

# **CRUZ COBALT CORP.**

For the nine months ended April 30, 2018

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Management's Discussion and Analysis ("MD&A")

Date of Report: June 26, 2018

The following discussion and analysis of the Company's financial condition and results of operations for the nine months ended April 30, 2018 should be read in conjunction with its condensed consolidated interim financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Cobalt Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At April 30, 2018, the Company had mineral property interests located in Canada and in the USA.

## ***Mineral Properties***

### ***Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement (the "Cobalt Locaters SPA") with four arm's length vendors to purchase all of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect. In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 900 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,480 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 5,500 acres.

In December 2016, the Company acquired a 100% interest in 23 additional claim units for staking costs of \$2,300 to increase the acreage of Coleman Cobalt Prospect to approximately 900 acres.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,580 acres for staking costs of \$1,268.

In December 2017 and January 2018, the Company acquired a 100% interest in additional mineral claims in Ontario referred to as the Lorraine Cobalt Prospect that comprise approximately 10,556 acres for staking costs of \$45,600. In April 2018, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect consisting of 305 cell units for staking costs of \$15,290.

As disclosed in news releases on July 17, 2017, July 25, 2017, and September 7, 2017, the Company has received drill permits for the Bucke Cobalt Prospect, the Johnson Cobalt Prospect and the Hector Cobalt Prospect, which have each been approved by the Ministry of Northern Development and Mines. The Company conducted an airborne work program over the Ontario cobalt prospects. Management is currently formulating plans for a follow up work program to begin shortly focusing on the targets defined during the previous airborne surveys with the expectations to commence a drill program in 2018.

As at April 30, 2018, the Company had spent a total of \$260,316 in exploration expenditures on the Ontario cobalt prospects.

### ***BC Purcell Cobalt Prospect***

Under the Cobalt Locaters SPA, the Company indirectly acquired a 100% interest in two cobalt prospects in B.C..

In January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,197 to increase the acreage on the Purcell Cobalt Prospect to 11,821 acres. The Company conducted an airborne work program over the Purcell Cobalt Prospect.

Cruz Cobalt Corp.

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As disclosed in a news release on May 25, 2018, the Company announced that it is planning to commence follow up operations on this property shortly consisting of general geological mapping and locating any old showings.

As at April 30, 2018, the Company had spent a total of \$18,366 in exploration expenditures on this prospect.

*BC War Eagle Cobalt Prospect*

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of \$3,496 and in January 2018, the Company acquired a 100% interest in additional mineral claims in British Columbia for staking costs of \$7,283 to increase the acreage on the War Eagle Cobalt Prospect to 15,219 acres. The Company conducted an airborne work program over its War Eagle Cobalt Prospect.

The Company plans to commence follow up operations on this property shortly consisting of general geological mapping and locating any old showings.

As at April 30, 2018, the Company had spent a total of \$25,016 in exploration expenditures on this prospect.

*Montana Chicken Hawk Cobalt Prospect*

In February 2017, the Company entered into an agreement with an arm's length vendor to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. This prospect consists of 64 contiguous lode claims covering approximately 1,300 acres. In July 2017, the Company acquired a 100% interest in 30 additional mineral claims for staking costs of \$25,426. These claims were located contiguous to the existing Chicken Hawk Cobalt Prospect in Montana which increased the Company's holdings to 1,940 contiguous acres.

The Company is considering to conduct a follow up program in 2018, however, a final decision has not been concluded at this time.

As at April 30, 2018, the Company had spent a total of \$124,490 in exploration expenditures on this prospect.

*Idaho Star Cobalt Prospect*

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of \$39,964. This prospect is located approximately 9 miles southwest of Saltese, Montana and 19 miles southeast of Wallace, Idaho. This prospect consists of 44 contiguous claims within the Idaho Cobalt Belt. In July 2017, the Company conducted a soil sampling program on its Idaho Star Cobalt Prospect.

The Company is considering to conduct a follow up program in 2018, however, a final decision has not been concluded at this time.

As at April 30, 2018, the Company had spent a total of \$35,334 in exploration expenditures on this prospect.

