# PROMINEX RESOURCE CORP.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE SIX MONTHS ENDED

### OCTOBER 31, 2020

**PROMINEX RESOURCE CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Six-Month Ended October 31, 2020

## Introduction

The following interim Management's Discussion & Analysis (the "MD&A") of Prominex Resources Corp. (the "**Company**" or "**Prominex**") for the six months ended October 31, 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 April 30, 2020.

This Interim MD&A has been prepared in compliance with section 2.2 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 April 30, 2020 and 2019, together with the notes thereto, and unaudited interim financial statements for the six months ended October 31, 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.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), 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 the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The securities of Prominex Resource Corp. (the "Company") are not presently listed on any stock exchange. However, the Company was subject to a cease trade order issued by the British Columbia Securities Commission dated September 10, 2015 (the "Cease Trade Order") for failure to file certain required filings under applicable securities laws. The Company applied for partial revocation of the Cease Trade Order, and on May 13, 2019, the British Columbia Securities Commission granted a partial revocation of the Cease Trade Order, solely to permit the Company to complete a non-brokered private placement for aggregate gross proceeds of up to $145,000, through the issuance of up to 290,000,000 common shares in the capital of the Company (each, a "Common Share") at a price of $0.0005 per Common Share (the "Offering"). The Company completed the Offering pursuant to the partial revocation on July 23, 2019, raising $145,000 through the issuance of 290,000,000 Common Shares.

Effective February 18, 2020, the British Columbia Securities Commission issued an order revoking the Cease Trade Order.

The Company's head office is located at 1049 Chilco Street, Suite 405, Vancouver, British Columbia, V6G 2R7.

This Interim MD&A is dated as of December 24, 2020.

## Additional Information

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

## Business Overview and Corporate Update

### Description of the Business

The Company was formed to engage in the acquisition, exploration and evaluation of mineral assets. However, the Company has ceased to carry on an active business since April 30, 2015, and is presently engaged in identifying and pursuing other potential opportunities. The Company is incorporated under the laws of the Province of British Columbia and has one inactive wholly-owned subsidiary, Cannabinoid Capital Corporation. As of the date of this MDA the Company has not change its business from junior mining to the medical marijuana industry or hemp industry, and to date, neither the Company nor Cannabinoid has engaged in any transaction in such industries.

### Corporate Update and Outlook

The Company has been mostly dormant from April 30, 2015 to April 11, 2019. Prior to the Company becoming dormant, the Company's properties were located on the island of Newfoundland in the province of Newfoundland and Labrador, Canada.

The Company was evaluating two projects within a base metal rich area of central Newfoundland, home to formerly producing world-class base metal deposits at Buchans and the currently producing Duck Pond zinc-copper mine owned and operated by Teck Corporation. The Company was exploring primarily for zinc-lead-copper-silver-gold mineral resources within its properties with the objective of identifying commercially exploitable mineralization. The Company is not pursuing either of these opportunities or any other exploration opportunity at this time.

The Company's properties were at an "exploration stage." The Company has no producing properties, no operating income, or cash flow. To date, the Company is dependent on the equities market to finance all of its activities and it will continue to rely on this source of funding for its ongoing working capital requirements.

On March 25, 2014, the Company announced its intention to evaluate projects with the medical marijuana and hemp industries. (See new releases March 25, May 30, and November 18, 2014 at www.sedar.com) On March 31, 2014, the Company incorporated a wholly owned subsidiary under the BC Company Act called Cannabinoid Capital Corporation (Cannabinoid). Cannabinoid was incorporated to acquire a project of merit; if, as, or when identified during our evaluation of this industry. However, as of the date hereof, the Company is not pursuing this opportunity. The Company has not changed its business from junior mining to the medical marijuana industry or the hemp industry, and to date, neither the Company nor Cannabinoid has engaged in any transaction in such industries. To date, the Company's capital expenditures have been under $5,000 for the incorporation of Cannabinoid and associated legal fees. The registered office of Cannabinoid is 1001, 1010 Howe Street Vancouver, BC, V6Z 1P5.

