

ZARA RESOURCES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED JULY 31, 2018

(Expressed in Canadian Dollars)

GENERAL

The following Management's Discussion and Analysis ("MD&A") is presented as at November 28, 2018 and provides an analysis of the financial results of Zara Resources Inc. ("Zara" or the "Company") for the year ended July 31, 2018. It should be read in conjunction with the Company's financial statements for the years ended July 31, 2018 and 2017. The Company's audited financial statements and the financial information contained in this MD&A were prepared in accordance with IFRS. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

The MD&A, particularly under the heading "Capital Resources", contains forward-looking statements that involve numerous risks and uncertainties. Forward-looking statements are not historical fact, but rather are based on the Company's current plans, objectives, goals, strategies, estimates, assumptions, and projections about the Company's industry, business and future financial results. The Company's actual results could differ materially from those discussed in such forward-looking statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "**forward-looking statements**"). Such forward-looking statements relate to possible events, conditions or financial performance of the Corporation based on future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. The use of any words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this prospectus should not be unduly relied upon by investors. The forward-looking statements speak only as of the date of this prospectus and are expressly qualified, in their entirety, by this cautionary statement.

COMPANY OVERVIEW

Zara Resources is a minerals company incorporated October 9, 2012 focusing on exploring and evaluating its 50% owned Pigeon River nickel-copper property in Ontario. The NI43-101 Technical report for Pigeon River is available under Zara's profile on SEDAR at www.sedar.com. The Qualified Person for the Pigeon River Technical Report is Alan Aubut and the Technical Report was prepared by Alan Aubut. Mr. Aubut is a "Qualified Person" and "independent" of Zara within the meaning of NI 43-101. While all geological information contained herein is derived from the Technical Report, the authors thereof have not reviewed or approved this MD&A.

GOING CONCERN

This MD&A and the Annual Consolidated Financial Statements have been prepared on the basis that the Company will remain a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the Company's next fiscal year. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

During the year ended July 31, 2018, the Company incurred a net loss of \$45,476 (2017 – net income of \$21,092), and as at July 31, 2018, the Company had a deficit of \$2,817,054 (2017 - \$2,771,578). The Company had a working capital deficiency of \$99,672 (2017 - \$77,276) as at July 31, 2018 and expects that it will require additional financing.

The Company's ability to continue as a going concern is dependent upon the ability to find, acquire and develop various businesses with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Therefore, this indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

As a result of the above, realization values may be substantially different from the carrying values shown and the annual financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of the assets and liabilities should the Company be unable to continue as a going concern.

PROPOSED TRANSACTION

In September 2018, the Company entered into an assignment and novation agreement with an arm's length private company (the "Assignor"), pursuant to which the Assignor has assigned to the Company the rights and obligations of the Assignor pursuant to a letter agreement (the "LOI") between the Assignor and Blacklist Holdings Inc., a private Washington company. The LOI contemplates a proposed business combination transaction (the "Acquisition") pursuant to which the Company will acquire all the issued and outstanding common shares of Blacklist ("Blacklist Shares") in exchange for common shares of the Company ("Zara Shares"). The Acquisition is an arm's length transaction and is expected to constitute a fundamental change under the policies of the Canadian Securities Exchange (the "CSE").

Pursuant to the terms of the LOI, shareholders of Blacklist will receive one Zara Share for each Blacklist Share held at the closing of the Acquisition (the "Closing"). It is anticipated that 80,185,000 Zara Shares will be issued pro rata at a deemed price of \$0.50 per Zara Share to the shareholders of Blacklist. In addition, each performance warrant issued and outstanding entitling holders to acquire Blacklist Shares upon meeting certain performance milestones (the "Blacklist Performance Warrants") will be exchanged for one common share purchase warrant of the Company on financially identical terms (the "Replacement Performance Warrants"). It is currently expected that an aggregate 17,000,000 Replacement Performance Warrants will be issued to the holders of Blacklist Performance Warrants.

The LOI sets out certain terms and conditions pursuant to which the Acquisition will be completed. The Acquisition remains subject to certain closing conditions including, without limitation, the (a) completion of customary due diligence, (b) negotiation and execution of a definitive agreement (the "Definitive Agreement"), (c) completion of two concurrent equity financings to raise in aggregate minimum gross proceeds of \$5,000,000 and up to \$10,000,000, (d) the receipt of all required regulatory and third party approvals and, if applicable, the approval of the shareholders of the Company and Blacklist, respectively, and (e) any other conditions to Closing contained in the Definitive Agreement ((a) through (e), collectively, the "Conditions Precedent"). There can be no guarantees that the Acquisition will be completed as contemplated or at all.

The Company anticipates that certain of the Zara Shares issued pursuant to the Acquisition may be subject to escrow requirements and hold periods required by CSE policies and applicable securities laws.

