

**IM EXPLORATION INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS –  
QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020**

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

---

## **Introduction**

The following Management's Discussion and Analysis ("MD&A") of IM Exploration Inc. (the "Company" or "IM Exploration") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion and analysis, being the Management Discussion and Analysis for the fiscal year ended March 31, 2020 ("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 years ended March 31, 2020 and 2019, and the unaudited condensed interim financial statements for the three and nine months ended December 31, 2020, 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 and nine months ended December 31, 2020 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at January 27, 2021 unless otherwise indicated.

The unaudited condensed interim financial statements for the three and nine months ended December 31, 2020, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited condensed interim consolidated 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.

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

**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, the Company’s exploration plans and corporate plans and strategies 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.

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
The Company’s business objectives and exploration program for fiscal 2021, including further work at the Mulloy Project and evaluation of other mineral exploration opportunities.	The operating activities of the Company will be consistent with IM Exploration’s current expectations; the Company will be successful in planning and executing its objectives, including its exploration program.	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, including First Nations consultation and objections, and challenges in finding suitable properties.
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); statements regarding sufficiency of working capital.	The operating and exploration activities of the Company, and the costs associated therewith, will be consistent with the Company’s current expectations; equity markets 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; 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 Graphite and other metals will be favourable.	Graphite and other metal price volatility; volatility in equity markets; changes in economic conditions.

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.

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

---

### **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 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").

From time to time the Company may also evaluate other mining projects and opportunities.

### **Overall Performance and Outlook**

The Company has no revenues, so its ability to ensure continuing operations is dependent on it completing the acquisition of 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 December 31, 2020, the Company had working capital of \$469,419 (March 31, 2020 – \$207,788) and cash and cash equivalents of \$468,579 (March 31, 2020 - \$249,368). Working capital and cash and cash equivalents increased during the nine months ended December 31, 2020 due to the proceeds from the non-brokered private placement (completed on August 24, 2020) of 6,200,000 common shares at \$0.05 each for gross proceeds of \$310,000.

The Company believes that it has sufficient capital to meet its ongoing operating expenses, and to continue its Phase 1 program at the Mulloy Project if further work is determined to be warranted. Management may increase or decrease budgeted expenditures depending on exploration results at the Mulloy Project, graphite prices, and the general economic environment. See "Financial Highlights - Liquidity and Capital Resources" below.

The Company's primary business objective is to explore early-stage mineral exploration properties, initially focused on 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 advancing of the Phase 1 recommended work program on the Mulloy Project as described in the technical report dated effective March 15, 2019 in respect of the Mulloy Project (the "Technical Report").

The Company completed permitting for the Mulloy Project in September 2019 and has commenced Phase 1 of the recommended program, 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. At present, during the off-season for exploration at the Mulloy Project, the Company's management and board of directors are evaluating potential further exploration activities at the Mulloy Project, as well as other potential mineral exploration opportunities, if any, that may benefit the shareholders of IM Exploration.

## **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 (the "Property").

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 the optionors in the aggregate amount of \$1,000,000.

During most of the calendar year 2020, no work was performed at the Mulloy Project due to several factors, including COVID-19, First Nations issues, and off-season for exploration. However, in December 2020, the Company commenced staking additional claims contiguous with the Mulloy Project, as well as carrying out a data compilation in respect of the project area. This work was completed subsequent to December 31, 2020.

Previously, two conductors were identified from a 2019 geophysical survey.

The first conductor ("Conductor A") is coincident with a strong magnetic high and is interpreted to be associated with a potential iron formation. In the vicinity of the Property, iron formations can be associated with base metal and gold mineralization. The conductor extends roughly east-west across the entire survey area (500 metres) and remains open at both ends.

The second conductor ("Conductor B") shows a slightly weaker response with no significant magnetic correlation. The lack of a magnetic response would suggest that Conductor B represents a graphite target. Conductor B runs parallel to Conductor A for approximately 200 metres and remains open to the west of the survey area.