The Company's business is managed by the directors and officers and augmented by independent professionals retained to advise the Company on its exploration programs and business. The Company will pursue potential opportunities to create value through a corporate transaction.

**Changes to Board of Directors and Management**

On April 11, 2019, the Company announced that Gordon Barron, Gordon MacNiel, David Stirling, and Liliana Hartwig had each resigned as directors of the Company, and Gordon Barron and Gordon MacNiel had also resigned as, respectively, Chief Executive Officer, and Chief Financial Officer. The Company appointed Michael Lerner, Balu Gopalakrishnan, and Binyomin Posen to the board of directors to fill the vacancies created by the foregoing resignations and to pursue other potential opportunities. In addition, Michael Lerner and Balu Gopalakrishnan were appointed as, respectively, Chief Executive Officer and Chief Financial Officer. On September 27, 2019, Balu Gopalakrishnan resigned as Chief Financial Officer and Michael Lerner assumed the role.

On April 27, 2020, Andrew Parks joined the Board.

On October 5, 2020, Michael Lerner resigned as director, Chief Executive Officer, and Chief Financial Officer. Binyomin Posen, currently a director, assumed the roles of Chief Executive Officer, and Chief Financial Officer.

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

**Overview of Business**

The Company is pursuing a corporate transaction.

## Financial Performance

### Selected Annual Financial Information

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

| | Year Ended April 30, 2020 (Audited) $ | Year Ended April 30, 2019 (audited) $ | Year Ended April 30, 2018 (unaudited) $ |
|---|---|---|---|
| Total assets | 89,712 | 3,544 | 1,964 |
| Total liabilities | 1,000,757 | 970,209 | 920,262 |
| Revenue | Nil | Nil | Nil |
| Net loss | (89,380) | (48,337) | (33) |
| Net loss per share | (0.01) | (0.00) | (0.00) |
| Weighted average shares outstanding | 7,678,340 | 2,092,275 | 2,092,275 |

### Selected Quarterly Financial Information

The following quarterly results for the eight most recent quarters have been prepared in accordance with IFRS as listed below.

| Three Months Ended | Assets | Liabilities | Net (Loss) | Gain (Loss) Per Share | Weighted Average Shares Outstanding |
|---|---|---|---|---|---|
| October 31, 2020 | $ 24,336 | $ 984,007 | (11,311) | (0.00) | 9,342,275 |
| July 31, 2020 | 81,897 | 1,030,257 | (37,315) | (0.00) | 9,342,275 |
| April 30, 2020 | 89,712 | 1,000,757 | (28,911) | (0.00) | 9,342,275 |
| January 31, 2020 | 85,765 | 971,248 | (10,534) | (0.00) | 9,342,275 |
| October 31, 2019 | 89,113 | 960,714 | (42,935) | (0.00) | 9,342,275 |
| July 31, 2019 | 141,778 | 970,443 | (7,000) | (0.00) | 2,729,635 |
| April 30, 2019 | 3,544 | 970,209 | (48,333) | (0.02) | 2,092,275 |
| January 31, 2019 | 1,964 | 920,296 | Nil | 0.00 | 2,092,275 |

The Company was dormant from April 2015 to April 2019. Most of the quarterly expense since April 2019 relates to consulting and professional fees to rehabilitate the listing and seek business opportunities.

### Three months ended October 31, 2020 compared to the three months ended October 31, 2019

The net loss for the three months ended October 31, 2020 of $11,311 mostly reflects accruals and spending for legal and professional fees necessary to rehabilitate the regulatory listing, and regulatory fees. The October 31, 2019 expense of $42,935 mostly reflected legal and regulatory fees to rehabilitate the Company's listing, with accruals for expected audit and accounting expenses represented the remainder of the expense.

**Six months ended October 31, 2020 compared to the six months ended October 31, 2019**

The net loss for the six months ended October 31, 2020 was $48,626 (October 31, 2019 - $49,935).