Prior to Closing, the Company will consolidate its issued and outstanding share capital on a 31.64303012 old Zara Share for one (1) new Zara Share basis. The Zara Shares to be issued in connection with the Acquisition will be issued on a post-consolidated basis.

Pursuant to the terms of the Assignment Agreement, the Company will, upon the Closing, issue 4,000,000 Zara Shares to the Assignor (or its nominee) at a deemed price of \$0.50 per Zara Share. In connection with the Acquisition, the Company will also issue 1,250,000 common shares to an arm's length third party at a deemed price of \$0.50 per Common Share as a finder's fee.

Prior to the Closing, Blacklist will complete a brokered "best efforts" marketed private placement of subscriptions receipts at a price of \$0.50 per Subscription Receipt for gross proceeds of up to \$6,000,000 (the "Brokered Offering"). If the conditions precedent are completed, satisfied or waived, as the case may be, by December 17, 2018 (the "Outside Date"), each subscription receipt will be automatically exchanged, for no additional consideration and with no further action by the holder, for one Blacklist share immediately prior to Closing. If the conditions precedent are not completed, satisfied or waived, as the case may be, by the Outside Date, the proceeds of the Brokered Offering will be returned to the holders, plus any accrued interest.

Concurrently with the Brokered Offering, Blacklist will also complete a non-brokered financing ("Non-Brokered Offering" and together with the Brokered Offering, the "Concurrent Financings") of up to 8,000,000 subscription receipts (having the same terms as conditions as the subscription receipts issued in connection with the Brokered Financing) for gross proceeds of up to \$4,000,000.

Closing of the Concurrent Financings is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including the approval of CSE.

MINERAL PROPERTIES

Pigeon River

On January 7, 2013, the Company acquired 100% of 28 Pigeon River claims located in Ontario from Pele Mountain Resources ("Pele") for a purchase price of \$700,000. The purchase price was paid by the issuance of 225,000 common shares of the Company at a fair value of \$1.00 per share and 475,000 non-voting 5% convertible Series B preferred shares of the Company at a fair value of \$1.00 per share. The preference shares annual yield is payable in common shares of the Company at the prevailing market price. The property is also subject to a 2% NSR of which 0.5% is granted to Pele and 1.5% is granted to 2212150 Ontario Inc. (operating as Vanex Exploration). The 225,000 common shares were valued at \$225,000 and the non-voting convertible 5% preference shares were valued at \$475,000 and were issued during the period ended July 31, 2013. During the year ended July 31, 2014, management made the decision to abandon 20 of the Pigeon River claims. As a result, the Company recognized an impairment of the exploration and evaluation assets of \$501,439. During the year ended July 31, 2015, the Company allowed seven out of eight claims to lapse. As a result, the Company recognized a further impairment of \$155,339 on the exploration and evaluation assets. On April 10, 2015, the Company sold a 25% interest in its Pigeon River mining claim to Hadley

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Mining Inc. for the sum of \$9,000. As a result of this transaction, a loss in amount of \$2,541 was realized. On January 19, 2016, the Company sold a 25% interest in its Pigeon River mining claim to Winston Resources Inc. for the sum of \$9,000. As a result of this transaction, a loss in amount of \$2,541 was realized. The Company now has a 50% interest in Pigeon River which consists of a single mining claim.

DEBT CONVERSION

On December 30, 2016, the Company announced that the outstanding yield due and payable on its Preferred Shares Series A, Series B, and Series C has been paid in full by the issuance of 603,820 common shares at \$0.05 per share. The common shares were subject to a hold period of four months and a day. Zara also announced that effective December 30, 2016, the Preferred Shares Series A and the Preferred Shares Series B have been converted into common shares by the issuance of a total of 1,040,000 common shares at \$0.05 per share. The common shares were subject to a hold period of four months and one day.

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SELECTED FINANCIAL INFORMATION

The following table provides selected financial information that should be read in conjunction with the unaudited Financial Statements and Notes of the Company for the applicable period.

Annual Results

For the fiscal year ended July 31,	2018 (\$)	2017 (\$)	2016 (\$)
Net income (loss) and comprehensive income (loss)	(45,476)	21,092	(179,856)
Interests in exploration and evaluation assets	-	23,080	23,080
Current assets	2,518	3,062	3,349
Total assets	2,518	26,142	26,429
Total liabilities	202,190	180,338	213,233
Shareholders' (deficiency) equity	(199,672)	(154,196)	(186,804)

Summary of Quarterly Results

Quarter ended	Jul 31, 2018 (\$)	Apr 30, 2018 (\$)	Jan 31, 2018 (\$)	Oct 31, 2017 (\$)
Net income (loss)	(36,368)	(3,980)	(4,107)	(5,021)
Interests in exploration and evaluation assets	-	23,080	23,080	23,080
Current assets	2,518	1,870	1,900	3,397
Total assets	2,518	24,950	24,980	26,477
Total liabilities	202,190	92,253	88,303	85,694
Total shareholders' (deficiency) equity	(199,672)	(67,303)	(63,323)	(59,217)

