



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,  
2019 AND 2018**

**DATED NOVEMBER 25, 2019**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the three and nine months ended September 30, 2019 and 2018**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of November 25, 2019 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2019 and 2018, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2019 ("Condensed Interim Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Certain information and discussion included in this Management's Discussion & Analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2018 and 2017 ("2018 Audited Consolidated Financial Statements"). The Condensed Interim Consolidated Financial Statements and the 2018 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabulated amounts are in thousands of Canadian dollars.

#### **NATURE OF OPERATIONS**

Nuinsco is an exploration and development company that has operated successfully for several decades. Nuinsco has discovered and developed numerous mineral deposits including the Rainy River gold deposit in northwestern Ontario, now in production and owned by New Gold Inc., the Lac Rocher nickel deposit in Quebec now owned by Victory Nickel Inc. ("Victory Nickel") and the Cameron Lake gold deposit in Ontario which is currently owned by First Mining Gold Corp. It is focused on identifying, exploring and developing mineral investment opportunities domestically and internationally. The Company currently has interests in projects prospective for gold, phosphate and agricultural applications, rare metals and niobium in the province of Ontario in Canada, and gold in Egypt.

The Company owns 100% of the very significant Prairie Lake project and with its optioned Sunbeam Gold Property, both in northwestern Ontario, is working to build shareholder value through systematic exploration on highly prospective mineralized terrane. As funding permits, work programs have been planned for the Company's projects. In particular, at the Sunbeam Gold Property, high-grade gold mineralization is known from historic work dating-back more than 100 years. No work has been conducted in the intervening time until a recently completed geophysical survey identified drill-ready targets spatially associated with the known gold mineralization. At the Prairie Lake project, a number of commodities of economic interest occur and extensive metallurgical testing has demonstrated that a phosphate concentrate exceeding 30% P<sub>2</sub>O<sub>5</sub> can be produced as well as a soil amendment product that requires little processing to produce. The Company initiated a program to obtain material from Prairie Lake for evaluation as a soil amendment. The results of this program indicate that the phosphate-bearing rock is an effective soil amendment/additive and has a positive impact at the agricultural sites tested. The Organic Materials Research Institute ("OMRI") listing is significant in that it demonstrates that the material can be used in certified organic processes. Given the size of the global agricultural industry and the rapidly increasing organic agriculture sector the potential implications to the economics of the Prairie Lake project considerable.

The Company has been evaluating the economic viability of the El Sid gold waste dumps and tailings recovery project in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast ("El Sid"). Three past producing gold mines are located on the project – the largest of which is the El Sid Mine that between 1940 and 1957, was Egypt's largest gold producer. Nuinsco, through its Egyptian subsidiary Z-Gold Resources Limited ("Z-Gold"), has obtained the right to evaluate and exploit the waste dumps and tailings from the project owner, Shalateen Mineral Resources Company ("Shalateen"), a company established by the Egyptian Government. The results of the evaluation indicate that the project is economic using conservative estimation of economic parameters and could quickly produce revenue. The Company is now attempting to source capital funding to build the processing plant on-site.

In addition to its property holdings, Nuinsco owns a limited participating interest in the net cash flows of Victory Nickel's frac sand business (the "Participating Interest").

## **Going Concern**

The Company's Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at September 30, 2019, the Company had working capital deficiency of \$206,585 (December 31, 2018 – working capital of \$251,108). Working capital is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, social licensing requirements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

None of the Company's projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The Company's ability to continue as a going concern is dependent upon the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company's management continues to be engaged in securing financing or the potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs.

If the Company is unable to obtain additional financing, it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company's ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **SIGNIFICANT EVENTS**

On February 19, 2019, the common shares of Nuinsco, were approved for listing on the Canadian Securities Exchange, and on February 20, 2019 commenced trading under the symbol NWI.

The Company conducted an initial evaluation of the Sunbeam project including geophysical surveys, prospecting and sampling.

The Company has been evaluating the economic viability of the El Sid gold dumps and tailings recovery project located in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast and has executed a definitive agreement on the project which gives the Company the right to exploit the dumps and tailings (as further detailed below).

