

Kootenay Zinc Corp.
Management Discussion and Analysis
For the six months ended August 31, 2019

The Management Discussion and Analysis (“MD&A”), prepared October 29, 2019 should be read in conjunction with the condensed interim financial statements and notes thereto for the six months ended August 31, 2019 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 and registered office is located at Suite 400-837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of 1 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 was engaged in the business of mineral exploration and development in British Columbia and specifically in the exploration and advancement of the Sully Property (the “Property”). The Company was required to facilitate separate fundraising, exploration and evaluation strategies to achieve its business objectives and it expects to commence these strategies as soon as practicable. Based on the results of the most recent drill program during the year ended February 28, 2019, the Company decided not to pursue the Sully project and has terminated its option agreement with the vendors of the project.

On September 13, 2019, the Company entered into an option agreement with Longford Capital Corp. to acquire 100% interest in and to certain mineral properties, together with the surface rights, mineral rights, personal property and permits associated therewith, located in the Angus Property.

The Company is an exploration stage Company with no producing properties, and consequently has no current operating cash flow or revenues. The Company is currently focused on seeking new projects or business operations.

The Company was one of the respondents to the British Columbia Securities Commission (“BCSC”) Temporary Order dated November 26, 2018 issued against a group of people and entities. The hearing was held on December 7, 2018. The case centered around share issuances by 11 CSE issuers (the Company being one of the named issuers in the order) between February 2018 and August 2018. The BCSC is investigating whether the respondents violated securities legislation by participating in a scheme that involves conduct abusive to the capital markets and the illegal distribution of securities. The scheme, as set out by the BCSC, involved listed companies issuing private placement shares without a prospectus. The issuances were done under an exemption normally reserved for consultants. Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company.

On July 26, 2019, the Company received notice that a class action lawsuit has been filed against the Company, former directors of the Company and certain others in the Supreme Court of British Columbia. The plaintiffs are seeking damages for various possible causes of action, including unlawful conspiracy, misrepresentation and secondary market misrepresentations. The claim has not been certified as a class action as at the date hereof. The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

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 June 17, 2019, the Company appointed Tara Haddad and Usama Chaudhry following the resignations of both Anthony Jackson and Von Torres as directors of the Company. Ms. Haddad was also appointed as the chief financial officer of the Company, replacing Mr. Jackson.

Subsequent to August 31, 2019, the Company appointed Tara Haddad as interim chief executive officer of the Company and Von Torres as a board director, following the resignation of Rob Tindall as chief executive officer and director of the Company.

OPERATIONS

Six Months Ended August 31, 2019

During the six months ended August 31, 2019, the Company reported a net loss of \$45,949 (2018 - \$934,324), a decrease of \$888,375 as compared to the prior period. The decrease in net loss was significantly attributable to the decrease of the following expenses: \$nil (2018 - \$78,042) in advertising and promotion, \$115,113 (2018 - \$619,913) in consulting fees, \$58,000 (\$80,000) in management fees, \$nil (2018 - \$17,526) in exploration expenditures, \$1,780 (2018 - \$62,680) in rent, \$1,743 (2018 - \$3,482) in meals and entertainment, \$13,036 (2018 - \$17,187) in transfer agent and filing fees, and \$282 (2018 - \$18,389) in travel expense. The following are increases in expenses that offset the decrease in net loss: \$2,255 (2018 - \$730) in office expense, \$50,864 (2018 - \$35,940) in professional fees, and \$4,160 (2018 - \$nil) in insurance. The decrease in the Company's loss was due mainly to decrease in consulting fees and gain on debt settlement during the period as compared to the prior period.

Three Months Ended August 31, 2019

During the three months period ended August 31, 2019, the Company reported a net income of \$105,991 (2018 - net loss of \$197,785), a decrease in loss of \$303,776 as compared to the prior period. The decrease in net loss was significantly attributable to the decreases of the following expenses: \$4,762 (2018 - \$145,499) in consulting fees, \$nil (2018 - \$3,372) in exploration expenditures, \$6,768 (2018 - \$7,847) in transfer agent and filing fees, \$nil (2018 - \$5,340) in rent, \$nil (2018 - \$4,264) in travel expense, and \$66 (2018 - \$73) in bank charges. The following are increase in expenses that offset the decrease in net loss: \$43,000 (2018 - \$10,000) in management fees, \$1,693 (2018 - \$156) in meals and entertainment, \$2,012 (2018 - \$nil) in insurance, and \$33,189 (2018 - \$20,940) in professional fees. The decrease in the Company's net loss was due mainly to decrease in consulting fees and gain on debt settlement during the period as compared to the prior period.