*Nevada Clayton Valley West Lithium Prospect*

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. As of April 30, 2018, the Company had incurred a total of \$5,304 in claim maintenance fees on this prospect.

At this time, there is no plan to do any follow up work in 2018. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its mineral properties.

*Yukon Quartz Claims*

During the year ended July 31, 2010, the Company acquired a 100% interest in ninety five load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of \$670,862 and exploration costs of \$34,838 associated with these lapsed claims were written off.

The Company may continue exploration activities if the Company is able to obtain sufficient financing. While the Company have been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future, and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties. The Company has no plans to work on this property in 2018.

As at April 30, 2018, the Company had spent a total of \$1,707 in exploration expenditures on the remaining Yukon quartz claims.

*Non-Binding LOI for Cobalt-Nickel-Copper Projects in Norway*

Subsequent to April 30, 2018, the Company announced it has signed a letter of intent with two arm's-length vendors to acquire two cobalt-nickel-copper projects consisting of 29 exploration licenses located in Norway. A definitive agreement is being negotiated.

**Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the nine months ended April 30, 2018 and 2017. The Company's net comprehensive loss increased from \$737,257 for the nine months ended April 30, 2017 to \$1,491,548 for the nine months ended April 30, 2018, mainly due to an increase in operating expenses of \$531,521, a decrease in realized gain on sale of exploration and evaluation assets of \$135,645, and a decrease in realized gain on sale of marketable securities of \$145,990. The Company's cash and cash equivalents increased from \$1,926,311 as at July 31, 2017 to \$2,993,504 as at April 30, 2018. The Company had a working capital of \$3,361,396 as at April 30, 2018, as compared to \$1,248,574 as at July 31, 2017.

The Company's current assets have increased to \$3,394,498 as at April 30, 2018 from \$2,006,108 as at July 31, 2017, due mainly to an increase in cash and cash equivalents and an increase in prepaid expenses. The Company's current liabilities have decreased from \$757,534 as at July 31, 2017 to \$33,102 as at April 30, 2018, mainly due to a decrease in accounts payable and accrued liabilities as well as a decrease in flow-through share premium liability. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,836,204 as at July 31, 2017 to \$2,120,493 as at April 30, 2018, due mainly to the exploration work totaling \$148,348 performed on the cobalt prospects in Ontario, staking costs totaling \$75,370 incurred for cobalt claims in British Columbia and Ontario, and claim maintenance fees totaling \$30,361 incurred to renew its mineral exploration properties as set described above.

Additional information about the risks and uncertainties relating to the Company's business and financial performance is discussed below under "Risks and Uncertainties".

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2018 Third	2018 Second	2018 First	2017 Fourth	2017 Third	2017 Second	2017 First	2016 Fourth
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)	\$(197,379)
<b>Loss before other items</b>	\$(315,360)	\$(990,494)	\$(248,151)	\$(348,183)	\$(400,822)	\$(223,349)	\$(398,313)	\$(197,379)
<b>Loss per share (Basic and diluted)</b>	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.006)	\$(0.007)	\$(0.010)	\$(0.010)	\$(0.012)
<b>Other items:</b>								
<b>Interest income</b>	\$8,577	\$5,703	\$3,079	\$846	\$979	\$(823)	\$3,436	\$Nil
<b>Interest expense</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$(23)
<b>Other income on settlement of flow-through share premium liability</b>	\$4,125	\$16,827	\$24,146	\$24,742	\$Nil	\$Nil	\$Nil	\$Nil
<b>Realized gain on sale of exploration and evaluation assets</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$135,645	\$Nil
<b>Realized gain on sale of marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$137,325	\$(210)	\$8,875	\$Nil
<b>Unrealized gain on marketable securities</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$(3,480)	\$(10,020)	\$13,500	\$Nil
<b>Write-down of mineral properties</b>	\$Nil	\$Nil	\$Nil	\$(78,738)	\$Nil	\$Nil	\$Nil	\$(194,313)
<b>Net comprehensive loss</b>	\$(302,658)	\$(967,964)	\$(220,926)	\$(401,333)	\$(265,998)	\$(234,402)	\$(236,857)	\$(391,715)
<b>Basic and diluted loss per share</b>	\$(0.000)	\$(0.010)	\$(0.004)	\$(0.007)	\$(0.005)	\$(0.006)	\$(0.006)	\$(0.024)

