

**SCORPION RESOURCES INC.**

**Management Discussion and Analysis  
For the Quarter Ended December 31, 2016**

**Expressed in Canadian Dollars**

**Date Submitted: February 28, 2017**

## **DATE**

- This MD&A includes material occurring up to and including February 28, 2017.

## **Management's Discussion and Analysis of Financial Position and Results of Operations**

The following information should be read in conjunction with the unaudited condensed interim financial statements of Scorpion Resources Inc. ("Scorpion" or the "Company") for the period ended December 31, 2016 and the audited annual financial statements of Scorpion for year ended March 31, 2016. All amounts are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors raise doubt as to the Company's ability to continue as a going concern.

### **Overall Performance**

During the nine month period ended December 31, 2016, the Company raised no cash (2015 - \$Nil). Administration expenses amounted to \$160,096 (2015 - \$38,273), including exploration expenses of \$Nil (2015 - \$3,616).

### **Business of the Company**

The Company was incorporated under the Canada Business Corporations Act on October 19, 2011.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate

and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange (“Qualifying Transaction”). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. The Company’s shares were listed on the Exchange on September 7, 2012. Until completion of the Qualifying Transaction, the Company could not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

On September 9, 2014 the Exchange informed the Company that it has halted the Company’s securities from trading for failure to complete the Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

1.1 Completion of a Qualifying Transaction acceptable for the Exchange or

1.2 Transfer to NEX subject to NEX acceptance rules.

On December 10, 2014 the Company announced that it had applied for a transfer of its listing from the Exchange to the NEX board of the Exchange (“NEX”). The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of its shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate 1,250,000 seed shares of the Company held in escrow by certain non-arm’s length parties have been cancelled in accordance with the Exchange policy. The Company’s listing will transfer to NEX under the trading symbol SR.H and the Company’s tier classification will change from Tier 2 to NEX.

**Proposed Qualifying Transaction – Subject to the approval of the Exchange and other.**

### ***CWT Property***

The Property consists of 173 unpatented mining claims, and 7 mineral exploration permits situated in Township 17 South, Range 12 East, Gila and Salt River Meridian, Pima County, Arizona. MAG holds a 100% interest in the Property.

The Property contains the CWT mine, a historic underground operation which produced Zn-Cu-Pb-Ag, and was formerly owned by the Continental Materials Corp. The CWT produced approximately 69,000 tons of ore in 1967. The CWT includes a 1,000 foot deep shaft and extensive underground workings. The Property is located adjacent to ASARCO’s Mission Complex and Freeport McMoran’s Sierrita Mine and Twin Buttes Mine in Pima County, Arizona. There have been 38 core holes drilled in the immediate area of the Property. MAG has performed assaying work, geologic mapping and geophysics on the Property.

The Company engaged a firm for the purpose of preparing a technical report on the Property in accordance with *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (“NI 43-101”). That report will include a proposed work program and budget for the exploration and development of the Property. The Company anticipates that it will be able to cover the costs of exploration and development with its existing resources, however, if the costs are greater than anticipated, the Company may need to obtain further financing, and would complete a financing prior to, or concurrent with closing of the Qualifying Transaction.

### ***Summary of the Proposed Transaction***

Pursuant to the Agreement dated August 27, 2013 and amended on May 21, 2014 and amended on August 28, 2014, extending the date for receipt of regulatory approval, the Company can earn up to an undivided 80% interest in and to the Property upon the following terms:

1. The Company shall earn a 50% interest by making the following payments and expenditures:
  - a. US\$50,000 in cash upon signing the Agreement - Paid;
  - b. 1,000,000 common shares of the capital stock of the Company upon regulatory approval;
  - c. US\$75,000 cash and 1,000,000 common shares on or before the first anniversary of regulatory approval;
  - d. US\$100,000 and 1,000,000 common shares on or before the second anniversary of regulatory approval;
  - e. US\$150,000 and 1,000,000 common shares on or before the third anniversary of regulatory approval;
  - f. US\$250,000 and 1,000,000 common shares on or before the fourth anniversary of regulatory approval;
  - g. On or before the date that is four years from regulatory approval the Company shall incur exploration expenditures of at least US\$500,000 on the Property.
2. The Company shall earn an additional 10% interest in the Property upon completion and regulatory approval of a NI 43-101 compliant resource report (in any category [i.e. inferred, indicated, measured] prepared according to the standards of the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”).
3. The Company shall earn an additional 10% interest in the Property upon completion and regulatory approval of a Preliminary Economic Assessment prepared according to CIM standards.
4. The Company shall earn an additional 5% interest in the Property upon completion and regulatory approval of a Pre-feasibility Study prepared according to CIM standards.