SUMMARY OF QUARTERLY RESULTS

	Three months ended August 31, 2019	Three months ended May 31, 2019	Three months ended February 28, 2019	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
Net income (loss)	\$ 105,991	\$ (151,940)	\$ (540,884)	\$ (335,451)	\$ (197,785)	\$ (736,539)	\$ (1,152,728)	\$ (299,626)
Total assets	151,011	334,916	544,513	816,643	1,128,010	1,066,047	1,890,981	2,003,649
Total liabilities	230,622	520,518	578,175	331,781	307,697	295,989	384,384	354,484
Basic and diluted income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.06)	\$ (0.04)	\$ (0.02)	\$ (0.08)	\$ (0.19)	\$ (0.07)

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 August 31, 2019, the Company had cash of \$35,027 (February 28, 2019 - \$452,421).

During the six months ended August 31, 2019, net cash used in operating activities was \$417,394 (2018 - \$1,023,576) which includes: net loss of \$45,949 (2018 - \$934,324), gain on debt settlement of \$198,000 (2018 - \$nil), increase in GST receivable of \$11,364 (2018 - \$10,202), increase in prepaid expenses of \$12,528 (2018 - \$2,363), and decrease in accounts payable and accrued liabilities of \$149,553 (2018 - \$76,687).

During the three months ended August 31, 2019, net cash used in operating activities was \$223,255 (2018 - \$55,956) which includes: net income of \$105,991 (2018 - net loss of \$197,785), gain on debt settlement of \$198,000 (2018 - \$nil), increase in GST receivable of \$6,362 (2018 - \$2,974), increase in prepaid expenses of \$32,988 (2018 - decrease of \$133,095), and decrease in accounts payable and accrued liabilities of \$91,896 (2018 - increase of \$11,708).

During the three and six months ended August 31, 2019, net cash provided by financing activity was \$nil (2018 - \$248,040). Net cash provided from the prior period was comprised of share subscriptions received.

There was no investing activity during the three and six months ended August 31, 2019 and 2018.

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of 1 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 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. During the six months ended August 31, 2019, the Company amended its flow-through filings so that only 500,000 units (for \$250,000) were to be considered flow-through units.

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 and one common share purchase warrant (a "Warrant"). Each 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.

During the year ended February 28, 2018, the Company collected \$175,500 of proceeds for an over-subscribed private placement. This amount was included in accounts payable and accrued liabilities as at February 28, 2018 and was returned to the subscribers during the year ended February 28, 2019.

There were no shares issued during the six months ended August 31, 2019 and year ended February 28, 2019.

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, 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. During the year ended February 28, 2019, the Company decided not to pursue the option agreement with the vendors of the project.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel of the Company are the directors and officers of the Company. During the six months ended August 31, 2019, the Company entered into the following transactions with key management personnel and other related parties:

- a) Paid or accrued management fees of \$30,000 (2018 - \$30,000) to Robert Tindall, a former director and officer of the Company.
- b) Paid or accrued management fees of \$25,000 (2018 - \$nil) to Tara Haddad, a director and officer of the Company.
- c) Paid or accrued management fees of \$3,000 (2018 - \$nil) to Chaudhry U Consulting Inc., a company controlled by a director of the Company.
- d) Paid or accrued consulting fees and management fees of \$15,000 and \$nil, respectively (2018 - \$5,625 and \$50,000, respectively) to Essos Corporate Services Inc., a company controlled by a director of the Company.
- e) Paid or accrued accounting fees of \$nil (2018 - \$30,000) to BridgeMark Financial Corp., and \$30,000 (2018 - \$nil) to Regiis Oak Capital Corp., companies controlled by a former director and officer of the Company.
- f) Paid or accrued geological consulting fees of \$nil (2018 - \$9,093) to Paul Ransom, former technical officer of the Company.

At August 31, 2019, \$29,605 (February 28, 2019 - \$91,532) was included in accounts payable as owing to related parties. Amounts due to related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

NON-RELATED CONSULTING TRANSACTIONS

Significant consulting compensation

During the six months ended August 31, 2019, the Company incurred consulting fees of \$20,667 (2018 - \$433,208) to consultants on the BCSC Temporary Order dated November 26, 2018. Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company. As at August 31, 2019, there was \$nil (February 28, 2019 - \$16,667) included in prepaid expenses.