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss decreased by \$154,858 from the fourth quarter of 2016 to the first quarter of 2017 mainly due to a decrease in the write-down of exploration and evaluation assets and an increase in realized gain on sale of exploration and evaluation assets offset by an increase in travel and promotion expense. Net comprehensive loss slightly decreased by \$2,455 from the first to the second quarter of 2017 mainly due to a decrease in share-based payments and transfer agent and filing fees offset by a decrease in the gain on sale of exploration and evaluation assets. Net comprehensive loss increased by \$31,596 from the second to the third quarter of 2017 mainly due to an increase in share-based payment expenses and in travel and promotion expenses offset by an increase in realized gain on sale of marketable securities. Net comprehensive loss increased by \$135,335 from the third to the fourth quarter of 2017 mainly due to an increase in the write-down of exploration and evaluation assets and a decrease in realized gain on sale of marketable securities offset by a decrease in travel and promotion expenses. Net comprehensive loss decreased by \$180,407 from the fourth quarter of 2017 to the first quarter of 2018 mainly due to a decrease in share-based payments. Net comprehensive loss increased by \$747,038 from the first to the second quarter of 2018 mainly due to an increase in consulting fees, travel and corporate branding, and share-based payment expenses. Net comprehensive loss decreased by \$665,306 from the second to the

third quarter of 2018 mainly due to a decrease in share-based payments and a decrease in travel and corporate branding expenses.

*Three months ended April 30, 2018 Compared to the Three months ended April 30, 2017*

The Company did not generate any revenue for the three months ended April 30, 2018 and 2017. Net comprehensive loss increased by \$36,660 from \$265,998 for the three months ended April 30, 2017 to \$302,658 for the three months ended April 30, 2018 due mainly to a one-time realized gain on the sale of marketable securities of \$137,325 during the three months ended April 30, 2017 which was offset by a decrease in operating expenses during the three months ended April 30, 2018. Operating expenses decreased by \$85,462 from \$400,822 for the three months ended April 30, 2017 to \$315,360 for the three months ended April 30, 2018. The decrease in operating expenses during the three months ended April 30, 2018 was mainly due to a decrease in share-based payments and corporate branding expenses as detailed below, which was offset by an increase in consulting fees.

Decreased share-based payments (three months ended April 30, 2018: \$Nil; three months ended April 30, 2017: \$137,274) were due to the fact that the Company did not grant any stock options during the three months ended April 30, 2018 as compared to 3,300,000 stock options that were granted to its directors and consultants during the three months ended April 30, 2017 with exercise prices ranging from \$0.20 to \$0.35 per share and expiry dates ranging from June 6, 2017 to June 23, 2017. The Company may grant options that are available under the approved stock option plan in the next 12 months period.

Travel expenses decreased to \$11,707 (three months ended April 30, 2017: \$47,079). Decreased travel expenses were mainly due to the Company incurred less conference expenses (three months ended April 30, 2018: \$10,207; three months ended April 30, 2017: \$47,079). The Company's President, director or consultants attended the following major trade shows or conferences on behalf of the Company:

- During the three months ended April 30, 2018, the Company's President and one director attended the 2018 PDAC Convention in Toronto for total expenses of \$10,207;
- During the three months ended April 30, 2017, the Company's President and one director attended the 2017 PDAC Convention in Toronto for total expenses of \$16,544;
- During the three months ended April 30, 2017, one consultant attended two conferences in Quebec for total expenses of \$13,835; and
- During the nine months ended April 30, 2017, the Company incurred \$16,700 for sponsorship and advertising for the Benchmark World Tour.

Management attended these conferences to increase exposure of the Company's brand and facilitate opportunities to expand its shareholder base and potentially discuss business opportunities in the cobalt exploration and development industry. Management anticipates such expenses are expected to decrease in the next 12 month period as it currently anticipates on attending a reduced number of conferences and trade shows.

