

**IM EXPLORATION INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS -**

**QUARTERLY HIGHLIGHTS**

**FOR THE THREE MONTHS ENDED**

**JUNE 30, 2019**

## **Introduction**

The following Interim Management's Discussion and Analysis ("MD&A") of IM Exploration Inc (the "Company" or "IM Exploration") has been prepared to provide updates to the business, operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis for the fiscal year ended March 31, 2019 ("Annual MD&A"). Additional information relating to IM Exploration is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual financial statements of the Company for the year ended March 31, 2019 and the period from incorporation (April 19, 2017) to March 31, 2018, and the unaudited condensed interim financial statements for the three months ended June 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended June 30, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at August 13, 2019 unless otherwise indicated.

The unaudited condensed interim financial statements for the three months ended June 30, 2019, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of IM Exploration's common shares (the "Common Shares" or "common shares"); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## **Caution Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking information as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budgets", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

**IM EXPLORATION INC**  
**Management's Discussion & Analysis – Quarterly Highlights**  
**Three Months Ended June 30, 2019**  
**Dated – August 13, 2019**

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
Statements regarding the sufficiency of the Company's working capital; the Company's business objectives and exploration program for fiscal 2020 and intended use of proceeds from its IPO (as defined herein).	The Company has anticipated all material costs; the operating activities of the Company for the next 12 months, and the costs associated therewith, will be consistent with IM Exploration's current expectations; the Company will be successful in planning and executing its objectives, including its exploration program.	Unforeseen costs will arise; any particular operating costs increase or decrease from the date of the estimation; changes in economic and financial market conditions and metals prices; difficulties in completing objectives in a timely manner or at all; risks associated with mineral exploration.
The Company will be required to raise additional capital in order to meet its ongoing operating expenses and complete its planned exploration activities on its Mulloy Project (as defined herein).	The operating and exploration activities of the Company, and the costs associated therewith, will be consistent with the Company's current expectations; equity markets, exchange and interest rates and other applicable economic conditions are favourable to IM Exploration.	Volatility in equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
Management's outlook regarding future trends and future uses of cash.	Financing will be available for IM Exploration's exploration and operating activities; the price of metals will be favourable.	Metal price volatility; volatility in equity markets; interest rate and exchange rate fluctuations; changes in economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond IM Exploration's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section in the Annual MD&A. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements herein, and that the assumptions underlying such statements may prove to be incorrect.

Forward-looking statements in this MD&A involve known and unknown risks, uncertainties and other factors that may cause IM Exploration's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business**

The Company was incorporated under the name “Prize Exploration Inc.” pursuant to the Canada Business Corporations Act on April 19, 2017. The Company’s registered office and head office is located at 181 Bay Street, Brookfield Place, Suite 4400, Toronto, Ontario, M5J 2T3. On February 14, 2019, the Company changed its name from Prize Exploration Inc. to IM Exploration Inc.

IM Exploration’s principal business carried on and intended to be carried on is mineral exploration, focusing initially on the exploration and development of the Company’s principal property, the Mulloy project located in Rowlandson Township, Porcupine Mining Division, District of Cochrane, Ontario (the “Mulloy Project”).

## **Overall Performance and Outlook**

The Company has no revenues, so its ability to ensure continuing operations is dependent on it completing the acquisition of its mineral property interests, its ability to obtain necessary financing to complete exploration activities thereon, and ultimately, development of and future profitable production from its mineral property interests.

At June 30, 2019, the Company had working capital of \$291,940 (March 31, 2019 – \$111,495). The Company had cash and cash equivalents of \$341,569 (March 31, 2019 - \$192,859). Working capital and cash and cash equivalents increased during the three months ended June 30, 2019 due to proceeds from the initial public offering, as described further below.

The Company believes that it has sufficient capital to meet its ongoing operating expenses, and to commence its Phase 1 program at the Mulloy Project. Management may increase or decrease budgeted expenditures depending on exploration results and the general economic environment. See “Financial Highlights - Liquidity and Capital Resources” below

On May 29, 2019, the Company completed its IPO pursuant to which it has issued an aggregate of 3,000,000 common shares at a price of \$0.10 per common share to raise aggregate gross proceeds of \$300,000, all pursuant to a final prospectus dated March 29, 2019. In connection with the Offering, a cash commission of \$30,000, a corporate finance fee of \$12,500, legal and other fees of \$91,814 was paid and, 100,000 compensation warrants and 300,000 agent’s warrants were issued, each such warrant entitling the holder to acquire one common share at an exercise price of \$0.10 for a period of 24 months from the date of closing of the Offering.