Sampling of previously unsampled drill core from the 2007 drilling program at its 100% owned Prairie Lake project near Terrace Bay, Ontario could significantly extend the known niobium (Nb), tantalum (Ta) and Phosphate (P<sub>2</sub>O<sub>5</sub>) intercepts in these holes as well as assays for rare earth elements (REE) including lanthanum (La), cerium (Ce), samarium (Sm), neodymium (Nd) and yttrium (Y).

The Company obtained an Organic Materials Research Institute ("OMRI") listing for its Prairie Lake phosphate bearing carbonatite rock. The rock has application as a soil amendment and the OMRI listing now indicates that it is appropriate for use in organic agricultural practices and organic processing.

## **OUTLOOK**

The Company has progressed with technical aspects of the El Sid project with the intent of satisfying a determination of economic viability – to this end geological, analytical, metallurgical, process design and capital costing activities have been, and continue to be, conducted. Funding to build the project is a priority and the Company is actively searching for funding sources. As reported previously El Sid is a gold recovery opportunity with low capital requirement that has the potential to quickly commence operation using readily available processing equipment to exploit already mined and crushed gold-bearing rock that is piled at surface in a logistically favourable location (adjacent to a paved highway) approximately midway between the Red Sea coast at the town of Quseir and the Nile Valley.

The Company has focussed on the El Sid project because of the project's potential to provide quick access to cash through the revenue generated from the simple, low-cost, processing of the gold mineralized rock. Management's view has been that the El Sid project can provide the necessary non-dilutionary funding that can be used to operate the Company and its projects and allow for the acquisition of new opportunities.

The Company continues to seek ways to build the El Sid project and exploit the available resources. The logistical simplicity of the project and the low capital requirements provide opportunities and versatility to developing it. All sensible and viable options are being considered.

Elsewhere Nuinsco continues to work on the Sunbeam gold project near Atikokan and the Prairie Lake phosphate-rare earth-niobium-tantalum-agricultural additive project near Marathon – both in Ontario. Management believes these projects provide good exposure for the Company to a number of mineral commodities and are prospective for discovery or development. The Prairie Lake project in particular has good potential to become a substantial source of a simply-produced soil amendment product that has wide agricultural applications – given the fundamental nature and the enormous size of the global agricultural industry this really is an important development for the Company.

## **MINERAL PROJECTS**

### **Sunbeam Gold Property**

The Sunbeam Gold Property encompasses the historic Sunbeam Mine and also includes the Roy and Pettigrew occurrences. The Sunbeam Mine is a high-grade underground gold mine which was active from 1898 to 1905 but which has seen no exploration or development of any kind since its closure. The property consists of 101 mining claims (99 single cell and 2 boundary cell mining claims) in Ramsay-Wright Township in Northwestern Ontario and is accessible via well-maintained logging roads from Hwy 11. It is located 15km southeast of Agnico Eagle's Hammond Reef gold deposit and 27km northeast of the town of Atikokan. At the Sunbeam Mine gold mineralization occurs within a 2.5-3.0m wide southwest-striking quartz vein/chlorite schist zone, which dips moderately to the northwest. This mineralization is hosted by a 30m wide deformation zone within the Marmion Lake Batholith. Historic underground development consisted of a combined inclined/vertical shaft to an approximate depth of 400feet (122m) with drifting and development on three levels (at ~100, 200 & 300 feet). The mineralization of the Sunbeam Mine is part of more extensive, property-wide mineralized domains associated with northeast trending lineaments that include the named Roy and Pettigrew occurrences.

No records of production from 1899-1903 exist. Reportedly 1,000 ounces of gold were recovered from 2,400 tons mined in 1904. A 1903 plan of the mine shows an average grade of ~13g/t Au in the historic workings. Previous workers have estimated that there could be 50,000-70,000t grading 13.0g/t Au remaining in old workings alone. There has been no exploration of the formerly patented mine site since the mine closed in 1905. Intermittent exploration surrounding the patent area was conducted between 1981 and 2012 by previous owners. In addition to property-wide evaluation, Nuinsco established grid control and conducted the first ground geophysics ever conducted over and around the Sunbeam Mine (results reported in news release dated February 28, 2019) as a precursor to any diamond drilling. The geophysical survey identified 16 high-priority drill targets near to the past-producing, high-grade Sunbeam gold mine.

