

SHANE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

This interim Management’s Discussion and Analysis (“MD&A”) covers the financial statements of Shane Resources Ltd. (the “Company”) for the six-month period ended June 30, 2020, and for the period then ended (the “Financial Statements”). This interim MD&A should be read in conjunction with the audited annual financial statements and notes thereto for the years ended December 31, 2019 and 2018 (the “Annual Financial Statements”).

The following interim Management Discussion & Analysis (“Interim MD&A”) of Shane Resources Ltd. (the “**Company**” or “**Shane**”) for the six months ended June 30, 2020 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, being the Management Discussion & Analysis (“Annual MD&A”) for the fiscal year ended December 31, 2019.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company’s Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2019 and 2018, together with the notes thereto, and unaudited interim financial statements for the six months ended June 30, 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

The information contained in this report is current to June 27, 2020 and has been approved by the Company’s Board.

The Company’s certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company’s officers certify that the Financial Statements and MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

The Board of Directors approves the Financial Statements and MD&A, and ensures that the Company’s officers have discharged their financial responsibilities. The Board’s review is accomplished principally through the Audit Committee, which reviews and approves all financial reports prior to filing.

Additional information related to the Company is available on SEDAR at www.sedar.com.

BUSINESS OVERVIEW AND CORPORATE UPDATE

Description of the Business

The Company was a mineral exploration company engaged in the acquisition, exploration and development of mineral properties. Currently, the Company is pursuing a corporate transaction. The Company is incorporated under the laws of the Province of Saskatchewan.

Corporate Update and Outlook

On January 31, 2014, the shareholders, on a “majority of minority” basis, authorized the delisting of the Company’s shares from the NEX board of the TSX Venture Exchange. Shareholders also approved the sale of substantially all of the assets of the Company and the winding up of the Company.

On June 20, 2014, the Company was dissolved.

On December 21, 2018 the Company was revived. On May 9, 2019, the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan issued a variation order of its cease trade order dated June 11, 2014, which variation order: (i) authorized the Company to enter into a loan agreement with an arm’s length lender in the amount of \$10,000 which is convertible into 500,000 common shares of the Company at \$0.02 per share and 500,000 warrants of the Company at an exercise price of \$0.08 per share; and (ii) authorized the Company to distribute common shares to raise a total of \$62,000, of which the Company proposes to issue 1,155,642 common shares at \$0.02 per share and 486,075 common shares at \$0.08 per share.

On May 9, 2019, the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan issued a variation order (the “variation order”) to vary a cease trade order issued against the Company on June 11, 2014 (the “CTO”), which variation order was solely for the purpose of allowing the Company to enter into the loan agreement, the conversion of the loan and the private placement. The securities issued pursuant to the conversion of loan and the private placement are subject to the CTO. There is no guarantee that the CTO will be fully revoked and until such time as the CTO is fully revoked, the securities will remain subject to the CTO.

On May 27, 2019, the Company announced that Loomac Management Ltd. acquired, pursuant to the conversion of a loan in the amount of \$10,000 advanced by Loomac Management Ltd. to the company, 500,000 units of the Company at a price of \$0.02 per unit. Each unit consists of one common share and one common share purchase warrant (“warrant”), each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.08 per share until May 27, 2024. The common shares, the warrants and the common shares issuable upon exercise of the warrants are subject to a statutory four-month holder period and the CTO.

On May 27, 2019, the Company announced that Loomac Management Ltd. acquired, pursuant to a private placement, beneficial ownership and control of 1,000,000 common shares at a price of \$0.02 per share. The common shares are subject to a statutory four-month holder period and the CTO.

As a result of the above transactions, Loomac Management Ltd. Would then beneficially own and control a total of 1,500,000 common shares which represented 69.37% of the then issued common shares of the Company. If Loomac Management Ltd. exercised all the warrants, it would beneficially own 2,000,000 common shares of the Company, which would represent

approximately 75.12% of the then issued and outstanding common shares of the Company on a fully diluted basis.

On June 25, 2019, the Company has also closed the private placement where the Company issues (i) 1,155,642 common shares, at a subscription price of \$0.02 per common share; and (ii) 486,075 common shares, at a subscription price of \$0.08 per common share. The common shares are subject to a statutory four month hold period and the CTO.

On November 12, 2019, the Company announced that on November 8, 2019 the Financial and Consumers Affairs Authority, Securities Division of Saskatchewan issued an order revoking its previously issued cease trade order in respect of the securities of the Corporation.