On May 29, 2019, the Company issued 300,000 common shares as part the option agreement to earn a 90% interest in the Mulloy project situated in the Rowlandson Township, Porcupine Division in Ontario.

On May 29, 2019, the Company granted 725,000 stock options to directors, officers and consultant which are exercisable for a period of five years from the date of the grant at an exercise price of \$0.10 per common share. The options will vest as follows: 375,000 immediately, 150,000 on October 31, 2019 and 200,000 on the earlier of: (i) April 30, 2020; and (ii) the notice of a “triggering event” as defined in the Company’s stock option plan.

The Company's primary business objective is to explore the Mulloy Project. In furtherance of this objective, the Company has an option to acquire a 90% undivided interest in and to the Mulloy Project by paying certain consideration and completing a feasibility study (see "Exploration and Projects" below).

For the Company to achieve this primary objective, its ancillary business objectives include: (a) the pursuit of additional financing (completed); (b) completion of an initial public offering of Common Shares (the "IPO" or the "Offering") (completed); and (c) the completion of the Phase 1 recommended work program on the Mulloy Project at an estimated cost of approximately \$125,200, as described in the technical report dated effective March 15, 2019 in respect of the Mulloy Project (the "Technical Report").

The Company plans to commence Phase 1 of the recommended program initially, and will conduct further exploration (including Phase 2, if warranted) depending upon the results of such program. In addition, the Company may seek to acquire additional exploration stage properties should a property of interest become available to it.

## **Exploration and Projects**

### **Mulloy Project**

The principal asset of the Company consists of its option to acquire a 90% undivided interest in the Mulloy Project located near Cochrane, Ontario.

Pursuant to an option agreement dated effective November 30, 2017 among IM Exploration (then called Prize Exploration Inc.) and three optionors of the Mulloy Project (the "Option Agreement"), for IM Exploration to exercise its option to acquire the 90% interest in the Mulloy Project it must fulfill the following requirements:

1. pay \$5,000 to each optionor within 10 calendar days of the execution of the Option Agreement for an aggregate payment to the optionors of \$15,000 (paid);
2. issue 100,000 Common Shares to each optionor upon completion of the IPO, for an aggregate issuance to the optionors of 300,000 Common Shares (issued); and
3. complete a feasibility study in respect of the Mulloy Project.

Should the Company exercise its option, then pursuant to the terms of the Option Agreement, the optionors will form a joint venture with IM Exploration in respect of the Mulloy Project and will retain a 2% net smelter royalty ("NSR") on the Mulloy Project. The Company will have the option, exercisable at any time, to reduce the NSR to 1% upon payment to each optionor of \$333,333.33.

During the three months ended June 30, 2019, no work was done at the Mulloy Project while the Company was completing financing activities and the IPO. However, the Company has applied for exploration permits relating to the Mulloy Project. Separately, on May 29, 2019, the Company issued 300,000 common shares, valued at \$30,000, to Mulloy optionors as part the Option Agreement.

No additional work prior to August 13, 2020 is required to keep the Mulloy Project in good standing.

**IM EXPLORATION INC**  
**Management's Discussion & Analysis – Quarterly Highlights**  
**Three Months Ended June 30, 2019**  
**Dated – August 13, 2019**

---

The Technical Report recommended a budget of approximately \$325,200 to carry out the proposed work programs at the Mulloy Project.

	<b>Planned Expenditures (approx.)</b>
<b>Plans for the Mulloy Project</b>	
Phase 1 – Vertical Drilling & Geophysical Survey	\$125,200
Conduct a small geophysical grid survey.	
Drilling of two vertical holes to test the original graphite zone from historical drilling.	
<b>Subtotal</b>	<b>\$125,200</b>
Phase 2 - Exploration Drilling	\$200,000
Dependent on the success of Phase 1, a drilling campaign of approximately 900 metres across the Mulloy Project.	
<b>Subtotal</b>	<b>\$200,000</b>
<b>Total Phase 1 and 2</b>	<b>\$325,200</b>

#### **Qualified Person**

Case Lewis, P.Geo. is the Company's designated Qualified Person for this MD&A within the meaning of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and has reviewed and approved the scientific and technical content in this MD&A.