5. The Company shall earn an additional 5% interest in the Property upon completion and regulatory approval of a Bankable Feasibility Study prepared according to CIM standards.

The Proposed Transaction is subject to the approval of the Exchange and to other standard closing conditions, including satisfactory due diligence review of the CWT Property by the Company, approval of the board of directors of the Company, and the completion of a financing on terms satisfactory to the Company, in its sole discretion, as may be necessary in order to meet the minimum listing requirements of the Exchange. If the Exchange has not granted approval of this agreement by December 5, 2014, then either party may terminate the agreement without liability, by notice to the other party. Subsequent to March 31, 2016, the Company decided not to pursue the exploration in the CWT Property. As a result, an impairment of \$52,450 was recorded in the year ended March 31, 2016.

On September 9, 2014 the Exchange informed the Company that it has halted the Company's securities from trading for failure to complete a Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

- 4.6.1 Completion of a Qualifying Transaction acceptable for the Exchange or
- 4.6.2 Transfer to NEX subject to NEX acceptance rules.

On December 10, 2014, the Company announced that it had applied for a transfer of its listing from the Exchange to the NEX board of the Exchange ("NEX"). The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of its shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate 1,250,000 seed shares of the Company held in escrow by certain non-arm's length parties have been cancelled in accordance with the Exchange policy. The Company was transferred to NEX under the trading symbol SR.H and the Company's tier classification will change from Tier 2 to NEX.

## **Discussion of Operations**

### **Resulting Issuer**

Following completion of the Qualifying Transaction the resulting issuer will operate the Property and proceed to carry on business in the mining sector. Scorpion's current management will continue as officers and directors of the Company upon completion of the Qualifying Transaction. Eckersley will continue to serve as President and CEO. The directors and officers will continue to bear management responsibility for Scorpion following completion of the Qualifying Transaction.

## About Scorpion Resources Inc.

Scorpion Resources Inc. is designated as a Capital Pool Company by the Exchange. It has not commenced commercial operations and has no assets. The purpose of the offering under its Prospectus was to provide it with funds to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. Until completion of a Qualifying Transaction, Scorpion will not carry on any business other than identification and evaluation of businesses or assets with a view to completing a proposed Qualifying Transaction.

## Results of Operations

Net loss in the current nine month period ending December 31, 2016, was \$160,096 compared to \$38,273 for the same period in the prior year, reflecting an increase of \$121,823 in losses. Significant line item changes were as follows:

- Business development expenses of \$1,493 compared to \$138 in the same period the prior year.
- Consulting expenses of \$95,000 compared to \$2,476 in the same period the prior year
- Professional expenses of \$46,412 compared to \$14,377 in the same period the prior year.
- Transfer agent and filing fees of \$16,099 compared to \$11,000 in the same period the prior year.

## Summary of Quarterly Results

| Three months ended                     | December 30, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 | December 31, 2015 | September 30, 2015 | June 30, 2015 | March 31, 2015 |
|--|-------------------|--------------------|---------------|----------------|-------------------|--------------------|---------------|----------------|
| Total revenue                          | \$Nil             | \$Nil              | \$Nil         | \$Nil          | \$Nil             | \$Nil              | \$Nil         | \$Nil          |
| Net loss before tax                    | (128,872)         | (19,146)           | (12,078)      | (67,779)       | (8,827)           | (16,952)           | (12,494)      | (57,065)       |
| Net loss per share (Basic and Diluted) | (0.04)            | (0.01)             | (0.00)        | (0.02)         | (0.00)            | (0.01)             | (0.00)        | (0.02)         |

## Discussion

The Company has no revenues, therefore increased activity and operations causes an increase in losses. During the period ending December 31, 2016, business development expenses related to finding an acquisition target were \$1,493 (2015 - \$Nil). Consulting expenses were \$95,000 (2015 - \$Nil). The increase was due to finding an acquisition target and getting the company relisted. Professional fees were \$16,844 (2015 - \$3,135) reflecting an increase in accounting fees and a

decrease in legal fees. Transfer agent and filing fees were \$15,206 (2015 - 4,448) due to an increase in business activity associated with getting the company relisted.