In Q1 2019 results of 28 grab samples, three of which contain visible gold, were collected from near the Sunbeam Mine from outcrop, waste-dump material and debris in the Sunbeam shaft. All samples were analyzed for gold and a sub-set were analyzed for silver. The range of analytical results is <5ppb to 122g/t gold and <0.2g/t to 24.8g/t silver. The samples are from material mined from the Sunbeam mine workings during operations more than 100 years ago and from samples collected from surface near the historic Sunbeam Shaft. Higher gold grade is directly related to the amount of quartz vein and sulphide mineralization contained within a sample. The highest-grade samples contain pyrite, chalcopyrite, sphalerite and galena as well as visible gold grains. Diamond drilling will be necessary to evaluate the

potential extension of gold mineralization at the Sunbeam Mine and elsewhere more extensive fieldwork is required to provide greater understanding of the property-wide gold mineralization. No work was conducted on the project during Q3 2019.

### **Prairie Lake**

The Prairie Lake project, located near Marathon, Ontario, is a large multi-commodity deposit, hosted in a composite carbonatite-ijolite intrusion, containing phosphate (P2O5), niobium (Nb) tantalum (Ta), uranium (U), rare earth elements (“REEs”), and other elements and compounds of economic interest. The Prairie Lake Project consists of 46 mining claims (27 single cell and 19 boundary cell mining claims), is owned 100% by the Company, is royalty-free and the mining-land tenure is secure for decades to come.

At Prairie Lake, the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphate, REEs, niobium and other marketable products. The sheer size of the project, with a current Exploration Target of between 515 and 630 million tonnes of mineralization (refer to the technical report filed on SEDAR containing a full description of the Exploration Target), coupled with the excellent logistics and ease of production, are indicators of the prospective nature of the project. The Company is actively seeking funding that will enable further work programs to be conducted including additional sampling for evaluation and resource estimation.

Prairie Lake has the potential to produce a number of minerals and elements for industries which are forecast to require substantially increasing supply over the coming years – high-tech and “green” industries that require the REEs and niobium to fabricate the products of tomorrow. Prairie Lake could also be a very significant source of phosphate or other products with agricultural applications – phosphate is a compound with vital agricultural and industrial applications and carbonatites are used elsewhere as soil amendment additives to neutralize acids in soils. The use of calcium phosphate in agriculture is essential in sustaining crop yields to supply an increasing world population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

In the fourth quarter of 2018, sampling was conducted to obtain material for evaluation as an agricultural product and soil additive. Subsequently the material was shipped for analysis and evaluation as a soil amendment in several agricultural applications. The results of the evaluation indicate that the phosphate-bearing rock has applicability as a soil amendment additive and because of the OMRI listing can be used in organic agricultural practices. The potential size of the soil amendment market is significant, both conventional and organic sectors, and as a result this development may have a substantial impact on the economics of the project.

In June 2019 received the results for previously unsampled drill core from the 2007 drilling program. This additional sampling of holes NP0702 and NP0714 significantly extends the known niobium (Nb), tantalum (Ta), phosphorus (P) intercepts in these holes and adds assays for rare earth elements (REE) including lanthanum (La), cerium (Ce), samarium (Sm), neodymium (Nd) and yttrium (Y). When combined with previously reported sampling (see press release dated January 7, 2008), the new results extend the intersection in hole NP0714 to 45.9m 0.207 % Nb2O5 and 5.26 % P2O5 with 43 g/t Ta, between 4.1m and 50.0m, from the 17.45m length reported in 2008.

### **Egypt**

Nuinsco has retained a presence in Egypt through its interest in Egypt-based Z-Gold Limited (“Z-Gold”). The Company has been evaluating opportunities there for approximately ten years. Management regards the country as an underexplored opportunity for mineral exploration and development. In 2018, Nuinsco (through Z-Gold) won a competitive bid for the right to evaluate the viability of gold production from waste dumps and tailings at the past-producing El Sid mine in Egypt (at a cost of \$147,000). To fund the acquisition, the Company began selling royalties (the “Royalties”) on future gold and associated minerals produced from El Sid. The Company has received proceeds of \$124,908 from the sale of the Royalties representing 13% of the distributable cash flow from the production of gold and associated minerals. \$74,658 of these Royalties were sold to management and directors of the Company to assist in funding the project. This amount has been credited to the purchase price of El Sid.

