

# NEXCO RESOURCES INC.

## Management Discussion and Analysis

### For the six month period ended February 29, 2020

The following management discussion and analysis (“MD&A”), prepared April 29, 2020, should be read in conjunction with Nexco Resources Inc.’s (the “Company”) unaudited condensed interim financial statements and the accompanying notes for the six month period ended February 29, 2020 and the audited financial statements and accompanying notes for the year ended August 31, 2019. The unaudited condensed interim financial statements for the six month period ended February 29, 2020 have been prepared in accordance with IAS 34 and International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. 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.

## DESCRIPTION OF BUSINESS

The Company was incorporated on December 14, 2012 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 750-1095 West Pender Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at February 29, 2020, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

### Berger Property

	<b>Acquisition costs</b>	<b>Exploration costs</b>	<b>Total</b>
	\$	\$	\$
Balance, August 31, 2017	30,250	162,208	192,458
Mining exploration tax credit	—	(17,863)	(17,863)
Balance August 31, 2019 & February 29, 2020	30,250	144,345	174,595

Pursuant to an initial and amended option agreements (the “Agreement”) dated August 21, 2014 and July 31, 2015, with the Optionor, the Company was granted an option to acquire a 100% undivided interest in the Berger Property (the “Property”) which consists of 2 mining claims located in the Kamloops Mining District of British Columbia.

In accordance with the Agreement, the Company has acquired a 100% undivided interest in the Property by issuing a total of 100,000 common shares and making cash payment of \$12,000.

The Optionor will retain a 2% Net Smelter Returns (“NSR”) royalty on the Property. The Company has the right to purchase the NSR at a purchase price of \$1,000,000 per percentage point during the 5 year period commencing from the date upon which the Property is put into commercial production.

## Selected Financial Data - Summary of Quarterly Results

The following selected financial information is derived from the unaudited interim financial statements prepared in accordance with IFRS.

	<b>Feb 29, 2020 \$</b>	<b>Nov 30, 2019 \$</b>	<b>Aug 31, 2019 \$</b>	<b>May 31, 2019 \$</b>
Revenues	-	-	-	-
General and administrative (expenses)	(31,897)	(19,282)	(17,119)	(24,911)
(Loss) and comprehensive (loss)	(31,897)	(19,282)	(17,119)	(24,911)
Basic and diluted (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Working capital (deficiency)	178,413	210,310	229,592	246,711
Total assets	368,701	391,887	416,763	438,205
Non-current liabilities	-	-	-	-

	<b>Feb 28, 2019 \$</b>	<b>Nov 30, 2018 \$</b>	<b>Aug 31, 2018 \$</b>	<b>May 31, 2018 \$</b>
Revenues	-	-	-	-
General and administrative (expenses)	(55,413)	(39,764)	(79,618)	(28,277)
(Loss) and comprehensive (loss)	(55,413)	(39,764)	(79,618)	(28,277)
Basic and diluted (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)
Working capital (deficiency)	(85,434)	(30,031)	9,743	89,361
Total assets	194,173	210,957	236,872	285,534
Non-current liabilities	-	-	-	-

### Three months ended February 29, 2020 compared to Three months ended February 28, 2019

During the three months ended February 29, 2020 the Company reported a net and comprehensive loss of \$31,897 compared to a net and comprehensive loss of \$55,413 during the three months ended February 28, 2019. The Company's net and comprehensive loss during the three months ended February 29, 2020 included \$3,000 (2019 - \$18,000) for consulting fees, \$14,273 (2019 - \$22,758) incurred for professional fees, \$7,250 (2019 - \$7,500) incurred for rent, \$6,216 (2019 - \$7,084) for transfer agent and filing fees, \$1,095 (2019 - \$Nil) for travel and \$63 (2019 - \$81) for office and general.

