Kootenay Zinc Corp.
Management Discussion and Analysis
For the nine months ended November 30, 2018

The Management Discussion and Analysis ("MD&A"), prepared January 29, 2019 should be read in conjunction with the condensed interim financial statements and notes thereto for the period ended November 30, 2018 of Kootenay Zinc Corp. (the "Company") which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all currency amounts are in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events and include without limitation, statements regarding discussions of the Company's business strategy, future plans, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the development of the Company's project. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, certain approvals, changes in commodity prices, risks inherent in exploration results, timing and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and mineral resources), delays in the receipt of government approvals, and changes in general economic conditions or conditions in the financial markets. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) any additional financing needed will be available on reasonable terms; and (2) any permits or government approvals needed will be obtained.

Additional factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other factors: (1) weak commodity prices and general metal price volatility; (2) the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting supply and demand and economic and political events affecting supply and demand; and (3) securing and the nature of regulatory permits and approvals and the costs of complying with environmental, health and safety laws and regulations.

The Company cannot assure you that any of these assumptions will prove to be correct.

The words "expect," "anticipate," "estimate," "may," "will," "should," "intend," "believe," "target," "budget," "plan," "projection" and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present during operations or if and when an undeveloped project is actually developed.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this MD&A and any documents incorporated by reference are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, including future-oriented financial information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as expressly required by law.

Additionally, the forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying our reasonable belief of the direction of the Company and may not be appropriate for other purposes.

The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

DESCRIPTION OF BUSINESS

The Company was incorporated on March 23, 2015 pursuant to the *Business Corporations Act* (British Columbia). The shares of the Company are traded on the Canadian Securities Exchange (the "Exchange") under the symbol "ZNK". The address of its head office is located at Suite 800-1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5 and its registered office is at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of one post-consolidation common share for 10 pre-consolidation common shares. At the date of consolidation, the Company had 4,864,329 common shares issued and outstanding.

The Company is engaged in the business of mineral exploration and development in British Columbia and specifically in the exploration and advancement of the Sully Property. The Company is required to facilitate separate fundraising, exploration and development strategies to achieve its business objectives and it expects to commence these strategies as soon as practicable.

The Company did not meet the April 21, 2018 payment requirement. The Company determined that the carrying value of its interest in the Sully Property was impaired as no additional expenditures are planned for the property. As a result, the Company wrote-off cumulative costs incurred to date on the Sully Property of $980,886 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

The Company is an exploration stage company with no producing properties, and consequently has no current operating cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of its properties. The Sully Property is currently in the exploration stage.

The Company's continuing operations, as intended, are dependent upon its ability to complete the exploration of its exploration and evaluation assets, including obtaining the necessary financing. There can be no assurance that the Company will be able to complete such activities or obtain financing to continue; therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern. These condensed interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

MANAGEMENT CHANGES

On January 31, 2018, David Schmidt resigned as a director and as chief executive officer. Robert Tindall was appointed as director and chief executive officer of the Company.

On November 8, 2017, Jay Sujir and Hugh Rogers resigned as directors and Von Torres was appointed as director of the Company.

OPERATIONS

Nine Months Ended November 30, 2018

During the nine months period ended November 30, 2018, the Company reported a net loss of $1,247,775 (2017 - $1,532,048), a decrease of $284,273 as compared to the prior period. The decrease in net loss was attributable to the decreases of the following expenses: $78,042 (2017 - $360,754) in advertising and promotion, $282 (2017 - $957) in bank charges, $3,588 (2017 - $4,151) in meals and entertainment, $3,695 (2017 - $36,964) in office expense, $50,940 (2017 - $98,227) in professional fees, and $nil (2017 - $68,215) in share-based compensation. The following increase in expenses offset the decrease in net loss: $877,937 (2017 - $855,220) in consulting fees, $17,526 (2017 - $nil) in exploration expenditures, $100,000 (2017 - $46,500) in management fees, $68,020 (2017 - $42,240) in rent, $20,529 (2017 - $13,201) in transfer agent and filing fees, and $26,922 (2017 - $5,619) in travel expense. The decrease in the Company's loss was due to decreased corporate activity during the nine months ended November 30, 2018 compared to the same period of the previous fiscal year.

Three Months Ended November 30, 2018

During the three months period ended November 30, 2018, the Company reported a net loss of $335,451 (2017 - $299,626), an increase of $35,825 as compared to the prior period. The increase in net loss was significantly attributable to the increases of the following expenses: $147 (2017 - recovery of $194) in bank charges, $280,024 (2017 - $219,675) in consulting fees, $20,000 (2017 - $16,500) in management fees, $2,965 (2017 - $1,234) in office expense, $3,342 (2017 - $3,099) in transfer agent and filing fees, and $8,533 (2017 - $3,104) in travel expense. The following are decrease in expenses that offset the increase in net loss: $nil (2017 - $6,084) in advertising and promotion, $106 (2017 - $2,029) in meals and entertainment, $15,000 (2017 - $20,044) in professional fees, and $nil (2017 - $22,711) in share-based compensation. The increase in the Company's loss was due to increased corporate activity during the three months ended November 30, 2018 compared to the same period of the previous fiscal year.