Located in Egypt’s Eastern Desert, approximately 90km west of the town of Quseir on the Red Sea coast, El Sid is easily accessible via a paved road that passes through the project site. Three past producing gold mines are located on the project – the largest of which is the El Sid Mine which operated primarily between 1947 and 1957 and was Egypt’s largest gold producer. The mineralization exploited at El Sid consisted of sulphide and native gold-bearing quartz veins in granite and deformed volcanic rock. The mines were high-grade – averaging more than 30 g/t gold. Estimates are that the accumulated dumps and tailings on surface at the site amount to more than 300,000 tonnes with an average grade exceeding 3.0 g/t gold

for a total of about one tonne (approximately 32,151 troy ounces) of contained gold (all estimates are based upon historic information and Nuinsco is not treating this information as a current mineral resource or mineral reserve).

Of significance to Nuinsco is the fact that the rock adjacent to the exploited veins also carried gold but was rejected and dumped as waste. This waste, which runs to several grams per tonne gold, along with a considerable volume of tailings, is available for processing and gold recovery. If the project proves to be economically viable and financeable the timeline to production is short – measured in months – at which point the Company expects to have cash flow for non-dilutive funding of existing projects and evaluation of potential project acquisitions.

The occurrence of broken mineralized rock in the waste dumps and tailings piles already at surface streamlines the process and reduces the cost of evaluation of grade, tonnage, metallurgy and exploitation. As a result capital and operating costs are anticipated to be low and the timeline to production and revenue generation short relative to conventional underground mine development.

Three site visits have been conducted to El Sid during which sampling was conducted: the average grade of all 565 samples collected from the waste dump at El Sid is 4.41g/t gold. The sampling program included the use of a backhoe to excavate trenches and pits into the waste pile in order to ascertain grades other than from the surface of the pile. The waste dump attains a maximum thickness of 15m, to date maximum trench depth has been >7m while pits were excavated at the base of the waste pile at between 10m and 15m below the upper surface of the waste dump. All analyses were conducted by ALS Limited at their analytical laboratory in Izmir, Turkey. Metallurgical testing by MetSolve Laboratory in Langley, BC has shown that a combination of gravity and leaching or flotation provides very good gold recovery. At the same time an inventory of the site was conducted in preparation for completion of the Agreement (as defined below) allowing the Company free access. Presently process design and costing is underway as is project budgeting, permitting, site evaluation.

The results of the economic evaluation indicate that the El Sid project is economic using conservative estimation of economic parameters and it could quickly produce revenue. The Company is now attempting to source capital funding to build the processing plant on-site.

#### Definitive agreement

The Company executed a definitive agreement (the “Agreement”) for El Sid on November 7, 2018. The Agreement has been executed between Shalateen Mineral Resources Company which holds the right to exploit the dumps and tailings, and Z-Gold.

The Company continues to evaluate other mineral exploration, mining and processing opportunities in Egypt.

#### RESULTS OF OPERATIONS

##### *Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018*

##### Revenues

The exploration properties acquired by the Company are still in the early exploration and development stage. Until sufficient work has been completed to confirm the feasibility of any specific interest being placed into production, it is not anticipated that the Company will have any material production revenue.

An excerpt of the expenses and other items for the three and nine months ended September 30, 2019 and September 30, 2018 is as follows:

(in Canadian dollars)	<b>Notes</b>	<b>Three months ended Sept. 30,</b>		<b>Nine months ended Sept. 30,</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Other expenses</b>					
General and administrative	(a)	\$ 128,903	\$ 156,326	\$ 451,112	\$ 521,205
Share-based payments		-	-	41,850	4,000
Depreciation of property and equipment		1,464	1,817	4,642	5,759
Pre-exploration write-offs		-	-	-	2,495
<b>Operating loss</b>		<b>(130,367)</b>	<b>(158,143)</b>	<b>(497,604)</b>	<b>(533,459)</b>
Increase in fair value of marketable	(b)	-	20,195	203	69,563

securities				
Interest income	-	-	818	635
Accretion income	-	5,291	-	10,791
Gain on settlement of debt	(c)	12,088	-	302,948