### Six months ended February 29, 2020 compared to Six months ended February 28, 2019

During the six months ended February 29, 2020 the Company reported a net and comprehensive loss of \$51,179 compared to a net and comprehensive loss of \$95,177 during the six months ended February 28, 2019. The Company's net and comprehensive loss during the six months ended February 29, 2020 included \$6,000 (2019 - \$53,500) for consulting fees, \$16,885 (2019 - \$23,840) incurred for professional fees, \$14,750 (2019 - \$7,500) incurred for rent, \$9,752 (2019 - \$10,250) for transfer agent and filing fees, \$2,571 (2019 - \$Nil) for travel and \$1,221 (2019 - \$87) for office and general.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash at February 29, 2020 was \$185,161 compared to \$235,396 at August 31, 2019.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## RELATED PARTY BALANCES AND 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. 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.

There were no related party transactions or amounts due to related parties during the six months ended February 29, 2020 or for the year ended August 31, 2019

## COMMITMENT

Pursuant to an initial and amended option agreement (the “Agreement”) dated August 21, 2014 and July 31, 2015, with the Optionor, the Company was granted an option to acquire a 100% undivided interest in the Berger Property (the “Property”) which consists of 2 mining claims located in the Kamloops Mining District of British Columbia.

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## NEW ACCOUNTING STANDARDS APPLIED

*The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied to the audited financial statements as at and for the year ended August 31, 2019 except as noted below.*

**IFRS 16 – Leases:** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard on September 1, 2019 and there was no impact on these condensed interim financial statements.

**IFRIC 23 - Uncertainty over Income Tax Treatments** is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 ‘Income Taxes’ when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019. The Company adopted IFRIC 23 on September 1, 2019 and there was no impact on these condensed interim financial statements.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and
- ii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

- i. the measurement of deferred income tax assets and liabilities;
- ii. the determination of categories of financial assets and financial liabilities; and
- iii. the evaluation of the Company's ability to continue as a going concern.

**Investor Relations Activities**

The Company does not have any investor relations arrangements.

**Corporate Governance**

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board and Audit Committee are comprised of 3 individuals.

**OUTSTANDING SHARE DATA**

Issued

The company has 18,428,000 common shares issued and outstanding as at February 29, 2020, August 31, 2019 and at the date of this report.

Share Purchase Options

The Company has 200,000 stock options outstanding at February 29, 2020, August 31, 2019 and the date of this report. The stock options exercise price is \$0.15 and the stock options expire on May 4, 2022.

Warrants

During the six month period ended February 29, 2020 the Company did not issue any warrants.

During the year ended August 31, 2019, the Company issued 8,000,000 Warrants and 539,000 Finders Warrants. During the year ended August 31, 2019, 256,000 agent warrants expired unexercised.

The Company had 8,539,000 share purchase warrants outstanding at February 29, 2020, August 31, 2019 and at the date of this report. The warrants exercise price is \$0.10 and the warrants expire on April 16, 2022.

Escrow Shares

The Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date (May 4, 2017) and 15% on every six month from date of listing. At February 29, 2020 (August 31, 2019 – 720,000) and the date of this report there were 360,000 shares held in escrow.

## **Risk Factors**

### *Exploration and Mining Risks*

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labor are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

### *Financing Risks*

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

### *Regulatory Requirements*

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

### *Uninsurable Risks*

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

### *No Assurance of Titles*

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

### *Permits and Licenses*

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

### *Competition*

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered.

These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

### *Environmental Regulations*

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

### *Stage of Development*

The Company is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

### *Markets for Securities*

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company.

The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

### *Reliance on Key Individuals*

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

### *Geopolitical Risks*

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labor relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements.

Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) the registration of the concession agreements; (iii) the market and future price of minerals; (iv) the timing, cost and success of future exploration activities, including, but not limited to, the Company’s proposed work programs; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) the Company’s ability to continue as a going concern.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things, the estimation of mineral resources, the realization of resource estimates, metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the availability of necessary financing and materials to continue to explore and develop any of the Company’s mineral concessions and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed.

The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in ore reserves, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Company's projects may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

**Readers are cautioned that the foregoing lists of factors are not exhaustive.**

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

**The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements contained in this MD&A.**