Quarter ended	Jul 31, 2017 (\$)	Apr 30, 2017 (\$)	Jan 31, 2017 (\$)	Oct 31, 2016 (\$)
Net income (loss)	(13,990)	(4,052)	45,905	(6,771)
Interests in exploration and evaluation assets	23,080	23,080	23,080	23,080
Current assets	3,062	2,360	3,641	2,550
Total assets	26,142	25,440	26,721	25,630
Total liabilities	180,338	68,770	64,957	126,740
Total shareholders' (deficiency) equity	(154,196)	(43,330)	(38,236)	(101,110)

RESULTS OF OPERATIONS

The Company is in the exploration and evaluation stage and therefore did not have revenues from operations.

Results for the Three Months ended July 31, 2018

During the three months ended July 31, 2018, the operating expenses \$32,368 (2017 - \$13,990) comprised primarily of \$5,850 (2017 - \$2,215) filing, listing fees and \$11,158 (2017 - \$6,952) professional fees and \$2,200 (2017 - \$600) transfer agent fees.

During the three-month period ended July 31, 2018, the Company reported a net loss of \$32,368 (2017 - \$13,990) and basic and diluted loss per share of \$0.00 (2017 - \$0.00).

Results for the Year ended July 31, 2018

During the year ended July 31, 2018, the Company incurred net loss of \$45,476 (2017 - net income of \$21,092). This loss was mainly comprised of filing and listing fees \$16,139 (2017 - \$7,665), professional fees \$13,333 (2017 - \$13,822), and transfer agent fees \$2,700 (2017 - \$2,964).

During the year ended July 31, 2017, the Company also incurred consulting fees of \$150,000 and had a \$201,241 gain on settlement of debt to offset against its operating expenses.

LIQUIDITY AND SOLVENCY

The Company will need access to equity capital to pursue its business plan and there is no guarantee that equity may be available, and if available it may not be on terms that Management finds is in the interest of the Company. The Company considers its investments in its mineral properties as long-term investments, however it retains the option of disposing of some or all its properties to raise funds. Due to the difficult market conditions in the natural resource business, the Company may have difficulty selling some or all of its properties and any such sale may negatively impact the value of its properties. Previously, the Company borrowed funds from its former CEO. In order to maintain its operations, the Company needs funds for primarily management fees, legal and accounting. Although management fees have been accrued to date by management and as a result do not represent a cash requirement for the Company, there is no assurance that management fees will continue to be accrued in the future. The Company would need to raise additional equity capital in order to pursue other investment opportunities or to support special projects. The exploration budgets for the Company will require additional equity to be raised in order to fund those exploration budgets, and there is no guarantee that such equity can be raised by the Company.

The following table summarizes the Company's cash on hand, working capital and cash flow as at July 31, 2018:

	July 31, 2018	July 31, 2018
	(\$)	(\$)
Cash	-	-
Working deficiency	(99,673)	(77,276)
Cash used in operating activities	(20,869)	(41,643)
Cash provided by financing activities	20,989	41,456
Net change in cash	120	(187)

The Company is dependent on the sale of newly issued shares to finance its exploration activities, property maintenance payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital asset as at July 31, 2018 is its exploration and evaluation assets. The Company has no commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company's capital resources.

The following is a summary of the Company's outstanding share, warrant and stock options data as of November 28, 2018:

Common Shares

The authorized common share capital of the issuer consists of an unlimited number of common shares without par value of which 10,505,508 are outstanding as of July 31, 2018. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Preferred Shares

The Authorized preferred share capital of the Issuer consists of an unlimited number of preferred shares without par value, of which 83,333 are issued or outstanding as of July 31, 2018. The preferred shares rank in priority to the common shares upon the liquidation, winding up or other dissolution of the Company. The issuance of each series of preferred shares is subject to the filing of Articles of Amendment with the directors fixing the number of shares that

comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series. The 83,333 Series C preferred shares are voting and may be converted into common shares on a one for one basis. The preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in common shares of the Company based upon the prevailing market price of the common shares.

Stock Options

Options to purchase common shares in the capital of Zara are granted by the Board of Directors to eligible persons pursuant to Zara's Stock Option Incentive Plan. The Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

During the year ended July 31, 2018, Zara granted no stock option. At July 31, 2018, no option was outstanding entitling holders to purchase any common shares in the capital of Zara.

Warrants

At July 31, 2018 the Company had no warrant outstanding.