<b>Net loss and comprehensive loss for the period</b>	<b>\$ (130,367)</b>	<b>\$ (120,569)</b>	<b>\$ (496,583)</b>	<b>\$ (149,522)</b>
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- (a) General and administrative expenses consisted of accrued management and directors' fees, rent, salary for administrative staff, insurance, transfer agent, legal and other administrative costs to maintain the company in good standing.
- (b) Represents the unrealized gains on marketable securities.
- (c) The Company settled various debts during the prior year. The gain on settlement was the resulting of the settlement value of the shares being greater than the fair market value of the shares issued. \$464,605 of the debt was owed to directors and management.

### SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended is as follows:

	<u>3<sup>rd</sup> Quarter 2019</u>	<u>2<sup>nd</sup> Quarter 2019</u>	<u>1<sup>st</sup> Quarter 2019</u>	<u>4<sup>th</sup> Quarter 2018</u>
Net (loss) income	\$ (130,367)	\$ (144,433)	\$ (179,933)	\$ 157,212
Total comprehensive (loss) income	\$ (130,367)	\$ (144,433)	\$ (179,933)	\$ 157,212
Income (loss) per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00

  

	<u>3<sup>rd</sup> Quarter 2018</u>	<u>2<sup>nd</sup> Quarter 2018</u>	<u>1<sup>st</sup> Quarter 2018</u>	<u>4<sup>th</sup> Quarter 2017</u>
Net (loss) income	\$ (120,569)	\$ 160,323	\$ (189,276)	\$ 261,087
Total comprehensive (loss) income	\$ (120,569)	\$ 160,323	\$ (189,276)	\$ 261,087
Loss (income) per share - basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00

Variations in the quarterly results of operations are largely a function of the timing of property and other write-downs, gains on sales of properties, income tax recoveries, the recording of amortization of flow-through premiums and the recognition of gains on derivatives or other fair value changes recognized through operations. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, the Company had a working capital deficiency of \$206,585 (December 31, 2018 – working capital of \$251,108); being defined as current assets less current liabilities.

The Company had a decrease of cash and cash equivalents of \$376,339 during Q3 2019, compared with a decrease of \$160,125 during Q3 2018. The decrease was related to the \$251,862 of cash used in operating activities and \$199,477 of cash spent on the Company's exploration and evaluation assets. These expenditures were offset by \$75,000 of cash received from the exercise of stock options.

The cash used in operating activities is as follows:

	<b>2019</b>	2018
<b>Cash flows from operating activities</b>		
Net loss for the period	<b>\$(496,583)</b>	\$ (149,522)
Adjustments for:		
Gain on settlement of debt	-	(302,948)
Share-based payments	<b>41,850</b>	4,000
Accretion	-	(10,792)
Depreciation of property and equipment	<b>4,642</b>	5,759
Increase in fair value of marketable securities	<b>(203)</b>	(69,563)

Change in receivables	65,205	(44,165)
Change in trade and other payables	(73,648)	289,909
Change in long-term liabilities	206,875	-
<b>Net cash used in operating activities</b>	<b>\$(251,862)</b>	<b>\$ (277,322)</b>

The table below summarizes Nuinsco's contractual commitments as at the date of this MD&A.

<b>Contractual Commitment</b>	<b>Term</b>
\$20,000 - Operating lease - premises	One-year term expiring September 2020

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to continue to provide funds for operations in light of the current difficult economic circumstances. Flow-through financings can be used for domestic work programs but do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility.

The Company's management continues to hold discussions on securing financing. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

#### **IMPAIRMENT ANALYSIS UPDATE**

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. The valuation of resource properties is difficult, and management cannot reliably estimate any recoverable amount. As a result, in 2015, the Company chose to write down the value of the property assets to nil. The Company will revisit the valuation of these assets at the end of every year end and will recognize a recovery if the fair value of these assets can be reliably determined (as was done with the Diabase property as at December 31, 2017).