On February 18, 2020, the Company issued 17,892,661 common shares for proceeds of \$89,463. The common shares are subject to a statutory four-month hold period.

On February 21, 2020, the Company issued 907,339 common shares for proceeds of \$4,537. Concurrently, the Company issued 3,000,000 shares to settle creditor debts in the amount of \$15,000. These shares were subject to a statutory four-month hold period.

As a result of these transactions, KW Capital Partners Ltd. owns 36.15% of the issued and outstanding shares at June 30, 2020.

The Company is seeking a corporate transaction which will increase shareholder value. There is no timeline for any such transaction.

Changes to Board of Directors and Management

On December 13, 2019, the Company announced that Kyle Kozuska, Michael Der, and Gregory Birchadve each resigned as directors of the Company, and that Lorilee Kozuska, and Kyle Kozuska had also resigned as, respectively, Chief Financial Officer and Secretary, and Chief Executive Officer. The Company has appointed Binyomin Posen, Ross Mitgang, and Sendy Shorser to the board of directors in order to fill the vacancies created by the foregoing resignations and to pursue other potential opportunities. In addition, Binyomin Posen has been appointed as Chief Executive Officer and Chief Financial Officer.

The change in directors and management was made to allow the Company to pursue other potential opportunities.

PERFORMANCE SUMMARY

Selected Annual Financial Information

The table below summarizes key operating data for the last three fiscal years.

	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Revenue	\$ -	\$ -	\$ -
Net loss	88,106	12,500	-
Basic & diluted loss per share	(0.00)	(0.00)	(0.00)
Total assets	3,020	626	626
Total liabilities	31,000	12,500	-
Shares outstanding	2,803,985	662,268	662,268

On June 5, 2020, the common shares of the Company were consolidated for 40 old shares to one new share. All share numbers, warrants and stock options have been adjusted to reflect this share consolidation.

Selected Quarterly Financial Information

The following quarterly financial results for the eight most recent quarters have been prepared in accordance with IFRS as listed. The information should be read in conjunction with the Company's annual audited financial statements and the accompanying notes thereto.

	Total Assets	Working Capital (Deficiency)	Net Loss	Net Loss Per Share	Weighted Avg. Shares Outstanding
June 30, 2020	\$ 33,635	\$ 29,885	\$ 30,018	\$ 0.001	24,603,985
Mar. 31, 2020	70,653	59,903	2,533	0.000	12,736,674
Dec. 31, 2019	3,020	(27,980)	18,308	0.007	2,803,985
Sept. 30, 2019	4,083	(9,672)	29,951	0.011	2,803,985
June 30, 2019	62,478	20,279	36,421	0.029	1,265,222
Mar. 31, 2019	8,700	(15,300)	3,426	0.005	662,268
Dec. 31, 2019	626	(11,874)	12,500	0.019	662,268
Sept. 30, 2019	626	-	-	0.000	662,268
June 30, 2019	626	-	-	0.000	662,268

The June 2019 quarter loss was mostly created by professional fees. The September 2019 loss reflects significant expenses for filing fees and for professional fees. The December 2019 loss was mostly created by management fees. The June 2020 loss was mostly created by professional fees, related to filing public documents and rehabilitating the listing.

RESULTS OF OPERATIONS

Three months ended June 30, 2020 compared to the three months ended June 30, 2019

The Company was mostly dormant in 2018 and 2019, with late 2019 activity related to positioning the Company for a corporate transaction. The net loss for the three months ended June 30, 2020 of \$30,018 mostly reflected legal work to rehabilitate the listing, financial statement preparation and an audit expense accrual. The 2019 expense consisted of management fees, legal and accounting fees.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the six months ended	
	June 30, 2020	June 30, 2019
Consulting and professional fees	\$ -	\$ 24,000
	<u>\$ -</u>	<u>\$ 24,000</u>

Other related parties

Fees during 2019 related to CFO fees. As at June 30, 2020, \$Nil (December 31, 2019 - \$Nil) was included in accounts payable due to the related parties of the Company.

FINANCIAL CONDITION

Cash Flow

As at June 30, 2020, the Company held cash of \$22,839 (December 31, 2019 - \$3871). The Company raised \$94,000, before placement costs of \$18,584, via two private placements and issued shares to settle creditor debts in the amount of \$15,000 in 2020. Cash was used to pay outstanding payable balances and fund operations. Working capital changes mostly relate to the cash raised in 2020.

