# Zenith Exploration Inc.

## Management's Discussion and Analysis

## For the Six Months Ended January 31, 2020

### General

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim financial statements and related notes thereto of Zenith Exploration Inc. (the "Company") for the six months ended January 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board ("IASB"). All amounts in the condensed interim financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This MD&A is dated March 26, 2020 and discloses specified information up to that date.

Management is responsible for the preparation and integrity of the condensed interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the condensed interim financial statements and MD&A, is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

### Description of Business

On October 4, 2017, the Company changed its name to Zenith Exploration Inc. The Company is a resource exploration company that is acquiring and exploring mineral properties. The Company is a reporting issuer in the provinces of British Columbia and Alberta.

### Highlights

During the six months ended January 31, 2020, the Company completed a plan of arrangement with its two former subsidiaries, High Point Exploration Inc. ("High Point") and Top Exploration Inc. ("Top Exploration"). Pursuant to the plan of arrangement, the Company transferred the Mantle Property to High Point and the Golden Girl Property to Top Exploration.

### Exploration and evaluation assets

<u>Scotch Creek Property</u>

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Brent Hahn and Barry Hartley, both directors and officers of the Company, are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of $300,000.

Golden Girl Property

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Golden Girl Property located in B.C. for the following consideration:

- $1,000 cash upon signing of the agreement (paid);
- $11,000 as a retainer for maintaining exploration for the benefit of the Golden Girl Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

The Company incurred total exploration and evaluation costs on the Golden Girl Property of $88,682 prior to its transfer to Top Exploration.

Mantle Property

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Mantle Property located in B.C. for the following consideration:

- $1,000 cash upon the signing of the agreement (Paid);
- $11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

The Company incurred total exploration and evaluation costs on the Mantle Property of $92,063 prior to its transfer to High Point.

## Results of Operations

| | Three months ended January 31, | | Six months ended January 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Expenses** | | | | |
| Consulting fees | $ - | $ 10,000 | $ - | $ 10,000 |
| Management fees | - | 200,000 | - | 200,000 |
| Office and miscellaneous | 43 | 38 | 70 | 411 |
| Professional fees | 6,956 | 13,111 | 24,471 | 37,056 |
| Project generation | - | - | - | 9,618 |
| Regulatory fees | 2,700 | 2,494 | 9,366 | 16,413 |
| Share-based payments | - | 66,754 | - | 66,754 |
| Shareholder information | - | - | 55 | 1,614 |
| Transfer agent | 625 | 1,137 | 2,325 | 1,955 |
| **Loss and comprehensive loss for the period** | **$ (10,324)** | **$ (293,534)** | **$ (36,287)** | **$ (343,821)** |
| **Loss per share – basic and diluted** | **$ (0.00)** | **$ (0.01)** | **$ (0.00)** | **$ (0.01)** |
| **Weighted average number of common shares outstanding** | **28,796,411** | **26,278,702** | **28,796,411** | **25,558,472** |

**Three Months Ended January 31, 2020 and 2019**

**Net Loss and Expenses**

The net loss and total expenses for the quarter ended January 31, 2020 were $10,324 compared to $293,534 for the quarter ended January 31, 2019, representing a decrease of $283,210.

Major variances in expenses are as follows:

- For the quarter ended January 31, 2020, management fees and consulting fees totals are $Nil compared to $210,000 for the quarter ended January 31, 2019. The decrease was attributable to a decrease in the Company's activity during the current quarter compared to the prior year quarter wherein the Company formed two wholly owned subsidiaries and commenced trading on the Canadian Securities Exchange;
- Share-based payments for the quarter ended January 31, 2019 is $Nil compared to $66,754 for the quarter ended January 31, 2019. The decrease in share-based payments is related to the grant of 2,563,310 stock options during the quarter ended January 31, 2019. No options were granted during the quarter ended January 31, 2020.

**Six Months Ended January 31, 2020 and 2019**

**Net Loss and Expenses**

The net loss and total expenses for the six months ended January 31, 2020 were $36,287 compared to $343,821 for the six months ended January 31, 2019, representing a decrease of $307,534.

Major variances in expenses are as follows:

- For the six months ended January 31, 2020, management fees and consulting fees totals are $Nil compared to $210,000 for the six months ended January 31, 2019. The decrease was attributable to a decrease in the Company's activity during the current period compared to the prior year period wherein the Company formed two wholly owned subsidiaries and commenced trading on the Canadian Securities Exchange;
- Share-based payments for the six months ended January 31, 2019 is $Nil compared to $66,754 for the six months ended January 31, 2019. The decrease in share-based payments is related to the grant of 2,563,310 stock options during the six months ended January 31, 2019. No options were granted during the six months ended January 31, 2020.

**Selected Quarterly Information**

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's condensed interim financial statements. All dollar amounts are in Canadian dollars.

| Quarter Ended | Loss for the period | Loss per Share (Basic & Diluted) | Total Assets | Interest Income |
|---|---|---|---|---|
| January 31, 2020 | $10,324 | $0.00 | $414,043 | $Nil |
| October 31, 2019 | $25,963 | $0.00 | $424,638 | $Nil |
| July 31, 2019 | $39,172 | $0.00 | $634,217 | $Nil |
| April 30, 2019 | $142,414 | $0.01 | $682,314 | $Nil |
| January 31, 2019 | $293,534 | $0.01 | $731,776 | $Nil |
| October 31, 2018 | $50,287 | $0.00 | $831,947 | $Nil |
| July 31, 2018 | $12,805 | $0.00 | $785,632 | $Nil |
| April 30, 2018 | $25,674 | $0.00 | $789,571 | $Nil |

## Financial Condition, Liquidity and Capital Resources

The Company had working capital of $98,603 (July 31, 2019 - $133,283) at January 31, 2020. The Company does not currently have an active business generating positive cash flows. The Company is reliant on equity financing or shareholder loans to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

## Related Party Transactions

Payments to key management and directors during periods ended January 31, 2020 and 2019 were as follows:

| | | January 31, 2020 | | January 31, 2019 |
|---|---|---|---|---|
| Management fees paid to officers or to companies controlled by officers | $ | - | $ | 200,000 |
| Consulting fees paid to directors | | - | | 10,000 |
| Share-based payments | | - | | 66,754 |
| Total compensation | $ | - | $ | 276,754 |

As at January 31, 2020, loans to former subsidiaries are $17,905 (July 31, 2019 - $Nil).

## 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 judgements 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 condensed interim 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 year. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

***Critical Accounting Estimates***

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. 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.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the condensed financial statements are as follows:

i) Going concern
Management has determined that the Company will be able to continue as a going concern for the next year.

ii) Economic recoverability and probability of future benefits of exploration and evaluation costs
Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

***New Accounting standards and interpretations***

<u>Leases</u>
On August 1, 2019, the Company adopted IFRS 16. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The adoption of IFRS 16 had no impact on the Company's condensed interim financial statements as the Company has no leases.

## Financial Instruments and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk.

***Liquidity risk***
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

***Interest rate risk***
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

***Capital Management***
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

***Fair value***
The Company's financial instruments consist of cash, receivables, due from former subsidiaries and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Cash is measured at fair value using Level 1 inputs.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

## Contingencies

The Company is not aware of any contingencies or pending legal proceedings as at the date of this report.

## Additional share information

As at January 31, 2020, and as at the date of this report, the Company had 28,796,411 (July 31, 2019 – 28,796,411) common shares outstanding.

As at January 31, 2020, and as at the date of this report, the Company had 2,879,641 stock options and no warrants outstanding.

### Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

### Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.