The Company also monitors the value of the Participating Interest on an ongoing basis. In light of uncertainty over the timing of the payments and the depressed state of the oil and gas industry at the time in 2015, the Company wrote down the valuation of the Participating Interest to nil.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Critical accounting estimates used in the preparation of the Condensed Interim Consolidated Financial Statements include determining the carrying value of investments and Evaluation and Exploration ("E&E") projects, assessing the impairment and classification of long-lived assets, assessing the allocation of assets into their components, the fair value of the Participating Interest and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2018 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's E&E projects is based on historic costs (subject to impairment) that are expected to be recovered in the underlying mineral resources associated with the properties. The Company is in an industry that is exposed to a number of risks and uncertainties and there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

The Company has determined that it is not probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect.



## NEW ACCOUNTING POLICIES

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have a material impact on the Company because its future lease obligations are immaterial.

## CORPORATE GOVERNANCE

As noted above, the Company’s Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, none of whom are employees or officers of the Company, meets with management to review the Condensed Interim Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements.

The Board of Directors has an Audit Committee consisting of financially literate, independent and unrelated directors. Other committees of the Board of Directors are the Corporate Governance and Nominating and Compensation Committee.

## RELATED PARTY TRANSACTION AND BALANCES

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors’ fees. The Company’s non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the nine months ended September 30, 2019 and September 30, 2018 are shown in the following table:

	<b>Nine months ended September 30, 2019</b>	Nine months ended September 30, 2018
Short-term employee benefits	<b>\$ 268,875</b>	\$ 235,500
Share based payments	<b>18,000</b>	-
	<b>\$ 286,875</b>	\$ 235,500

During the nine months ended September 30, 2019, the Company was charged \$27,000 (nine months ended September 30, 2018 - \$27,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. As at September 30, 2019, \$61,020 (December 31, 2018 - \$30,510) is included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$57,630 of debt owing to CFO Advantage in exchange for 5,763,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$35,393.

During the nine months ended September 30, 2019, the Company was charged \$112,500 (nine months ended September 30, 2018- \$112,500) by Paul Jones, the Chief Executive Officer of the Company. As at September 30, 2019, \$642,709 (December 31, 2018 - \$582,92) is owing and \$637,500 is included in long-term liabilities (Note 13). On May 3, 2018, the Company settled \$140,000 of debt in exchange for 14,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$85,980.

During the nine months ended September 30, 2019, the Company was charged \$36,000 (nine months ended September 30, 2018- \$36,000) by Sean Stokes, Executive Vice-President of the Company. As at September 30, 2019, \$162,000

(December 31, 2018 - \$126,000) is owing and included in long-term liabilities (Note 13). On May 3, 2018 the Company settled \$20,000 of debt in exchange for 2,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$12,283.

On May 3, 2018 the Company settled \$246,975 of debt with directors of the Company in exchange for 24,697,500 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$151,677.

Certain directors and management of the Company participated in the purchase of the Royalties (as described in Note 10) for a total of \$74,908. The terms and conditions of the Royalties purchased by management and directors were the same as those issued to non-related parties. The Company had no other sources of financing available at the time and the Royalties were essential to move the project forward.

## **OUTSTANDING SHARE DATA**

As at the date of this report, the Company had 431,863,323 common shares issued and outstanding. In addition, there were 31,675,000 stock options outstanding.

## **RECENT DEVELOPMENTS**

There have been no additional developments not already discussed elsewhere in this MD&A.

## **REVERSAL OF CANADA REVENUE AGENCY (“CRA”) ASSESSMENT**

### **CRA Reassessment**

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On May 19, 2019, the Company received a notice from the CRA indicating that the objection was allowed and the reassessment was reversed thus eliminating any potential liability arising from the reassessment.

## **RISKS AND UNCERTAINTIES**

For a discussion in respect of risks and other factors that could influence forward looking events, please refer to the factors discussed in the Company's MD&A for the year ended December 31, 2018, under the heading “Risks and Uncertainties”. These factors are not and should not be construed as being exhaustive.

### **Summary**

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector as well as those specific to the Company. Currently, the most significant risk is the ability of the Company to meet its cash obligations as they come due as the Company currently has very limited funds. Other risks include obtaining necessary financing under acceptable terms or finding strategic partners to fund expenditure commitments as they fall due, the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

## **FORWARD-LOOKING STATEMENTS**

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and costs of financing needed in the immediate future to permit the Company to continue to operate; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainty of amount and timing of cash flows from the Participating Interest ; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity or debt markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.