Corporate branding expenses increased during the three months ended April 30, 2018 to \$106,402 (three months ended April 30, 2017: \$89,692). Total corporate branding expenses of \$106,402 during the three months ended April 30, 2018 included the following:

- \$33,289 (three months ended April 30, 2017: \$4,649) for TV ads with Blue Sun Productions Inc.;
- \$7,012 (three months ended April 30, 2017: \$16,348) for lead generation and news dissemination with Dig Media Inc.;
- \$26,667 (three months ended April 30, 2017: \$Nil) for Google advertising with ExInfluence Media Corp.;
- \$17,750 (three months ended April 30, 2017: \$Nil) for Google banner advertisement branding;

- \$1,834 (three months ended April 30, 2017: \$Nil) for news dissemination and awareness with Market Smart Communications Inc.;
- \$3,000 (three months ended April 30, 2017: \$3,000) for social media services related to the corporate twitter;
- \$3,960 (three months ended April 30, 2017: \$Nil) for video version of news release with Investment Pitch Media;
- \$2,500 (three months ended April 30, 2017: \$Nil) for global marketing with Proactive Investors LLC; and
- \$10,390 (three months ended April 30, 2017: \$8,078) for other branding expenses.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may be similar or to decrease slightly in the next 12 month period due to management's decision to decrease overall branding expenses, including a decision to decrease television and magazine advertisements.

Consulting fees paid by the Company during the three months ended April 30, 2018 totaled \$109,550 as compared to \$44,150 for the three months ended April 30, 2017. Consulting fees generally include the following three categories: digital marketing and corporate branding; corporate and business advisory; secretarial and data entry services:

Total consulting during the three months ended April 30, 2018 consisted of \$75,000 (three months ended April 30, 2017: \$Nil) for digital marketing and corporate branding. Such fees were generally paid to third party external consultants for marketing and corporate branding purposes. The Company paid \$21,000 (three months ended April 30, 2017: \$21,000) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$13,550 (three months ended April 30, 2017: \$23,150) for internal secretarial and data entry services. Consulting fees increased mainly because the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand.

*Nine months ended April 30, 2018 Compared to the Nine months ended April 30, 2017*

The Company did not generate any revenue for the nine months ended April 30, 2018 and 2017. Net comprehensive loss increased by \$754,291 from \$737,257 for the nine months ended April 30, 2017 to \$1,491,548 for the nine months ended April 30, 2018 due mainly to an increase in operating expenses, a decrease in realized gain on sale of exploration and evaluation assets of \$135,645 (nine months ended April 30, 2018: \$Nil; nine months ended April 30, 2017: \$135,645), and a decrease in realized gain on sale of marketable securities of \$145,990 (three months ended April 30, 2018: \$Nil; three months ended April 30, 2017: \$145,990). Operating expenses increased by \$531,521 from \$1,022,484 for the nine months ended April 30, 2017 to \$1,554,005 for the nine months ended April 30, 2018 due mainly to an increase in share based payments, consulting fees, and travel and corporate branding expenses, offset by a decrease in transfer agent and filing fees.

Increased share-based payments (nine months ended April 30, 2018: \$585,161; nine months ended April 30, 2017: \$201,283) were due to the Company granted 6,000,000 stock options to its directors and consultants at a price of \$0.20 per share in the nine months ended April 30, 2018 as compared to 4,200,000 stock options granted to its directors and consultants with exercise price ranging from \$0.20 to \$0.35 in the nine months ended April 30, 2017. The Company may grant options that are available under the approved stock option plan in the next 12 months period.



Travel expenses decreased during the nine months ended April 30, 2018 to \$21,647 (nine months ended April 30, 2017: \$116,381) mainly due to the Company incurring less conference expenses (nine months ended April 30, 2018: \$12,106; nine months ended April 30, 2017: \$106,429). In addition to those conferences disclosed above under the three months ended April 30, 2018, the Company's President, director or consultants attended the following major trade shows or conferences on behalf of the Company during the nine months ended April 30, 2018:

- During the nine months ended April 30, 2017, the Company's President and one director attended the MINE Expo International in Las Vegas for total expenses of \$17,728; and
- During the nine months ended April 30, 2017, one consultant attended the New Orleans Louisiana Investment Conference for total expenses of \$13,701 and the Toronto Money Show and Niagara Capital Conference for total expenses of \$19,709.

