



**MARGAUX RESOURCES LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE-MONTHS PERIODS ENDED**  
**JUNE 30, 2019 AND 2018**

**Margaux Resources Ltd.**  
**Management's Discussion and Analysis**  
**For the three and nine-months periods ended June 30, 2019 and 2018**

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## 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 22, 2019 and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and nine-months periods ended June 30, 2019 and 2018. 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 ("Financial Statements") for the three and nine-months periods ended June 30, 2019 and 2018, the most recent audited financial statements of the Corporation for the years ended September 30, 2018 and 2017 and the related MDA. Results are reported in Canadian dollars, unless otherwise noted. The Financial Statements of the Corporation for the three and nine-months periods ended June 30, 2019 and 2018 have been prepared in accordance IAS 34 Interim Financial Reporting and do not include all information for full annual financial statements. The most recent audited financial statements of the Corporation for the years ended September 30, 2018 and 2017 and all comparative information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS")

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 22, 2019 as was prepared by management of the Corporation. The board of directors of the Corporation approved this MD&A on August 22, 2019.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from [www.sedar.com](http://www.sedar.com).

## 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.

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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 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**

The Corporation was incorporated under the Alberta Business Corporations Act 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 15<sup>th</sup> Floor, Bankers Court, 850 – 2<sup>nd</sup> St. SW, Calgary, Alberta, T2P 0R8.

The Corporation is a mineral acquisition and exploration company focused on gold exploration within British Columbia. The Corporation has two important assets, the Cassiar Gold Project and the Sheep Creek Gold District. Both are orogenic gold projects.

## CORPORATE UPDATES

### Summary of 2019 Financing and Securities Matters

- On October 16, 2018, the Corporation closed on a non-brokered private placement of 7,033,100 units of the Corporation at a purchase price of \$0.08 per unit and 2,379,566 common shares issued on a “CEE flow-through” basis at a purchase price of \$0.10 per unit for total proceeds of \$800,605 (\$316,957 was received in the year ended September 30, 2018). Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of \$0.15 per warrant for a period of two years from October 16, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.
- On December 5, 2018, the Corporation closed on a non-brokered private placement of 3,550,000 units of the Corporation at a purchase price of \$0.08 per unit and 250,000 common shares issued on a “CEE flow-through” basis at a purchase price of \$0.10 per unit for total proceeds of \$309,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of \$0.15 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.
- On December 1, 2018, the Corporation issued 150,000 common shares valued at a market price of \$0.04 per common share as per the Jackpot/Oxide Property option agreement signed on October 12, 2016. The shares carry a resale restriction that expire on April 1, 2017.
- On January 15, 2019, the Corporation entered into an option agreement (“Option Agreement”) with a third party to option the Old Timer gold property (the “Property”), near Salmo in southern British Columbia. Terms of the Option Agreement include staged payments totalling \$50,000 and 500,000 common shares (“Shares”) of the Corporation over a 4-year period, for the Corporation to acquire a 100% interest in the Property. The Option Agreement and the issuance of Shares was approved on February 6, 2019.
- On February 6, 2019, the Corporation issued 450,000 common shares valued at a market price of \$0.07 per common shares as per the Bayonne and Sheep Creek Property option agreement signed on December 23, 2016. The shares carry a resale restriction that expire on June 6, 2019.
- On February 6, 2019, the Corporation issued 50,000 common shares valued at a market price of \$0.07 per common shares as per the Old Timer option agreement signed on December 23, 2016 and as per TSX-V approval received on February 6, 2019. The shares carry a resale restriction that expire on June 6, 2019.
- On April 15, 2019, the Corporation closed on a non-brokered private placement of 2,3750,000 units of the Corporation at a purchase price of \$0.08 per unit and 3,000,000 Flow-Through units at a purchase price of \$0.10 per unit for total proceeds of \$490,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each flow-through unit consisted of one common share issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) and one-half of one Warrant. Each whole warrant will be exercisable by the holder at a price of \$0.12 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.
- On May 30, 2019, the Corporation closed on a non-brokered private placement of 1,645,345 units of the Corporation at a purchase price of \$0.07 per unit and 375,000 Flow-Through units at a purchase price of \$0.08 per unit for total proceeds of \$145,174. Each unit consists of one common share of the Corporation

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and one common share purchase warrant in the Corporation. Each flow-through unit consists of one common share issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) and one common shares purchase warrant. Each whole warrant will be exercisable by the holder at a price of \$0.12 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.