#### **Trends**

The Company is a mineral exploration company, focused on the exploration of the Mulloy Project in Ontario, Canada, and the acquisitions of other mineral exploration properties, should such acquisitions be consistent with the objectives and acquisition criteria of the Company.

The Company's future performance and financial success is largely dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. The development of assets may take years to complete and the resulting income, if any, is difficult to determine with any certainty. The Company lacks mineral resources and mineral reserves and to date has not produced any revenues. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond its control, such as the market value of the commodities produced.

Current global economic conditions and financial markets, although recently strong, remain fragile and susceptible to unexpected volatility, and are likely to be so for the foreseeable future. There are also significant uncertainties regarding the price of graphite and other minerals and the availability of equity financing for the purposes of mineral exploration and development. The Company's future performance is largely tied to the development of its current mineral property interest and the overall financial markets.

Future volatility of financial markets as well as any instability of the global economy may result in the Company having difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting present shareholders of the Company. In this regard, the Company's strategy is to commence exploration of the Mulloy Project and seek out other prospective resource properties to acquire, while monitoring the global markets and seeking out financing, if and when available, upon terms acceptable to the Board of Directors. The Company believes this focused strategy will enable it to best manage its capital markets needs while maintaining momentum on key business initiatives.

### **Off-Balance-Sheet Arrangements**

As of the date hereof, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### **Proposed Transactions**

None.

### **Environmental Contingency**

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment, and all phases of the Company's operations are subject to environmental regulation in the Province of Ontario. These environmental regulations are continually changing and generally becoming more restrictive. The Company plans to maintain a policy of operating its business in compliance with all environmental regulations. The Company does not believe that it has any significant environmental obligations in the near future.

### **Financial Highlights**

#### **Financial Performance**

For the three months ended June 30, 2019, compared to the three months ended June 30, 2018.

IM Exploration's net loss totaled \$16,893 for the three months ended June 30, 2019, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$18,913 for the three months ended June 30, 2018, with basic and diluted loss per share of \$0.01. The increase in the net loss of \$2,020 was principally because:

- For the three months ended June 30, 2019, professional fees decreased by \$66,853. The decrease is primarily due to IPO-related legal fees that were previously expensed, but that were only settled on completion of the IPO. Legal expense of approximately \$72,000 was capitalized as part of share issuance cost.

The decreases were offset by:

**IM EXPLORATION INC**  
**Management's Discussion & Analysis – Quarterly Highlights**  
**Three Months Ended June 30, 2019**  
**Dated – August 13, 2019**

---

- For the three months ended June 30, 2019, share-based payments increased by \$31,652. The increase is due to 725,000 options issued during the three months ended June 30, 2019 and the vesting thereof.
- For the three months ended June 30, 2019, filing fees increased by \$16,246. The increase is due to filing fees paid related to the IPO and listing on the CSE.
- For the three months ended June 30, 2019, \$23,000 was expensed as a one-time bonus, including the following: As disclosed in the Company's prospectus dated March 29, 2019, the Company's CEO and Directors received bonuses upon completion of the IPO. The Company's CEO and Directors are not otherwise paid for their roles with the Company.
- All other expenses are related to general and administrative expenditures.

#### **Cash Flow**

The Company had cash and cash equivalents of \$341,569 (March 31, 2019 - \$192,859). The increase in cash and cash equivalents during the three months ended June 30, 2019 was primarily due to cash received from the IPO, which was offset by the cash used in operating activities.

Cash and cash equivalents used in operating activities was \$16,976 for the three months ended June 30, 2019. Operating activities were affected by non-cash adjustment of share-based payment of \$31,652 and the change in non-cash working capital balances because of a decrease in accounts payable and accrued liabilities of \$53,691 and an increase in amounts receivable and other assets of \$11,869; which was partially offset by decrease of \$33,825 in prepaid expenditure, for which cash was previously paid but the related expenses were only realized in the quarter.

Cash provided by financing activities was \$165,686 for the three months ended June 30, 2019, primarily because of net proceeds of received from the issuance of Common Shares through the IPO. Share issuance costs include, among other things, IPO agent commissions, fees, and expenses; IM Exploration's IPO-related legal expenses; and various disbursements.

#### **Liquidity and Capital Resources**

The activities of the Company - principally the acquisition, exploration and development of mineral properties - are currently financed through the completion of equity offerings. There is no assurance that equity financing will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all.