Management attended these conferences to increase exposure of the Company's brand and facilitate opportunities to expand its shareholder base and potentially discuss business opportunities in the cobalt exploration and development industry. Management anticipates such expenses are expected to decrease in the next 12 month period as it currently anticipates on attending a reduced number of conferences and trade shows.

During the nine months ended April 30, 2018, corporate branding expenses increased to \$488,102 (nine months ended April 30, 2017: \$263,524). Total corporate branding expenses of \$488,102 during the nine months ended April 30, 2018 included the following:

- \$150,345 (nine months ended April 30, 2017: \$71,473) for European marketing and news dissemination with Aktiencheck.de AG;
- \$43,189 (nine months ended April 30, 2017: \$4,649) for TV ads with Blue Sun Productions Inc.;
- \$21,036 (nine months ended April 30, 2017: \$31,813) for lead generation and news dissemination with Dig Media Inc.;
- \$62,779 (nine months ended April 30, 2017: \$Nil) for Google advertising with ExInfluence Media Corp.;
- \$17,750 (nine months ended April 30, 2017: \$Nil) for Google banner advertisement branding;
- \$7,933 (nine months ended April 30, 2017: \$3,967) for news dissemination and awareness with Equities.com Inc.;
- \$6,480 (nine months ended April 30, 2017: \$Nil) for news dissemination and awareness with Junior Gold Report Inc.;
- \$10,084 (nine months ended April 30, 2017: \$Nil) for news dissemination and awareness with Market Smart Communications Inc.;
- \$5,000 (nine months ended April 30, 2017: \$40,000) for news dissemination and awareness with Stockhouse Publishing Ltd.;
- \$12,566 (nine months ended April 30, 2017: \$Nil) for news dissemination and awareness with Financial Buzz Media Networks;
- \$9,000 (nine months ended April 30, 2017: \$9,000) for social media services related to the corporate twitter;
- \$4,407 (nine months ended April 30, 2017: \$8,578) for magazine advertisement with Benchmark Mineral Intelligence Ltd.;
- \$9,420 (nine months ended April 30, 2017: \$Nil) for video version of news release with Investment Pitch Media;
- \$7,500 (nine months ended April 30, 2017: \$Nil) for global marketing with Proactive Investors LLC;

- \$76,974 (nine months ended April 30, 2017: \$Nil) to engage Market IQ Media Group Incorporated to design landing page and content development for the Company's website; and
- \$43,639 (nine months ended April 30, 2017: \$30,058) for other branding expenses.

The corporate branding expenses were incurred to increase the awareness of the Company and the cobalt industry in general. Management anticipates such expenses may be similar or to decrease slightly in the next 12 month period due to management's decision to decrease overall branding expenses, including a decision to decrease television and magazine advertisements.

Consulting fees paid by the Company (nine months ended April 30, 2018: \$229,988; nine months ended April 30, 2017: \$156,437) generally include the following three categories: digital marketing and corporate branding; corporate and business advisory; secretarial and data entry services.

Total consulting fees during the nine months ended April 30, 2018 consisted of \$125,000 (nine months ended April 30, 2017: \$Nil) for digital marketing and corporate branding. Such fees were generally paid to third party external consultants for marketing and corporate branding purposes. The Company paid \$63,000 during the nine months ended April 30, 2018 (nine months ended April 30, 2017: \$90,366) for business advisory services. Such payments were generally made to third party consultants for certain corporate advisory, strategic planning and related advisory services that assisted in project evaluation. The Company paid \$41,988 during the nine months ended April 30, 2018 (nine months ended April 30, 2017: \$66,071) for internal secretarial and data entry services. Consulting fees increased mainly because the Company engaged two arm's length entities to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period from December 2017. Management anticipates that these consulting fees may stay at or near this level in the next twelve month period as the Company prepaid the total amount of \$450,000 to these two entities using cash on hand.