- On June 24, 2019, the shareholders of Wildsky Resources Inc. approved the sale of its 100% interest in the Cassiar Gold Project in northern British Columbia by way of an all share option agreement with the Corporation.

#### Terms of Option Agreement

The Cassiar Property, including all existing infrastructure, is held by Cassiar Gold Corp. ("Cassiar"), a wholly-owned subsidiary of Wildsky Resources. Under the terms of the Option Agreement, Margaux has an option to acquire a 100% interest in the Cassiar Property by acquisition of all of the common shares ("Cassiar Shares") of Cassiar.

In order to exercise the option, Margaux must issue 58,200,000 common shares in the capital of Margaux ("Margaux Shares"), issued at a deemed price of \$0.08 per Margaux Share, for aggregate consideration of \$4,656,000 as set forth below:

- a. 5,820,000 Margaux Shares being issued to Wildsky on receipt of final TSX Venture Exchange (the "Exchange") approval of the Option Agreement;
- b. 11,640,000 Margaux Shares on the date that is the earlier of six (6) months from: (a) the date of the Option Agreement, and (b) the receipt of final Exchange approval of the Option Agreement;
- c. 17,460,000 Margaux Shares on the date that is the earlier of twelve (12) months from: (a) the date of the Option Agreement, and (b) the receipt of final Exchange approval of the Option Agreement;
- d. 23,280,000 Margaux Shares on the date that is the earlier of eighteen (18) months from: (a) the date of the Option Agreement, and (b) the receipt of final Exchange approval of the Option Agreement.

In addition, Margaux must also undertake exploration on the Cassiar Property and must satisfy certain other conditions as follows:

- a. Margaux will expend at least \$400,000 on the planning, development and execution of the Cassiar 2019 work program, based on a mutually approved budget;
- b. Six (6) Months after execution of the Option Agreement, Wildsky will have the right to appoint one (1) member to the board of directors of Margaux;
- c. Twelve (12) Months after execution of the Option Agreement, Wildsky will have the right to appoint an additional person (for a total of two (2) board members) to the board of directors of Margaux;
- d. Twelve (12) Months after execution of the Option Agreement, Wildsky will have the right to appoint one person to the senior management team of Margaux, on terms and conditions to be agreed upon by Margaux and Wildsky, acting reasonably; and
- e. Wildsky being granted a 30% net profit interest (the "NPI") on all minerals processed from Cassiar's TM-TSF#1 tailings pond (the "Tailings Pond") located on the Cassiar property, after capital payout of up to \$500,000.

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If, at any time prior to the exercise of the Option or the termination of the Option Agreement, Margaux or its agent(s) remove material from the Tailings Pond for purposes other than bona fide exploration and testing purposes, and such material is processed for its minerals and/or metals, then the time periods set out above in paragraphs (b), (c) and (d) of shall be accelerated ("Acceleration") to seven (7) days from the date of first removal of such material.

All Margaux Shares issued to Wildsky in accordance with Option Agreement shall be subject to a statutory hold period (the "Statutory Hold Period") of 4 months and a contractual hold period of a further eight (8) months (for a total of 12 months from the date of issuance). If Acceleration occurs, then all Margaux Shares issued to Wildsky, including any Margaux Shares issued prior to Acceleration, shall only be subject to the Statutory Hold Period. For greater certainty, if any Margaux Shares have been issued to Wildsky more than 4 months prior to the occurrence of Acceleration, then those Margaux Shares shall immediately become "free-trading".

For greater certainty, Margaux will not acquire any interest whatsoever in the Cassiar Shares until such time as it has satisfied all the requirements of exercise of the Option as set out in the Option Agreement. If Margaux fails to fully comply with all such conditions of exercise within the stipulated time periods, the Option shall immediately terminate and Margaux shall forfeit all interest in any and all Margaux Shares issued to Wildsky and/or any of the Cassiar Shares.

