
Expected Life	2 years

(e) On February 6, 2018, the Corporation issued 150,000 common shares as per the Bayonne and Sheep Creek Property option agreement signed on December 23, 2016 and as per TSV-V approval received on February 6, 2017. The common shares were valued at a market price of $0.30 per common share. The shares carry a resale restriction the expire on June 7, 2018.

(f) On March 5, 2018, the Corporation issued 50,000 common shares as per the Canex Property option agreement signed on January 19, 2017 and as per TSV-V approval received on March 3, 2017. The common shares were valued at a market price of $0.29 per common share. The shares carry a resale restriction the expire on July 6, 2018.

(g) On March 29, 2018, the Corporation issued 100,000 common shares as per the Ore Hill Property option agreement signed on December 23, 2016 and as per TSV-V approval received on February 6, 2017. The common shares were valued at a market price of $0.24 per common share. The shares carry a resale restriction the expire on July 30, 2018.

Flow-Through Shares

During the three and nine months ended June 30, 2018, the Corporation raised $1,516,127 on a CEE flow-through share basis and was required to incur a net total of $1,516,127 of qualifying expenditures to renounce the tax deductions to investors. As at June 30, 2018, $1,294,090 of qualifying expenditures were incurred which requires the Corporation to expend a further $222,037 to meet its minimum flow-through share expenditure commitment. The total flow-through share premium recorded $246,122 on the issuance of the flow-through share expenditure has been amortized in the amount of $196,781 to reflect the proportion of expenditures incurred to June 30, 2018. The amortization is reflected as flow-through premium in the statement of net loss and comprehensive loss. The Corporation expects to expend the remaining amount during the fiscal year 2018.

Stock option plan

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSX - V (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX-V.

A summary of the Corporation's stock option plan activity is as follows:

	Number of Options	Weighted-average Exercise Price	Weighted-average Life (years)
Exercisable as at September 30, 2017	2,446,654	$0.20	3.4
Outstanding at September 30, 2017	4,840,000	$0.24	3.8
Exercisable as at June 30, 2018	**3,248,321**	**$0.22**	**3.7**
Forfeited	**196,665**		
Outstanding at June 30, 2018	**5,860,000**	**$0.24**	**3.7**

At June 30, 2018, the weighted-average life of the options outstanding was 3.7 years (2017 – 3.8 years).

On June 12, 2018, the Corporation issued 1,340,000 stock options to Directors, officers, advisory committee member's and consultant's with the Corporation in accordance with the Corporation's shareholder approved stock option plan. The options are exercisable at $0.25 per share, expire in five years and vest as to one-third immediately and one-third on the first and second anniversaries of the grant date.

The fair value of these options were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	2.14%
Weighted-average life	5 years
Dividend yield	nil
Annualized volatility	147%
Weighted-average fair value per option	$0.18
Expected option life	5 years
Forfeiture rate	0%

Contributed Surplus

Description	**June 30, 2018**	September 30, 2017
Opening balance	**$ 4,993,467**	$ 4,464,557
Share-based payments	**174,137**	$ 516,863
Capitalized share-based payments	**19,032**	$ 40,632
Discount due to resale restriction (Note 6)	**(25,955)**	$ (32,556)
Equity component of note payable	-	$ 3,971
Expired Warrants	**94,708**	-
Closing balance	**$ 5,255,389**	$ 4,993,467

CRTITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the condensed interim financial statements is in conformity with IFRS. Preparing the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
These interim condensed financial statements follow the same accounting principles and methods of application as those disclosed in note 4 of the Corporation's annual Financial Statements as at and for the year ended September 30, 2017, with the exception of 'Financial Instruments' and 'Revenue Recognition' policies which are amended below.

IFRS 9 – Financial Instruments.

The Corporation adopted IFRS 9 with a date of initial application as of January 1, 2018, this is the date in which all IFRS 9 classification and measurement is required to be implemented. The Corporation retrospectively adopted the standard and elected not to restate comparative information. There were no material changes in the measurement and carrying values of the Corporation's financial instruments as a result of the adoption. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories of 'held to maturity investments, loans and receivables and other financial liabilities' and 'available for sale financial assets'. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the nature of its contractual cash flow characteristics. Embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9; the entire hybrid contract is assessed for classification and measurement.

IFRS 9 replaces the 'incurred credit loss model' in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. Under IFRS 9, credit losses are recognized earlier than under IAS 39; it is no longer necessary for a credit event to have occurred before credit losses are recognized. See Note 11 of the Corporation's annual Financial Statements as at and for the year ended September 30, 2017 for additional disclosure on the Corporation's credit risk.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Corporation's financial assets and financial liabilities. The Corporation has no contract assets or financial instruments measured at FVOCI.

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Cash	Loans and Receivables	Amortized Cost
Account receivable	Loans and Receivables	Amortized Cost
Accounts payable	Other Financial Liabilities	Amortized Cost

Financial Instruments Policy

The Corporation recognizes financial assets and financial liabilities, including derivatives, on the statements of financial position when the Corporation becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized cost
A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

Fair value through other comprehensive income ("FVTOCI")
A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.

Fair value through profit or loss ("FVTPL")
All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Corporation may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

IFRS 15 – Revenue from Contracts with Customers

The Corporation adopted IFRS 15 on January 1, 2018. The Corporation currently had no contract with customers or revenue in the current or comparative periods. IFRS 15 has had no impact on the financial statements.