OUTLOOK AND CAPITAL REQUIREMENTS

There is no guarantee that market conditions will be conducive to raising additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

Related Parties Transactions

The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

Due to Related Parties

\$1,811 (2017 - \$3,390) was due to a company formerly with common officer and director with the Company. The amount was for the Company's working capital.

\$61,312 (2017 - \$38,744) was due to a former officer and director of the Company. The amount was for the Company's working capital.

During the year ended July 31, 2018, the Company incurred \$3,051 in service fees to a company formerly with common shareholders. The Company owed a total of \$13,525 (2017 - \$10,474) to this company as at July 31, 2018, and this amount has been included in accounts payable and accrued liabilities.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at July 31, 2018 is summarized as follows:

	July 31, 2018		July 31, 2017	
Financial Liabilities				
At amortized cost				
Bank indebtedness	\$	-	\$	120
Accounts payable		39,067		38,084
Due to related parties		63,123		42,134
Total Financial Liabilities	\$	102,190	\$	80,338

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- 1 Level 1 Fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.
- 1 Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- 1 Level 3 Fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

As at July 31, 2018 and 2017, the Company did not have any Levels 2 and 3 financial instruments:

	July 31, 2018		July 31, 2017	
Level 2				
Financial liabilities at fair value through profit or loss				
Series C preferred shares liability	\$	100,000	\$	100,000

Financial Instrument Risk Exposure

The Company's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (Note 12 of Financial Statements).

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company's assets most susceptible to credit risk is its cash, which is held at a major Canadian bank in a non-interest bearing account, and GST/HST receivable, which is due from the Canadian government. As such, the risk of loss on these assets is minimal.

Market and Other Risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at July 31, 2018, the Company had no cash. Currently, the Company does not have sufficient funds and will need to raise financing to carry out an exploration and evaluation program, fund the property purchase obligations and meet general and administration expenses for the next twelve months.

Commodity Risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for these mineral commodities. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

ACCOUNTING POLICIES

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

Exploration and Evaluation Assets ("E&E")

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease costs and exploration costs are capitalized and deferred until such time as the asset is moved to a mining asset (if meets the economic and feasible stage) or the properties are disposed of either through sales, abandonment or impairment.

E&E costs consist of such items as:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

E&E shall be assessed for impairment when one or more of the following facts and circumstances indicate that a specific cash generating unit ("CGU") shall be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed;
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

The Company estimates the recoverable amount of each CGU, on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property.

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is considered to be a mine under development and is classified as "mines under construction". E&E are also tested for impairment before the assets are transferred to development properties.

Impairment of Long-Lived Assets

The Company performs impairment tests on its long-lived assets, including E&E, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or CGU is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

Share-Based Payments

Share-based payments to officers, directors and consultants are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods and services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to reserves. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial Instruments

Fair Value through Profit or Loss ("FVTPL")

Financial assets that are held with the intention of generating profits in the near term are classified as held-for-trading within FVTPL. IN addition, any other financial assets can be designated by the Company upon initial recognition as held-for-trading. These instrument are subsequently re-measured at fair value with the change in the fair value recognized as gain or loss in the statement of income (loss) and comprehensive income (loss) during the period.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the statements of income (loss) and comprehensive income (loss).

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of income (loss) and comprehensive income (loss).

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of Financial Assets

Financial Assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment has been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;

- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Income (Loss) Per Share

Income (loss) per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common shares is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Significant Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other

factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from these estimates and judgments.

Critical Judgments

The following are critical judgments that management has made in the process of applying policies that have the most significant effect on the amount recognized in the financial statements:

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going Concern

The assessment of the Company's ability to continue as a going concern involves critical judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in Note 2.

Estimation Uncertainty

The following are key assumptions concerning the future and key sources of estimation uncertainty that have significant risk of resulting in material adjustment in the carrying amounts of assets and liabilities within the next financial year.

Share-Based Payments

The Company records all share-based payments using the fair value method. The Company uses Black-Scholes option pricing model to determine the fair value of share-based payments. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

Valuation of Receivables and Payables

The amounts due to/from companies under common control have no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of receivables. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of these receivables in the statement of financial position and reflect management's best estimate of the fair value of these financial instruments.

Standards and Amendments issued but not yet Adopted

The new standard replaces IFRS 16 "Leases" and the related 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 current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 16. The Company does not expect IFRS 16 to have a significant change to the consolidated statements of financial position.

CAPITAL MANAGEMENT

The Company defines its capital as its shareholders' (deficiency) equity. As at July 31, 2018, the Company's capital resources amounted to a deficiency of \$199,672 (2017 - \$154,196). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's managements to sustain future development of the business.

All of E&E in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility. The Company defines its capital as its shareholder's equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long-term debt as the Company does not currently generate operating revenues. There is no dividend policy.

OUTLOOK

The long-term outlook for previous metals and natural resources in the opinion of management continues to be positive and this is reflected in the Company's ongoing activity.