The Transaction is subject to Exchange approval.

- On June 25, 2019, the Corporation issued 3,975,000 stock options to Directors, officers, advisory committee members and consultants with the Corporation in accordance with the Corporation's shareholder approved stock option plan. The options are exercisable at \$0.10 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.

## **SUBSEQUENT EVENTS**

On July 3, 2019 the Mr. James Maxwell joined the Corporation's Advisory Committee to advise the Company and the Board of Directors.

On July 9, 2019, the Corporation closed the second tranche of its non-brokered private placement of 7,857,144 units of the Corporation at a purchase price of \$0.07 per unit and 2,000,000 Flow-Through units at a purchase price of \$0.08 per unit for total proceeds of \$710,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each flow-through unit consisted of one common share issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) and one common share purchase Warrant. Each whole warrant will be exercisable by the holder at a price of \$0.12 per warrant for a period of two years subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.

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**HIGHLIGHTS**

	<b>Three months ended June 30, 2019</b>	Three months ended June 30, 2018	<b>Nine months ended June 30, 2019</b>	Nine months ended June 30, 2018
Cash from financing activities	\$ 984,950	\$ -	\$ 2,111,798	\$ 3,065,552
Cash used in operations	(266,319)	(53,330)	(938,410)	(1,492,004)
Net loss	(259,809)	(205,275)	(1,207,815)	(1,353,530)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.01)	(0.02)

As at,	<b>June 30, 2019</b>	June 30, 2018	September 30, 2018
Total assets	\$ 3,335,191	\$ 8,144,797	\$ 2,517,132
Current assets	797,871	863,432	460,963
Current liabilities	423,063	241,046	344,398
Working capital	374,808	622,386	\$ 116,565
Common shares outstanding	75,080,867	60,282,181	61,718,201

**SUMMARY OF QUARTERLY RESULTS**

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

Three months ended,	June 30		March 31		December 31		September 30	
	2019	2018	2019	2018	2018	2017	2018	2017
Expenses								
General and administrative	\$ 261,891	\$ 243,673	\$ 233,935	\$ 428,012	\$ 251,424	\$ 356,030	\$ 291,825	\$ 420,169
Operating	18,970	16,942	20,711	25,516	19,391	275,879	(197,419)	73,149
Depreciation and depletion	8,676	10,606	8,676	9,219	8,675	8,994	9,607	9,284
Share based compensation	34,790	36,567	37,331	68,399	37,331	69,171	200,280	194,537
Foreign exchange loss	-	-	-	(123)	-	1,425	-	6,904
Loss before other items	\$ 324,327	\$ 307,788	\$ 300,653	\$ 531,023	\$ 316,821	\$ 711,499	\$ 304,293	\$ 704,043
Interest income	-	-	-	-	-	-	-	(403)
Interest on note payable	3,150	-	1,050	-	-	-	-	-
Flow through share premium	(67,668)	(102,513)	-	(75,971)	(39,133)	(18,297)	(234,747)	-
Fair value gain on derivative	-	-	-	-	-	-	-	1,007
Impairment	-	-	368,615	-	-	-	6,290,357	-
Net loss from Operations	\$ 259,809	\$ 205,275	\$ 670,318	\$ 455,052	\$ 277,688	\$ 693,202	\$ 6,359,903	\$ 704,647
Loss per share – basic and diluted	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.10	\$ 0.01

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**DISCUSSION OF OPERATIONS**

The Corporation is focused on the exploration of gold in British Columbia. The Corporation's general and administrative expenses increased to \$261,891 for the three-month ended and decreased to \$747,250 for the nine-months periods ended June 30, 2019 from the 2018 comparative amounts of \$243,673 and \$1,029,018. The decrease in general and administrative expenses is a result of decreased consultants, travel, marketing and professional fees related to the business of the Corporation for the nine-months period ended June 30, 2019.