The Company has no operating revenues and therefore must utilize its funds obtained from equity financing and other financing transactions to maintain its capacity to meet ongoing exploration and operating activities. The cash resources of IM Exploration are held with major Canadian financial institutions.

**IM EXPLORATION INC**  
**Management's Discussion & Analysis – Quarterly Highlights**  
**Three Months Ended June 30, 2019**  
**Dated – August 13, 2019**

---

As of the date of this MD&A, the Company had 10,400,000 Common Shares issued and outstanding, 825,000 stock options exercisable at \$0.10 each and 400,000 warrants exercisable at \$0.10 each.

The Company's uses of cash at present occur, and in the future are expected to occur, principally in two areas, namely, funding of its general and administrative expenditures and its exploration activities. Those exploration activities include Phase 1 of the exploration and evaluation of the Mulloy Project, as set out in the Technical Report. Under the Option Agreement, for the Company to acquire 90% of the legal and beneficial right, title and interest in and to the Mulloy Project, the Company has to complete a feasibility study. Such a study will involve exploration and data verification. Management may reassess its planned expenditures based on the degree of success of its exploration program, the Company's working capital resources, the scope of work required to advance the exploration of the Mulloy Project, and the overall condition of the financial markets.

The Company's working capital of \$291,940 at June 30, 2019, is not anticipated to be adequate to complete the Phase 1 and Phase 2 programs recommended by the Technical Report (see "Overall Performance and Outlook" and "Exploration and Projects" above). The Company will require additional equity financing in order to complete its planned objectives.

### **Changes in Accounting Policies**

The Company has adopted the following amendment to accounting standards, effective April 1, 2019. This change was made in accordance with the applicable transitional provision.

#### **IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")**

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. Effective April 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements.

### **Related Party Transactions**

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the amount agreed to by the related parties.

(a) During the current reporting period the Company entered into the following transactions with related parties:

**IM EXPLORATION INC**  
**Management's Discussion & Analysis – Quarterly Highlights**  
**Three Months Ended June 30, 2019**  
**Dated – August 13, 2019**

Names	Three Months Ended June 30,	
	2019 (\$)	2018 (\$)
Marrelli Support Services Inc. ("Marrelli Support") <sup>(1)</sup>	6,497	8,498

(1) For the three months ended June 30, 2019, the Company expensed \$6,497, (three months ended June 30, 2018 - \$8,498) to Marrelli Support for bookkeeping services. Victor Hugo, CFO of the Company, is an employee of Marrelli Support. As at June 30, 2019, Marrelli Support was owed \$3,967 (March 31, 2019 - \$15,350) and this amount was included in accounts payable and accrued liabilities.

(b) Remuneration of directors and key management personnel:

The Company defines its key management as the Board of Directors and Chief Executive Officer. Remuneration of directors and key management personnel of the Company was as follows:

Names	Three Months Ended June 30,	
	2019 (\$)	2018 (\$)
One-time bonus <sup>(i)</sup>	20,500	Nil
Share-based compensation	24,203	Nil

(i) While the CEO and directors of the Company are not paid for serving in such positions, they received bonuses upon completion of the Offering as follows: Yaron Conforti - \$7,500, Joel Freudman - \$10,500 and Johnathan Dewdney - \$2,500. The amount of \$20,500 have been accrued for and is included in accounts payable and accrued liabilities.

(c) Insider shareholdings

None of the Company's major shareholders have different voting rights than other holders of the Common Shares.

As of June 30, 2019, directors and officers of the Company, with individual control of less than 10% of the total common shares outstanding, collectively control 2,600,000 common shares or approximately 25% of the total common shares outstanding. To the knowledge of the directors and officers of the Company, the remaining common shares were widely held. These holdings can change at any time at the discretion of the owner, subject to applicable escrow requirements.

## **Disclosure of Internal Controls**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the Company's financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers of the Company are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this MD&A. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Risks and Uncertainties**

The Company is in the business of exploring mineral properties, which is a highly speculative endeavor that involves a high degree of risk. The Company's financial condition, results of operations and business are subject to numerous risks. For a complete discussion of such risks, please refer to the section entitled "Risks and Uncertainties" in the Annual MD&A.

## **Subsequent Events**

On July 2, 2019, the Company granted 100,000 stock options to a consultant of the Company at an exercise price of \$0.10 each with a term of 5 years.