SUMMARY OF QUARTERLY RESULTS

	Three months ended November 30, 2018	Three months ended August 31, 2018	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended November 30, 2017	Three months ended August 31, 2017	Three months ended May 31, 2017	Three months ended February 28, 2017
Net loss	$ 335,451	$ 197,785	$ 714,539	$ 1,109,728	$ 299,626	$ 341,093	$ 891,329	$1,487,594
Total assets	816,643	1,128,010	1,066,047	1,890,981	2,003,649	1,614,103	1,929,613	2,834,549
Total liabilities	331,781	307,697	295,989	341,384	354,484	117,823	127,855	151,351
Basic and diluted loss per share	$ 0.04	$ 0.02	$ 0.08	$ 0.18	$ 0.07	$ 0.09	$ 0.23	$ 0.44

There are no general trends regarding the Company's quarterly results. Quarterly results may vary significantly depending mainly on the Company's current business activities or whether the Company granted any stock options. These factors may account for material variations in the Company's quarterly net losses and are not predictable. The factor which has had the most material effect on quarterly results are the granting of stock option due to the resulting share-based compensation charges which may be significant when they arise. Other factor which has a direct effect on quarterly results is the write down of exploration and evaluation assets.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2018, the Company had cash of $599,482 (February 28, 2018 - $1,558,233).

During the nine months ended November 30, 2018, net cash used in operating activities was $1,141,791 (2017 - $1,193,306) which includes: net loss of $1,247,775 (2017 - $1,532,048), increase in GST receivable of $18,705 (2017 - $43,147), decrease in prepaid expenses of $134,292 (2017 - $185,541) and decrease in accounts payable and accrued liabilities of $9,603 (2017 - increase of $128,133)

During the nine months ended November 30, 2018, net cash used in investing activity was $nil (2017 - $479,112) all related to exploration and evaluation expenditures.

During the nine months ended November 30, 2018, net cash provided by financing activities was $183,040 (2017 - $500,000) which includes: share subscription received of $248,040 (2017 - $nil), proceeds from share issuance of $nil (2017 - $500,000) and share issuance costs of $65,000 (2017 - $nil).

During the three months ended November 30, 2018, net cash used by operating activities was $183,215 (2017 - $40,748) which includes: net loss of $335,451 (2017 - $299,626), increase in GST receivable of $8,503 (2017 - decrease of $13,881), decrease in prepaid expenses of $136,655 (2017 - $60,625) and increase in accounts payable of $24,084 (2017 - $161,661).

During the three months ended November 30, 2018, net cash used in investing activity was $nil (2017 - $2,374) all related to exploration and evaluation expenditures.

During the three months ended November 30, 2018, net cash flows provided by financing activity was $nil (2017 - $500,000) all related to proceeds from share issuance.

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of one post-consolidation common share for 10 pre-consolidation common shares. At the date of consolidation, the Company had 4,864,329 common shares issued and outstanding.

On October 12, 2017, the Company closed a non-brokered flow-through private placement of 1,000,000 flow-through units (the “FT Unit”) at a price of $0.50 per FT Unit for gross proceeds of $500,000. Each FT Unit consists of one flow-through share of the Company and one common share purchase warrant (the “Warrant”). Each whole Warrant is convertible into one common share at a price of $1.00 per share and is exercisable for a period of one year. The Warrants were valued at $nil using the residual value method and no value was allocated to the flow-through premium. As at November 30, 2018, the Company had $500,000 (February 28, 2018 - $500,000) of flow-through expenditure commitments.

During the year ended February 28, 2018, the Company issued 8,000 common shares having a value of $4,800 which were capitalized to exploration and evaluation assets.

On February 2, 2018, the Company closed the first tranche of a non-brokered private placement for 4,500,000 units for gross proceeds of $1,215,000 at a price of $0.27 per unit. Each unit consists of one common share of the company and one common share purchase warrant (a “Warrant”). Each whole Warrant is convertible into one common share at a price of $0.36 per share and is exercisable for a period of one year. The Warrants were valued at $nil using the residual value method. As at November 30, 2018, subscription proceeds of $360 (February 28, 2018 - $248,400) remained receivable.

During the year ended February 28, 2018, the Company collected $175,500 of proceeds for an over-subscribed private placement. This amount is included in accounts payable and accrued liabilities as at February 28, 2018 and was returned during the period ended November 30, 2018.