**General and administrative details for the three and nine-months periods ended June 30, 2019:**

	3 Months		9 months	
	2019	2018	2019	2018
Consulting	\$ 172,947	\$ 149,097	\$ 464,628	\$ 424,225
Travel & Meals	11,433	17,027	38,332	84,773
Office & Administrative	5,280	11,800	17,972	48,322
Marketing	31,378	48,836	111,795	358,204
Professional Fees	40,853	16,913	114,523	113,494
<b>Total</b>	<b>\$ 261,891</b>	<b>\$ 243,673</b>	<b>\$ 747,250</b>	<b>\$ 1,029,018</b>

**Operating**

The Corporation incurred operating costs of \$18,970 and \$59,072 for the three and nine-months periods ended June 30, 2019 (2018 –\$16,942 and \$318,337). The decrease for the three and nine-months periods ended June 30, 2019 is a result of decrease exploration activity at the Corporation's Properties.

**Total expenses**

Total expenses for the three and nine-months periods ended June 30, 2019 was \$324,327 and \$941,801 (2018 - \$307,788 and \$1,550,331). The decrease for the three and nine-months periods ended June 30, 2019 is a mainly a result of decreased general and administrative expenses and share-based payments.

**Financial Instruments**

The Corporation's financial instruments, consisting of cash, GST 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.

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 Corporation's 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.

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, 2019, the Corporation had cash and cash equivalents of \$653,103 compared with \$323,923 at September 30, 2018. 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.

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As at June 30, 2019, the Corporation's working capital was \$374,808 (September 30, 2018 – \$116,565)

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 \$259,809 and \$1,207,815 for the three and nine-months periods ended June 30, 2019 (2018 - \$205,275 and \$1,353,530) and had negative cash flows from operating activities of \$266,319 and \$938,410 (2018 - \$53,330 and \$1,492,004). The 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 these Financial Statements. The Corporation intends to raise the required funds through the issuance of equity, by securing strategic partners or assuming debt. The Corporation currently anticipates that sufficient financing will be available to fund its current commitments and payables and to carry out its ongoing drill program at its Properties.

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

**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**

	<b>Computers, Equipment &amp; Vehicles</b>
	<b>\$</b>
<b>Cost</b>	
Balance as at September 30, 2018	260,286
Additions	-
<b>Balance as at June 30, 2019</b>	<b>260,286</b>
<b>Accumulated Depreciation</b>	
Balance as at September 30, 2018	90,725
Charge for the year	26,027
<b>Balance as at June 30, 2019</b>	<b>116,752</b>
<b>Net book value</b>	
September 30, 2018	169,561
<b>June 30, 2019</b>	<b>143,534</b>

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**EXPLORATION AND EVALUATION ASSETS**

	Jackpot Project	Sheep Creek Gold District	Tungsten Tailings Project	Old Timer Project	Cassiar Gold Project	Total
<b>Balance at September 30, 2018</b>	<b>\$ 500,135</b>	<b>\$ 1,193,563</b>	<b>\$ 192,910</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,886,608</b>
Cash option payments	60,000	160,000	-	5,000	-	225,000
Share option payments	3,481	15,709	-	1,745	-	20,935
Exploration costs	107,931	149,100	-	31,186	341,641	629,858
Impairment	(175,705)	-	(192,910)	-	-	(368,615)
<b>Balance at June 30, 2019</b>	<b>\$ 495,842</b>	<b>\$ 1,518,372</b>	<b>\$ -</b>	<b>\$ 37,931</b>	<b>\$ 341,641</b>	<b>\$ 2,393,786</b>

Exploration and Evaluation (“E&E”) assets consist of costs expended on the Corporation’s projects which are pending determination of technical feasibility and commercial viability.

**Jersey Emerald Property**

During the nine-months period ended June 30, 2019, the Corporation terminated the Jersey-Emerald Option Agreement. As a result, management impaired the full value of the Jersey-Emerald asset in the amount of \$6,064,657. The \$200,000 in prepaid royalty and \$25,700 of deposits made on the Jersey-Emerald were also impaired for an aggregate total of \$6,290,357 which was reflected on the Corporation’s annual financial statements as at and for the year ended September 30, 2018.