Transfer agent and filing fees decreased to \$23,051 (nine months ended April 30, 2017: \$80,956). Transfer agent and filing fees decreased because the Company incurred \$14,016 in DTC filing fees and incurred \$33,286 in transfer agent and filing fees in association with a forward split, both were one-time charge, in the nine months ended April 30, 2017. Management anticipates that the transfer agent and filing fees may stay at or near this level in the next twelve month period.

See "Nature of Business – Mineral Properties" for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See "Overall Performance" for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and "Risks and Uncertainties" for a discussion of risk factors affecting the Company.

## Discussion of Operations

### *Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
<i>August 2016</i> <i>Private Placement</i> \$293,000 Flow-through	Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$290,048 in flow-through funds were used; and \$2,952 in flow-through funds has not been used.
\$550,000 Flow-through <i>August 2017</i> <i>Private Placement</i>	Flow-through funds - towards existing Canadian properties.	As of the date of this report, \$550,000 in flow-through funds has not been used.
<i>December 2017</i> <i>Private Placement</i> \$450,000 Non flow-through	Towards working capital.	As of the date of this report, \$450,000 was used towards working capital.

In August 2016, the Company closed a private placement consisting of 18,000,000 non flow-through units at \$0.10 per unit and 2,197,500 flow-through units at \$0.133 per unit for gross proceeds of \$2,093,000. Each non flow-through unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 24, 2019. Each flow-through unit consisted of one flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non flow-through common share of the Company at a price of \$0.167 per share until August 24, 2019. In connection with the financing, the Company paid aggregate finder's fees of \$93,852 and issued 801,762 non flow-through broker warrants ("NFT Broker Warrants") and 102,600 flow-through broker warrants ("FT Broker Warrants"). Each NFT Broker Warrant will be exercisable at \$0.15 per share into one common share until August 24, 2019. Each FT Broker Warrant will be exercisable at \$0.167 per share into one common share until August 24, 2019.

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at \$0.21 per share into one common share until August 11, 2020.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

## **Liquidity and Capital Resources**

### *Liquidity*

At April 30, 2018, the Company had \$2,993,504 in cash and cash equivalents and a working capital of \$3,361,396 as compared to \$1,926,311 in cash and cash equivalents and a working capital of \$1,248,574 at July 31, 2017.

The Company's current assets have increased to \$3,394,498 as at April 30, 2018 from \$2,006,108 as at July 31, 2017 due mainly to an increase in cash and cash equivalents and an increase in prepaid expenses. The Company's current liabilities have decreased from \$757,534 as at July 31, 2017 to \$33,102 as at April 30, 2018, mainly due to a decrease in accounts payable and accrued liabilities and a decrease in flow-through share premium liability. The value ascribed to the Company's exploration and evaluation assets has increased from \$1,836,204 as at July 31, 2017 to \$2,120,493 as at April 30, 2018, due mainly to the exploration work totaling \$148,348 performed on the cobalt prospects in Ontario, staking costs totaling \$75,370 incurred for the British Columbia and Ontario mineral claims, and claim maintenance fees totaling \$30,361 incurred to renew the mineral claims described above.

In August 2017, the Company closed a non-brokered private placement consisting of 2,619,047 flow-through shares at \$0.21 per share for gross proceeds of \$550,000. The Company incurred filing fees of \$4,100 and legal fees of \$7,170, paid an aggregate finders' fees of \$38,500, and issued 183,333 broker warrants in connection with the private placement.

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at \$0.225 per share for gross proceeds of \$450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share until December 22, 2019. The Company incurred filing fees of \$3,000 in connection with the financing.

On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid a total of \$450,000 to these two entities.

During the nine months ended April 30, 2018, the Company received gross proceeds of \$2,356,268 for the following transactions:

- 210,000 share purchase warrants exercised at \$0.05 per share, 8,026,897 share purchase warrants exercised at \$0.15 per share, 849,900 share purchase warrants exercised at \$0.17 per share, and 600,000 share purchase warrants exercised at \$0.33 per share; and
- 4,000,000 stock options exercised at \$0.20 per share.