During the six months ended August 31, 2019, the Company incurred consulting fees of \$79,447 (2018 - \$181,080) to arm's length parties.

During the six months ended August 31, 2019, the Company entered into a debt settlement agreement to settle debt amounting to \$198,000 by issuing a payment of \$1.00. The Company recorded a gain on debt settlement of \$198,000 on the statement of comprehensive loss.

At August 31, 2019, \$nil (February 28, 2019 - \$208,099) was included in accounts payable and accrued liabilities as owing to the above noted parties.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company has no proposed transactions as at the date of this MD&A.

SUBSEQUENT EVENTS

Option Agreement for Angus Property

On September 13, 2019, the Company entered into an option agreement with Longford Capital Corp. to acquire a 100% interest in and to certain mineral properties, together with the surface rights, mineral rights, personal property and permits associated therewith, located in the Angus Property.

The Angus Property is a gold and copper prospect with an area of 1,019 hectares in the Victoria mining division of Vancouver Island. The property has access by logging roads to the north of the Lake Cowichan community, which is owned by Island Timberland and Timberland West.

Highlights of the project:

The property hosts four historic Minfiles and has returned multiple multigram assay results (grams per tonne gold). Historic results include:

- From a gossanous diorite grab sample:
 - 13.0 grams per tonne gold;
 - 14.7 grams per tonne silver; and
 - 0.3376% copper.
- From vein material:
 - 13.03 grams per tonne gold;
 - 29.4 grams per tonne silver;
 - 0.55% lead; and
 - 0.238% zinc.

The area has the potential for hosting a copper-gold porphyry with a historic grab sample of chlorite schist feldspar porphyry near a shear zone running 0.325 gram per tonne gold and 0.472% copper, and a second sample running 1.4 grams per tonne gold, 17.6 grams per tonne silver and 1.58% copper.

Grab samples are selected samples and are not necessarily representative of the mineralization hosted on the property.

Agreement terms:

- The Company is granted the sole and exclusive right and option to acquire a 100% interest in the Angus Property by issuing 3,000,000 shares to the optionors:
 - 2,500,000 shares to be issued upon signing of the agreement (issued subsequent to August 31, 2019); and
 - 500,000 shares to be issued on the first anniversary from the effective date of the agreement.
- The Company is to complete \$125,000 in exploration expenditures within 24 months of the effective date of the agreement:
 - The Company grants and agrees to pay to the royalty holder a royalty equal to 2% of the net smelter return royalty in respect of the Angus claims. The Company has the option to buy back 1% of the NSR for consideration of \$1,500,000.

Management Changes

On June 17, 2019, the Company appointed Tara Haddad and Usama Chaudhry following the resignations of both Anthony Jackson and Von Torres as directors of the Company. Ms. Haddad was also appointed as the chief financial officer of the Company, replacing Mr. Jackson.

On September 13, 2019, the Company appointed Tara Haddad as interim chief executive officer of the Company and Von Torres as a board director, following the resignation of Rob Tindall as chief executive officer and director of the Company.

Debt Settlement Agreement

On October 11, 2019, the Company entered into a debt settlement agreement with the Company's former CEO (the "Creditor") for the settlement of the Company's outstanding debt. Pursuant to the debt settlement agreement, 185,185 common shares of the Company will be issued to the Creditor at a price of \$0.081 per share, in full and final settlement of the outstanding debt of \$15,000.

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 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	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

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 profit or 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 profit or loss.

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's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of profit or 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 profit or 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 profit or 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.

New Accounting Standards Effective and Adopted

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning March 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company continues to assess the impact of adopting this standard on its financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

Risks and Uncertainties

The Company was 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 and accrued liabilities, at amortized cost

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

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. All of the Company's financial liabilities have contractual maturities of less than 90 days.

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 August 31, 2019 and 11,864,329 issued and outstanding as at October 29, 2019.

Share Purchase Options

The Company has nil stock options outstanding as at August 31, 2019 and October 29, 2019.

Share Purchase Warrants

The Company has nil purchase warrants outstanding as at August 31, 2019 and October 29, 2019.

Escrow Shares

The Company has nil shares held in escrow as at August 31, 2019 and October 29, 2019.