Standards Issued But Not Yet Effective

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its consolidated financial statements and the extent of the impact has not yet been determined.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

BUSINESS RISKS AND UNCERTAINTIES

The Corporation's production and exploration activities are concentrated in Western Canada where activity is highly competitive and includes companies ranging from smaller junior producers to the much larger integrated petroleum and mining companies. The Corporation is subject to various types of business risks and uncertainties, including:

- Finding and developing mineral reserves at economic costs

- Commodity Risk
- Production of minerals in commercial quantities
- Marketability of minerals produced
- Substantial capital requirements and access to capital markets
- Environmental risks
- Reliance on operators and key employees
- Third party credit risk
- Insurance
- Changes in legislation and incentive programs

The Corporation is not in a position to predict these risks or uncertainties, nor evaluate their impact, as the case may be, on its activities. The following summary of risks and uncertainties applicable to the Corporation are not comprehensive, and there may be other factors, or a combination of factors, that can cause actual results to differ from those presented in the Corporation's forward-looking statements.

Commodity Risk

The value of the Corporation's exploration and evaluation of assets are related to the price of zinc, lead, tungsten, gold and other mineral commodities, and the outlook for the minerals. The Corporation's business could be affected by commodity market price movements and their impact on the future economic viability of the Corporation's projects and the ability of the Corporation to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

Exploration Risk

The Corporation operates as a mineral explorer in the mining industry which involves considerable financial and technical risk. Substantial time and expenditures are usually required to make discoveries and to establish economic reserves. It is impossible to ensure that the current properties and programs of the Corporation will result in economic discoveries and development. Accordingly, success in achieving the objectives of the Corporation is affected by some circumstances over which the Corporation has no control.

In order to reduce exploration risk, the Corporation strives to employ highly qualified and motivated professional employees with a demonstrated ability to generate quality proprietary geological and geophysical prospects. To help maximize drilling success, the Corporation combines exploration in areas that afford multi-zone prospect potential, targeting a range of low to moderate risk prospects with some exposure to select high risk, high reward opportunities.

Additional Financing

The business of the Corporation depends, in part, on its ability to raise funds by issuing securities of the Corporation. The Corporation is exposed to financing risks such as not being able to raise sufficient funds to meet the required option payments on the Properties. To mitigate this risk, the Corporation has intermediaries with valuable commercial relationships actively searching for ways to raise funds. The Corporation intends to raise the required funds through issuance of equity by securing strategic partners or assuming debt. The exercise of stock options, as well as any new equity financings, represent dilution factors for present and future shareholders.

Credit Risk

Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Corporation's credit risk is primarily attributable to cash and trade and other receivables which are with customers and are subject to normal credit risks.

Credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with major Canadian financial institutions.

The Corporation's maximum exposure for the period ended June 30, 2018 relates to $699,275 (September 30, 2017 – $1,024,387) of cash and $35,573 (September 30, 2017 - $24,536) of trade receivables for period ended June 30, 2018. Trade receivables consisted to goods and services tax and other receivables owed to the Corporation.

Liquidity Risk

Liquidity risk rises from the Corporation's general funding needs and in the management of the Corporation's assets, liabilities and mineral property expenditure requirements. The Corporation manages its liquidity risk to maintain sufficient liquid financial resources to meet its commitments and obligations as they come due in a cost-effective manner.

Environmental Risks

Mining can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. In order to mitigate such risk, the Corporation conducts its operations at high standards and follows safety procedures intended to reduce the potential for personal injury to employees, contractors and the public at large.

The Corporation mitigates its risk related to producing hydrocarbons and minerals through the utilization of the most appropriate technology and information systems. In addition, the Corporation seeks to maintain operational control of the majority of its prospects.

Management and Employees

The Corporation depends on the skills and experience of its management team and other key employees. The Corporation also relies on its ability to attract and retain skilled personnel in a competitive environment. A failure to recruit and retain employees in order to assist the Corporation's business may adversely affect the Corporation's business or financial condition.

Subsequent Events

On July 11, 2018, the Corporation appointed Mr. Chris Stewart as an Independent Director. He originally joined the Company's advisory committee in November 2016. Mr. Stewart brings over 26 years of diversified experience in the mining industry, 15 years working with mining contractors and 11 years working with mining companies. He is currently the President and COO of McEwen Mining Inc.

Mr. Stewart replaced Mr. Edward Lawrence, who stepped down from the Board after four years as a Director with the Company and many decades of involvement with the Company assets.

On July 23, 2018, the Corporation announced a non-brokered private placement, up to:

- 833,333 units ("Units") of the Corporation at a price of $0.18 per Unit; and
- 3,260,869 common shares ("Common Shares") of the Corporation issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) ("Flow-Through Shares) at price of $0.23 per Flow-Through share, for aggregate proceeds of up to $900,000 (the "Offering")

Each Unit will consist of one Common Share and one Common Share purchase warrant ("Warrant"). Each Warrant will entitle the holder to acquire one Common Share (each a "Warrant Share") at an exercise price of $0.30 per Warrant Share until 4:30 p.m. (Calgary time) on that date that is 24 months from the issuance closing date, (the "Expiry Time") subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds $0.40 per share.

Pursuant to the Offering, the Corporation will also issue Flow-Through Shares for gross proceeds of up to $750,000. Closing of the Offering is expected to occur on or before September 6, 2018.

On August 15, 2018, the Corporation closed the first tranche on its previously non-brokered private placement by issuing 1,486,020 common shares of the Corporation issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.23 per Flow-Through Shares, for gross proceeds of $341,784.

Directors and Officers

H. Tyler Rice, CEO, President, and Director
James Letwin, Director and Chairman
Doug Foster, Director
Robert Derkitt, Director
Chris Stewart, Director