**Jackpot Project (formerly Kootenay Arc Zinc Project)**

During the three and nine-months periods ended June 30, 2019, the Corporation paid \$60,000 (2018 - \$30,000) cash in option payments and issued 150,000 shares (2018 – 50,000). The shares were valued at \$5,250 less a discount of \$1,769 (2017 - \$43,500 less a discount of \$9,489) which has been applied due a resale restriction on the shares (note 7).

The Corporation incurred \$107,931 of E&E costs on the property during the nine-months period ended (2018 - \$82,974) relating to exploration activity.

During nine-months period ended June 30, 2019, the Corporation terminated the Ore Hill Option Agreement and Aspenex Purchase Agreement. As a result, management impaired the full value of the Ore Hill asset in the amount of \$101,280 and the full value of the Aspenex asset of \$74,425 for a total of \$175,705.

The Jackpot Project now consists of only the Jackpot Property.

**Sheep Creek Gold District**

During nine-months period ended June 30, 2019, the Corporation paid \$160,000 (2018 - \$55,000) cash in option payments and issued 450,000 shares (2018 – 150,000). The shares were valued \$31,500 less a discount of \$15,791 (2018 – 42,750 less a discount of \$6,633) which has been applied due to a resale restriction on the shares (note 7).

The Corporation incurred \$149,100 of E&E costs on the Sheep Creek Gold District during the nine-months period ended June 30, 2019 (2018 - \$380,969) relating to exploration activity.

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**Tungsten Tailings Project**

During the nine-months periods ended June 30, 2019, the Corporation terminated the CANEX Option Agreement it signed on January 19, 2017. As a result, management impaired the full value of the CANEX asset in the amount of \$192,910.

**Old Timer Project**

During the nine-months period ended June 30, 2019, the Corporation entered into an Option Agreement with a third party to option the Old Timer gold property, near Salmo in southern British Columbia. Terms of the Option Agreement include staged payments totalling \$50,000 and 500,000 common shares ("Shares") of the Corporation over a 4-year period, for the Corporation to acquire a 100% interest in the Property.

During the nine-months period ended June 30, 2019 the Corporation paid \$5,000 cash in option payments and issued 50,000 shares. The shares were valued at \$3,500 less a discount of \$1,755 which has been applied to a resale restriction on the shares (note 7). The Corporation incurred \$31,186 of E&E costs on the Old Timer Project relating to exploration activity during the nine-months period ended June 30, 2019.

**Cassiar Gold Project**

On March 25, 2019 the Corporation entered into an Option Agreement with Wildsky Resources Inc. for an option to acquire a 100% interest in the Cassiar Gold Project ("Cassiar Gold Option Agreement") by way of an all-share agreement. Terms of the definitive agreement can be found on the Corporations Management Discussion and Analysis for the three and nine-months periods ended June 30, 2019.

During the nine-months period ended June 30, 2019, the Corporation incurred \$341,641 of E&E costs on the Cassiar Gold Project.

**RELATED PARTY TRANSACTIONS**

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

As at June 30, 2019, the Corporation had an amount of \$44,738 (2018 - \$28,485) due to directors and officers included in trade and other payables.

During the three and nine-months periods ended June 30, 2019 the Corporation paid \$37,500 and \$112,500 (2018 - \$35,000 and \$103,500) to an officer for compensation as Vice President Exploration of the Corporation. The total amounts have been capitalized as exploration cost.

The Corporation also incurred professional services in the amount of \$nil (2018 - \$nil and \$25,000) provided by a Company controlled by a director of the Corporation. These fees have been reflected in general and administrative expenses.

The Corporation purchased vehicles in the amount of \$nil (2018 - \$10,250) from a director and officer of the Corporation. These amounts were capitalized to Property and Equipment on the statement of financial position.

An aggregate of \$22,500 and \$60,000 (2018 - \$38,062 and \$71,812) in consulting fees was paid to a corporation owned by an officer of the Corporation for compensation as CFO.