The proceeds will be applied to payment of outstanding payables and for general working capital. Cash has been applied as follows:

Costs of placement	\$ 18,584
Payables and accruals	16,750
Operating costs	28,051
	<u>63,385</u>
HST	7,776
	<u>71,161</u>
Cash on hand	22,839
	<u>\$94,000</u>

Critical Accounting Estimates and Changes in Accounting Policies

All significant critical accounting estimates are fully disclosed in Note 4 of the interim consolidated financial statements for the six-month period ended June 30, 2020, and 2019.

Liquidity and Capital Resources

The Company had working capital of as of June 30, 2020 of \$29,885 (December 31, 2019 - negative working capital of \$27,980). The Company's cash and cash equivalents was \$22,839 as at June 30, 2020 and \$nil as of December 31, 2019.

Management is currently reviewing alternative sources of capital to meet its obligations and short-term working capital requirements. The Company could require substantial additional capital to fund any new project or to pursue other potential opportunities.

Historically, the Company has used the net proceeds from issuances of its securities to provide sufficient funds for it to meet its near-term exploration and development plans and other contractual obligations when due. As mentioned elsewhere in this MD&A, the Company is evaluating various strategic alternatives and, if it decides to pursue any such alternative, it may also require additional funds to carry out its strategic plans in amounts that cannot be determined as of the date hereof, which funds may also be unavailable to the Company on favorable terms or at all.

Financial Instruments and Financial Risk Factors

International financial reporting standards require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. As at June 30, 2020 and December 31, 2019, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at June 30, 2020 and December 31, 2019, carrying amounts of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities on the statement of financial position approximate fair market value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

(b) Liquidity Risk

The Company attempts to have sufficient liquidity to meet its obligations when due. As at June 30, 2020, the Company had cash and cash equivalents of \$22,839 (December 31, 2019 - \$nil) available to settle current liabilities of \$3,750 (December 31, 2019 - \$31,000). The Company's accounts payable are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

The Company has no cash and cash equivalents balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at June 30, 2020, the Company does not hold foreign currency balances.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity Analysis

The Company may hold balances in United States dollars that give rise to foreign exchange risk. Based on management's knowledge and experience of the financial markets, the Company does not believe there would be any material movements as a result of changes in interest rates.

Off-Balance Sheet Arrangements

As at June 30, 2020, there were no off-balance sheet arrangements.

Outstanding Share Data

The common stock, warrants and stock options of the Company which were outstanding as at May 26, 2020, June 30, 2020, and December 31, 2019 were as follows:

	May 26, 2020	June 30, 2020	December 31, 2019
Common Shares	24,603,985	24,603,985	2,803,985
Warrants	500,000	500,000	500,000
Stock Options	—	—	—
Fully diluted	25,103,985	25,103,985	3,303,985

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the Company.

RISK FACTORS

Until a business combination is completed, the Company's risk factors are those related to a successful corporate transaction. The ability of the Company to continue operations is dependent upon its ability to find and close a corporate transaction. Other risk exposures and the impact on the Company's financial instruments are summarized below.

The risks, objectives, policies and procedures from previous years have been adjusted to reflect the pursuit of a corporate transaction.

Dependence on Key Individuals

The Company's business and operations are dependent on retaining the services of a small number of key individuals. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these individuals. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key individuals.

Capital Management

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the pursuit of a corporate transaction. The Board does not establish quantitative return on capital criteria for Management, but rather relies on the expertise of the Company's Management to sustain future development of the business.

The Company will continue to assess corporate opportunities with the intent to realize value.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. A significant change in the Company's approach to capital management in the year ended December 31, 2019 was the change to officers and directors. The incoming group is currently pursuing alternatives to finance the Company. The Company is not currently subject to externally imposed capital requirements.

Corporate Transactions

The Company could pursue corporate transactions with the ultimate goal to effect a business combination. There is no assurance that a such a transaction could be reached or, even if a transaction is entered into, the transaction will close on the disclosed terms or at all.

Global Pandemic

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Financing

The Company does not currently have any operations generating cash. The Company is therefore dependent upon debt and equity financing to carry out its plans. There can be no assurance that such financing will be available to the Company.

FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified in the "Risk Factors" section of this MD&A or other reports and filings with applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.