EXPLORATION AND EVALUATION ASSETS

Sully Property

On September 30, 2016, the Company entered into an option agreement with Gravitas Metals Corp. (“Gravitas”) and the shareholders of Gravitas, pursuant to which the Company has the option to acquire all of the issued and outstanding shares of Gravitas, a private corporation, incorporated under the laws of British Columbia, which, pursuant to an option agreement between Gravitas and the holders of the Sully Property dated October 21, 2011 and last amended August 9, 2016, holds an exclusive option and right to acquire an 80% interest in mining claims located in the Fort Steele Mining Division in the southeast portion of the province of British Columbia.

Pursuant to the terms of the agreement, as amended on October 20, 2017, the option is exercisable by the Company by: (a) issuing to the Gravitas vendors, on a pro-rata basis, on or before the expiry of the option period such number of common shares of the Company equal to 35% (post-issuance) of the issued and outstanding common shares of the Company; and (b) satisfying all of the outstanding obligations of Gravitas under the underlying Sully Property agreement as follows:

- Incurring expenditures on or in respect of the Sully Property, including:
    - $1,500,000 on or before October 21, 2017 (approximately $1,340,000 completed by Gravitas as of the date of the agreement); and
    - An additional $1,500,000 on or before October 21, 2018.

- Making payments in the form of cash and common shares of the Company to the Sully vendors, including:
    - 8,000 common shares on or before October 21, 2017 (issued); and
    - $200,000 on or before April 21, 2018.

In addition, upon exercising the Sully Property option, Gravitas will become a wholly-owned subsidiary of the Company, and the Company and the Sully vendors will form an 80/20 joint venture. A 2% net smelter returns royalty will be held in favour of the Sully vendors, half of which may be purchased back by Gravitas for $5,000,000. Pursuant to a right of first refusal purchase agreement dated August 9, 2016, the holder of the Sully Property also granted to Gravitas a right of first refusal to purchase the remaining collective 20% interest in the Sully Property or the individual 5% interest of the Sully Property from the Sully vendors after the exercise of the Sully Property option.

During the year ended February 28, 2017, the Company issued 50,000 common shares for finder fees in relation to the option agreement which were valued at $100,000 and were capitalized to exploration and evaluation assets.

During the year ended February 28, 2018, the Company issued 8,000 common shares as payment in relation to the option agreement, which were valued at $4,800 and were capitalized to exploration and evaluation assets.

The Company did not meet the April 21, 2018 payment requirement. The Company determined that the carrying value of its interest in the Sully Property was impaired as no additional expenditures are planned for the property. As a result, the Company wrote-off cumulative costs incurred to date on the Sully Property of $980,886 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the periods ended November 30, 2018 and 2017 as follows:

		2018		2017
Accounting fees	$	45,000	$	76,000
Management fees	$	100,000	$	46,500
Geological consulting fees	$	9,093	$	50,139

At November 30, 2018, $54,600 (February 28, 2018 - $38,850) was included in accounts payable as owing to related parties. Amounts due to (from) related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

COMMITMENT

The Company entered into a lease agreement for its premises for a term of three years from September 2016 to August 2019 for a monthly lease payment of $1,780. The total lease commitment as at November 30, 2018 is as follows:

	$
0-1 years	16,020
2-3 years	-
	16,020

SUBSEQUENT EVENT

No subsequent event.

CHANGE IN ACCOUNTING POLICIES

Change in Accounting Policies

Financial instruments

The Company has adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of March 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at March 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on March 1, 2018.

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net income (loss). Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net income (loss).

Classification and measurement of share-based payment transactions (amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning March 1, 2018

Risks and Uncertainties

The Company is engaged in the acquisition and exploration of natural resource properties, an inherently risky business, and there is no assurance that economically recoverable resources will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically recoverable resources. Exploration activities require large amounts of capital. There is a risk that during the current difficult economic situation the Company will not be able to raise sufficient funds to finance its projects to a successful development and production stage.

While the Company’s management and technical team carefully evaluate all potential projects prior to committing the Company’s participation and funds, there is a high degree of risk that the Company’s exploration efforts will not result in discovering economically recoverable resources. The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

RISK MANAGEMENT

The Company classifies its financial instrument as follows:

- Cash is classified as a financial asset at FVTPL
- Accounts payable, as other financial liabilities

The carrying value of this financial asset approximates its fair value.

The Company's risk exposure and the impact on the Company's financial instrument is summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash.

The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The Company is not exposed to significant credit risk on receivables, as these amounts are due from government agencies. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company is not exposed to significant liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk. The Company is not exposed to significant market risk.

SHARE CAPITAL

Issued

The Company has 9,364,329 issued and outstanding as at November 30, 2018 and January 29, 2019.

Share Purchase Options

The Company has 142,500 stock options outstanding as at November 30, 2018 and 30,000 stock options outstanding as at January 29, 2019.

Share Purchase Warrants

The Company has 4,500,000 purchase warrants outstanding as at November 30, 2018 and January 29, 2019.

Escrow Shares

The Company has 12,625 shares held in escrow as at November 30, 2018 and nil shares as at January 29, 2019.