During the period ending September 30, 2016, professional fees were \$19,146 (2015 - \$6,593) reflecting an increase in accounting fees and a decrease in legal fees. Filing fees were \$Nil (2015 - \$4,401) due to a decrease in business activity during the period.

During the period ending June 30, 2016, professional fees were \$10,500 (2015 - \$14,649) reflecting a decrease in legal fees during the period. Exploration expenses were \$Nil (2015 - \$3,616) due to the company deciding not to pursue the exploration of the CWT Property. Filing fees were \$894 (2015 - 2,151) due to a decrease in business activity during the period.

Other than costs already discussed, management does not believe that meaningful information about the Company's operations can be derived in more detail, from an analysis of quarterly fluctuations, as being presented herein.

### **Liquidity and Capital Resources**

At December 31, 2016 the Company had negative working capital of \$308,273 which management considers not being sufficient to continue operations for the coming year. The proposed business of the Company, completing its Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business opportunity for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment.

On September 9, 2014 the Exchange informed the Company that it has halted the Company's securities from trading for failure to complete the Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist and to avoid delisting the Company was required to satisfy either of the following requirements, prior to the delisting deadline of December 8, 2014:

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Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors raise doubt as to the Company's ability to continue as a going concern.

Operations of the Company are funded primarily by the issue of share capital. The continued operation of the Company is dependent on its ability to receive continued financial support from related parties, issue sufficient public equity, or generate profitable operations in the future.

Current assets is \$5,986 (March 31, 2016 - \$Nil). Current liabilities being \$314,259 (March 31, 2016 - \$148,177) consists of trade payables and accrued liabilities and loans payable. As of December 31, 2016 the Company had an accumulated deficit of \$726,667 (March 31, 2016 - \$566,571).

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

There are no off-balance sheet arrangements.

### **Related Party Transactions**

As at December 31, 2016, an amount of \$75,136 (March 31, 2016 - \$2,550) was owed to related parties. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

For the nine month period ended December 31, 2016, the Company received a loan of \$42,500 (2015 - \$Nil) from a related party. The loan is unsecured, without interest and due on demand.

For more information on related parties, please refer to note 8 of the condensed interim financial statements for the nine month period ended December 31, 2016.

### **Subsequent Events**

On January 31, 2017, the Company announced the closing of a previously announced non-brokered private placement (the "Placement") pursuant to which the Company issued 400,000 common shares in the capital of the Company (the "Shares") at a price of \$0.05 per Share for gross aggregate proceeds of \$20,000 to four new directors of the Company, Quinn Field-Dyte, Anthony Jackson, Von Torres, and Konstantin Lichtenwald (the "New Directors") as required under Policy 2.4 of the TSX Venture Exchange (the "Exchange"). In compliance with the aforementioned Policy 2.4, each New Director subscribed for 100,000 Shares and contributed the required proceeds of \$5,000 to the Company.



## **Proposed Transactions**

The Company has no proposed transactions other than **Proposed Qualifying Transaction – Subject to the approval of the Exchange and other** already discussed above as of the date of this MD&A.

### ***Critical Accounting Estimates***

The Company's critical accounting estimates include the estimated fair value of stock-based compensation and other share-based payments, and the recoverability of deferred tax assets.

### ***Changes in Internal Controls over Financial Reporting***

There were no changes in internal controls over financial reporting during the period.

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

The Company's financial instruments at December 31, 2016 consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

### ***Risk Factors***

More detail on risk factors can be found in the Company's audited annual financial statements for the year ended March 31, 2016.

## **Disclosure of Outstanding Share Data**

As at February 28, 2017, the Company had the following number of securities outstanding:

|                                  |           |
|----------------------------------|-----------|
| Common shares                    | 4,850,000 |
| Stock options                    | 600,000   |
| Fully diluted shares outstanding | 5,450,000 |

As at February 28, 2017, the Escrow agent held 1,910,000 shares of the Company under an Escrow agreement.

## **ADDITIONAL INFORMATION**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.