Management believes that the Company's cash and cash equivalents are sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. But in future, the Company expects to raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

#### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of April 30, 2018. The expenditures are optional and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *BC War Eagle and Purcell Cobalt Prospects:*
  - The Company owns a 100% interest in these mineral claims, which are in good standing until December 13, 2018. In order to keep these claims in good standing, the Company is required to incur a minimum of \$26,692 in exploration expenditures on these claims by December 13, 2018 or to pay cash-in-lieu of \$53,383.
  - The Company owns a 100% interest in these mineral claims, which are in good standing until January 11, 2019. In order to keep these claims in good standing, the Company is required to incur a minimum of \$41,373 in exploration expenditures on these claims by January 11, 2019 or to pay cash-in-lieu of \$82,745.
- *Yukon Quartz Claims:*
  - Two Yukon Quartz claims are in good standing until October 3, 2018. In order to renew these claims for another year, the Company is required to pay an annual rent of \$210 to the Government of Yukon by October 3, 2018 for the Yukon Quartz claims, unless the Company spends an amount greater than that in exploration beforehand. In addition, the Company is also required to pay the claim recording fees of \$10 to the Government of Yukon by October 3, 2018.
- *Ontario Coleman, Bucke, Hector, and Johnson Cobalt Prospects:*
  - These mineral claims are in good standing until July 19, 2018 or later. In order to keep these claims in good standing, the Company was required to incur a minimum of \$88,400 in exploration expenditures on these claims by July 19, 2018, of which \$290,048 had been incurred. The Company will file a report with Ontario to renew these claims.
- *Ontario Lorraine Cobalt Prospects:*
  - Certain mineral claims are in good standing until December 19, 2019. In order to keep these claims in good standing, the Company was required to incur a minimum of \$90,400 in exploration expenditures on these claims by December 19, 2019.

- Certain mineral claims are in good standing until January 10, 2020. In order to keep these claims in good standing, the Company was required to incur a minimum of \$16,400 in exploration expenditures on these claims by January 10, 2020.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,860 and county fees of USD\$144 by September 1, 2018.
- *Idaho Star Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$6,820 by September 1, 2018.
- *Montana Chicken Hawk Cobalt Prospect:*
  - These mineral claims are in good standing until September 1, 2018. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$14,570 by September 1, 2018.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

During the year ended July 31, 2017, the Company entered into a lease agreement for office premises for a three-year period beginning August 1, 2017 and ending July 31, 2020. The Company is required to pay office rent (net of taxes) as follows: pay a total of \$20,583 by July 31, 2018; pay a total of \$83,073 by July 31, 2019; and pay a total of \$84,622 by July 31, 2020. However, the Company shares its office space with four related public companies. The Company invoices these public companies for their share of the office rent on a monthly basis.

#### *Operating Activities*

During the nine months ended April 30, 2018 and, 2017, operating activities used cash of \$1,888,164 and \$1,626,805, respectively. The use of cash for the nine months ended April 30, 2018 was mainly attributable to its loss for the period of \$1,491,548, to increased prepaid expenses of \$307,270 and decreased accounts payable and accrued liabilities of \$615,482, offset by share-based payments of \$585,161. The use of cash for the nine months ended April 30, 2017 was mainly attributable to its loss for the period of \$737,257, to decreased accounts payable and accrued liabilities of \$789,442, to realized gain on sale of marketable securities of \$145,990 and to realized gain on sale of exploration and evaluation assets of \$135,645, offset by share-based payment of \$201,283.

#### *Investing Activities*

During the nine months ended April 30, 2018, the Company used cash of \$348,141 in investing activities due to investments in exploration and evaluation assets. During the nine months ended April 30, 2017, the Company provided cash of \$176,977 from investing activities due to proceeds from sale of marketable securities of \$295,990 offset by investments in exploration and evaluation assets in the amount of \$119,013.

### *Financing Activities*

During the nine months ended April 30, 2018, the Company was provided \$3,303,498 by financing activities, of which \$3,356,268 was proceeds from issuance of share capital, offset by share issue costs of \$52,770.