The expenses in both periods mostly reflect accruals and spending for legal and professional fees necessary to rehabilitate the regulatory listing, and regulatory fees, with accruals for expected audit and accounting expenses represented the remainder of the expense.

**Related Party Transactions**

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related parties include [ Balu Gopalakrishnan, and Binyomin Posen] [NTD: Client to double check current directors.] as members of the board of directors. In addition, Binyomin Posen has been appointed as Chief Executive Officer and Chief Financial Officer.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of directors and key management personnel of the Company for the six-month period ended October 31, 2020 and 2019 was:

| | **2020** | **2019** |
|---|---|---|
| | **$** | **$** |
| Management fees | 9,000 | - |

During the period ended October 31, 2020, the Company incurred estimated legal fees of $32,405 (year ended April 30, 2020 - $31,216) as charged by the brother of a director of the Company.

As at October 31, 2020, $75,000 (April 30, 2020 - $88,500) due to related party was included in accounts payable and accrued liabilities. All amounts due to related parties are on account of operating activity and are subject to standard trade terms.

**<u>Financial Condition</u>**

**Cash Flow**

As at October 31, 2020, the Company held cash and equivalents of $11,898 (April 30, 2020 - $81,203). Cash of $145,000 was raised via a private placement of 7,250,000 common shares on July 23, 2019. Cash was used to reduce payables and pay operating expenses, mostly related to working with regulators to solve deficiencies in the Company’s public listing.

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

| | |
|---|---|
| Payables and accruals | $ 47,052 |
| HST receivable | 10,798 |
| Regulatory fees | 11,459 |
| Operating costs | 63,793 |
| | 133,102 |
| Cash on hand | 11,898 |
| | $145,000 |

**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 period ended October 31, 2020, and 2019.

**Liquidity and Capital Resources**

The Company had negative working capital of as of October 31, 2020 of $573,652 (April 30, 2020 - negative working capital of $525,026). The Company's held cash and cash equivalents as at October 31, 2020 of $11,898 (April 30, 2020 - $81,203).

The negative working capital was affected by the transfer of $386,019 of accounts payable and accruals to Statute barred Liabilities, a long term liability, during the year ended April 30, 2020.

Management is currently reviewing alternative sources of capital to meet its obligations and short term working capital requirements. While the Company plans to continue to monitor closely its spending, conditions in the capital markets continue to make it difficult for early stage exploration companies to raise additional capital. The Company may require substantial additional capital to fund any new project or to advance the exploration projects.

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. However, given the current market conditions affecting the junior mining sector, the current trading price of the Company's common shares and other uncertainties discussed herein, there can be no assurance that the Company will be able to obtain sufficient additional funds on favorable terms, or at all, in order to carry out its objectives. 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 October 31, 2020 and April 30, 2020, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at October 31, 2020 and April 30, 2020, 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’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. As at October 31, 2020, the Company had cash and cash equivalents of $11,898 (April 30, 2020 - $81,203) available to settle current liabilities of $597,988 (April 30, 2020 - $614,738). 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 October 31, 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 October 31, 2020, there were no off-balance sheet arrangements.

**Outstanding Share Data**

As at October 31, 2020, April 30, 2020, and at the date of this MD&A, the Company had 9,342,275 common shares issued and outstanding. The number of shares outstanding reflects a forty to one consolidation which was effected August 13, 2020. The Company had no warrants and no stock options outstanding as at October 31, 2020, April 30, 2020 nor at the date of this MD&A.

## 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 April 30, 2019 was the change to officers and directors. The incoming group is currently pursuing alternatives to finance the Company. The Company and its subsidiary are not currently subject to externally imposed capital requirements.

**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.

**Corporate Transactions**

The Company could pursue corporate transactions with the ultimate goal to effect a business combination. There is no assurance that 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.

## Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain “forward-looking information” as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and/or its subsidiary to be materially different from those expressed or implied by such forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.