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An aggregate of \$60,000 and \$182,500 (2018 - \$67,500 and \$182,500) 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 \$nil and \$235 (2018 - \$1,278 and \$14,075) was reimbursed to a director and officer of the Corporation and was recorded in general and administrative expenses on the net loss and comprehensive loss.

**Compensation of key management personnel**

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

	June 30, 2019	June 30, 2018
	\$	\$
Short-term compensation	355,000	357,812
Share-based payments	121,207	174,137
Capitalized share-based payments	10,648	19,032
<b>Total</b>	<b>486,855</b>	<b>550,981</b>

**OUTSTANDING SHARES**

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 preferred 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.

**Common shares**

	Number of common shares	Share capital
Balance at September 30, 2018	61,718,201	\$12,897,443
Shares issued (a)(b)(f)(g)	20,608,011	1,427,822
Share option payments (c)(d)(e)	650,000	40,250
Share issue costs		(76,023)
Warrant Allocation		(440,171)
Flow through share discount		(95,625)
Shares to be issued (h)		550,000
<b>Balance at June 30, 2019</b>	<b>82,976,212</b>	<b>\$14,303,696</b>

**Warrants**

	Number of warrants	Share capital
Balance at September 30, 2018	14,068,627	2,976,630
Warrants issued (b)(f)(g)	10,583,100	440,171
Warrants expired	(10,449,823)	(2,372,431)
<b>Balance at June 30, 2019</b>	<b>14,201,904</b>	<b>\$1,044,370</b>

Total share capital at September 30, 2018	\$15,874,073
<b>Total share capital at June 30, 2019</b>	<b>\$15,348,066</b>

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- (a) On October 16, 2018, the Corporation closed on a non-brokered private placement of 7,033,100 units of the Corporation at a purchase price of \$0.08 per unit and 2,379,566 common shares issued on a “CEE flow-through” basis at a purchase price of \$0.10 per unit for total proceeds of \$800,605 (\$316,957 was received in the year ended September 30, 2018). Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of \$0.15 per warrant for a period of two years from October 16, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.
- (b) On December 5, 2018, the Corporation closed on a non-brokered private placement of 3,550,000 units of the Corporation at a purchase price of \$0.08 per unit and 250,000 common shares issued on a “CEE flow-through” basis at a purchase price of \$0.10 per unit for total proceeds of \$309,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of \$0.15 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.

As part of the non-flow through units issued on October 16, 2018 and December 5, 2018 subscribers received one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months from the date of closing. All warrants vest immediately. A value of \$185,744 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 were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	1.91% – 2.33%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	96% - 105%
Weighted-average fair value	\$0.01 - \$0.02
Expected Life	2 years

- (c) On December 1, 2018, the Corporation issued 150,000 common shares valued at a market price of \$0.04 per common share as per the Jackpot/Oxide Property option agreement signed on October 12, 2016. The shares carry a resale restriction that expire on April 1, 2019.
- (d) On February 6, 2019, the Corporation issued 450,000 common shares valued at a market price of \$0.07 per common shares as per the Bayonne and Sheep Creek Property option agreement signed on December 23, 2016. The shares carry a resale restriction that expire on June 6, 2019.
- (e) On February 6, 2019, the Corporation issued 50,000 common shares valued at a market price of \$0.07 per common shares as per the Old Timer option agreement signed on December 23, 2016 and as per TSX-V approval received on February 6, 2019. The shares carry a resale restriction that expire on June 6, 2019.
- (f) On April 15, 2019, the Corporation closed on a non-brokered private placement of 2,375,000 units of the Corporation at a purchase price of \$0.08 per unit and 3,000,000 Flow-Through units at a purchase price of \$0.10 per unit for total proceeds of \$490,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each flow-through unit consists of one common share issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) and one-half of one common share purchase warrant. Each whole warrant will be exercisable by the holder at a price of \$0.12 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.