During the nine months ended April 30, 2017, the Company was provided \$3,346,066 by financing activities, of which 3,622,366 was proceeds from issuance of share capital, offset by share issue costs of \$106,800 and loan repayments of \$169,500.

### **Changes in Accounting Policies including Initial Adoption**

#### *Accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed consolidated interim financial statements.

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018.

#### *IFRS 16 – Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16 *Leases (“IFRS 16”)* which replaces IAS 17, *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact of IFRS 16 on its condensed consolidated interim financial statements.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Parties Transactions**

During the nine months ended April 30, 2018, the Company incurred aggregate management fees of \$93,500 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. Management fees, directors' fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the nine months ended April 30, 2018, the Company paid \$46,500 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

During the nine months ended April 30, 2018, the Company incurred share-based payments of \$9,752 to two directors, James Nelson and Seth Kay. As a mineral exploration issuer, the Company partially relies on the issuance of stock options to compensate its directors and officers for their time and dedication to the Company.

As at April 30, 2018, accounts payable and accrued liabilities include \$1,832 (July 31, 2017: \$7,794) payable to two directors and one officer for unpaid office expenses as follows: \$541 payable to each of James Nelson and Seth Kay, and \$750 payable to Cindy Cai.

At April 30, 2018, related party receivables include \$11,578 (July 31, 2017: \$18,282) due from four public companies with common directors for recoverable office and administrative expenses as below: \$1,260 due from Makena Resources Inc. for unpaid administrative expenses; \$6,351 due from Spearmint Resources Inc. for unpaid office and administrative expenses; \$76 due from YDreams Global Interactive Technologies Inc. for unpaid administrative expenses; and \$3,891 due from Sienna Resources Inc. for unpaid office and administrative expenses.

During the nine months ended April 30, 2018, the Company reimbursed Makena Resources Inc., a public company with one common director, in the amount of \$Nil (nine months ended April 30, 2017: \$18,396) for service provided by the Chief Financial Officer.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and receivables. Unless otherwise noted, it is management's opinion that the Company's current financial instruments will not be affected foreign exchange risk, credit risk, interest rate risk and price risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

### **Proposed Transactions**

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.



**Additional Disclosure for Venture Issuers without Significant Revenue**

During the nine months ended April 30, 2018 and 2017, the Company incurred expenses including the following:

	<u>2018</u>	<u>2017</u>
Operating expenses	\$1,554,005	\$1,022,484
Capitalized exploration costs	\$208,919	\$22,894
Capitalized acquisition costs	\$75,370	\$1,529,264

Please refer to Note 7 *Exploration and Evaluation Assets* in the condensed consolidated interim financial statements for the nine months ended April 30, 2018 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

**Disclosure of Outstanding Share Data**

*Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at April 30, 2018 and June 26, 2018, the Company had 78,646,890 common shares issued and outstanding.

*Stock options*

As at April 30, 2018 and June 26, 2018, the Company had 2,329,775 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
329,775	\$0.67	September 3, 2018
<u>2,000,000</u>	\$0.20	November 9, 2018
<u><u>2,329,775</u></u>		

*Warrants*

As at April 30, 2018 and June 26, 2018, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,711,645	\$0.15	August 24, 2019
1,081,620	\$0.17	August 24, 2019
5,690,250	\$0.33	December 18, 2019
2,000,000	\$0.30	December 22, 2019
183,333	\$0.21	August 11, 2020
<u>4,505,000</u>	\$0.05	June 13, 2021
<u><u>17,171,848</u></u>		

## **Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all of the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discover and exploit mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company

not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company have never made a profit from operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline and investors may lose all of their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company

may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the nine months ended April 30, 2018 and 2017. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of April 30, 2018 was \$15,378,591 since inception. The Company had cash and cash equivalents in the amount of \$2,993,504 as at April 30, 2018. The Company estimates the average monthly operating expenses to be approximately \$70,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2017. If the Company is unable to continue as a going concern, investors will likely lose all of their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

## RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

### **Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.