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Subscribers received one warrant per unit purchased and one-half one one warrant per Flow-Through unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.12 for a period of 24 months from the date of closing. All warrants vest immediately. A value of \$171,567 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 were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	1.51%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	150%
Weighted-average fair value	\$0.04
Expected Life	2 years

- (g) On May 30, 2019, the Corporation closed on a non-brokered private placement of 1,645,345 units of the Corporation at a purchase price of \$0.07 per unit and 375,000 Flow-Through units at a purchase price of \$0.08 per unit for total proceeds of \$145,174. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each flow-through unit consists of one common share issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) and one common shares purchase warrant. Each whole warrant will be exercisable by the holder at a price of \$0.12 per warrant for a period of two years from December 5, 2018 subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds \$0.20 per share.

Subscribers received one warrant per unit and Flow-Through unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.12 for a period of 24 months from the date of closing. All warrants vest immediately. A value of \$82,860 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 were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	1.53%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	152%
Weighted-average fair value	\$0.04
Expected Life	2 years

- (h) As at June 30, 2019, an aggregate \$550,000 was raised on financings which closed subsequent to the period ended (see Subsequent Events).

#### **FLOW-THROUGH SHARES**

During the nine-months periods ended June 30, 2019, the Corporation raised \$592,957 on a CEE flow-through share basis and was required to incur a net total of \$592,957 of qualifying expenditures to renounce the tax deductions to investors. As at June 30, 2019, \$488,517 of qualifying expenditures were incurred. The Corporation still needs to incur an additional \$104,440 to meet its flow through share commitment. A flow-through share premium liability of \$27,957 was recognized as the Corporation has not met its flow-through share commitment by incurring sufficient qualifying expenditures as at June 30, 2019. The accumulated flow-through share premium of \$67,668 will be amortized until the remaining expenditures are incurred.

## 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.

All options expire in five years and vest one-third immediately and one-third on the first and second anniversaries on the grant date respectively.

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

	Number of Options	Weighted Average Exercise Price
Outstanding at September 30, 2018	5,743,333	\$0.24
Issued during the period	3,975,000	\$0.10
Forfeited during the period	(558,333)	\$0.21
Expired during the period	(900,000)	\$0.10
<b>Exercisable as at June 30, 2019</b>	<b>4,668,320</b>	<b>\$0.22</b>
<b>Outstanding at June 30, 2019</b>	<b>8,260,000</b>	<b>\$0.19</b>

## NOTE PAYABLE

On March 1, 2019, the Corporation issued a demand promissory note ("Note") to an arm's length third party. Pursuant to the Note, the Corporation borrowed \$210,000. The Note bears interest at a rate of 6% per annum, calculated monthly, payable on the last day of every month. Interest of \$3,150 and \$4,200 has been accrued for the three and nine-months periods June 30, 2019 (2018 - \$nil). The Note does not have fixed repayment terms and is due on demand.

## CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Management of the Corporation is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for the design and evaluation of internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Financial Statements for the three and nine-months periods ended June 30, 2019 and 2018.

The Management of the Corporation has filed the Venture Issuer Basic Certificate with the filings for the three and nine-months periods ended June 30, 2019 and 2018 on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Financial Statements is in conformity with IFRS. Preparing the 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 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. Actual results could differ from these estimates. Note 4 of the Corporation's September 30, 2018 audited financial statements provide greater detail regarding all of the significant accounting policies.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **IFRS 16 – Leases**

Effective January 1, 2019, the Corporation adopted IFRS 16 – Leases (IFRS 16) using the modified retrospective approach. IFRS 16 requires entities to recognize asset and lease obligation on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded. The Company has lease obligations that expire within 12 month and are therefore exempt from this requirement. As a result, the adoption of this standard had no effect on the Company's Financial Statements.

## **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 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 three and nine-months periods ended June 30, 2019 relates to \$653,103 (September 30, 2018 – \$323,923) of cash and \$31,901 (September 30, 2018 – \$45,047) of GST receivables for three and nine-months periods ended June 30, 2019.

#### *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.

#### **Directors and Officers**

H. Tyler Rice, CEO, President, and Director  
Don Nguyen, CFO  
Linda Caron, Vice President Exploration  
James Letwin, Director and Chairman  
Doug Foster, Director  
Robert Derkitt, Director  
Christopher Stewart, Director