Further exploratory sampling and drilling would be required before the Company can confirm these interpretations. As previously indicated, management and the board of directors are considering, among other things, the nature and scope of any further exploration activities at the Mulloy Project.

In July 2020, the Company distributed banked work credits on the cells comprising the original Mulloy Project. No additional work prior to August 13, 2021 is required to keep those cells good standing.

The additional land staked in late 2020 will not expire until November / December 2022.

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

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

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

### **Qualified Person**

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

### **Trends**

The Company is a mineral exploration company, initially 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 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 increased mineral exploration and development, particularly without excessively diluting present shareholders of the Company. In this regard, the Company's strategy is to explore 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.

### **Proposed Transactions**

The Company does not currently have any agreements in respect of any proposed asset or business acquisitions or dispositions.

### **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 December 31, 2020, compared to the three months ended December 31, 2019.

IM Exploration's net loss totaled \$14,859 for the three months ended December 31, 2020, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$21,672 for the three months ended December 31, 2019, with basic and diluted loss per share of \$0.00. The decrease in the net loss of \$6,813 was principally because:

- For the three months ended December 31, 2020, share-based payments was \$nil, compared to \$12,928 for the three months ended December 31, 2019.
- For the three months ended December 31, 2020, general and administrative expenses decreased by \$1,186. The decrease is primarily due to travel and meeting expenses incurred during the three months ended December 31, 2019.

The decreases were offset by:

- For the three months ended December 31, 2020, professional fees increased by \$6,615. The increase is due to legal fees related to general corporate matters and the increase in actual audit fees over the accrued amount for year ended March 31, 2020.

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

---

### **Cash Flow**

As at December 31, 2020, the Company had cash and cash equivalents of \$468,579 (March 31, 2020 - \$249,368). The increase in cash and cash equivalents during the nine months ended December 31, 2020 was primarily due to the proceeds from the Financing.

Cash and cash equivalents used in operating activities was \$84,756 for the nine months ended December 31, 2020. Operating activities were affected the change in non-cash working capital balances because of a decrease in accounts payable and accrued liabilities of \$48,378 and a decrease in amounts receivable of \$15,958.

### **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.

As at December 31, 2020 and as of the date of this MD&A, the Company had 16,600,000 Common Shares issued and outstanding, 850,000 stock options exercisable at a weighted average price of \$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. 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 \$469,419 at December 31, 2020, is anticipated to be adequate to complete most, if not all, of the Phase 1 and (if warranted by Phase 1 exploration results) Phase 2 programs recommended by the Technical Report (see "Overall Performance and Outlook" and "Exploration and Projects" above).



**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

---

**Changes in Accounting Policies**

The Company has adopted the following amendment to accounting standards, effective April 1, 2020.

IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

On April 1, 2020, the Company adopted IAS 1, and IAS 8 which refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The adoption of IAS 1 and IAS 8 had no impact on the 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) Remuneration of directors and key management personnel:

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

	Three months ended		Nine months ended	
	Dec 31 2020	Dec 31 2019	Dec 31 2020	Dec 31 2019
	\$	\$	\$	\$
Management services (i)	1,040	1,836	6,094	1,836
One-time bonus (ii)	-	-	-	20,500
Share-based compensation to directors and officers	-	10,674	-	34,877
	1,040	12,510	6,094	57,213

- i) Management services are for CFO fees.
- ii) While the CEO and directors of the Company are not paid for serving in such positions, they received bonuses upon completion of the IPO as follows: Yaron Conforti - \$7,500, Joel Freudman - \$10,500 and Johnathan Dewdney - \$2,500. The amount of \$20,500 had been accrued for and was paid in June 2020.

**IM EXPLORATION INC.**  
**Interim Management's Discussion and Analysis - Quarterly Highlights**  
**For the Three and Nine Months Ended December 31, 2020**  
**Dated - January 27, 2021**

---

(b) The Company has entered into the following transactions with related parties:

	Three months ended		Nine months ended	
	Dec 31 2020	Dec 31 2019	Dec 31 2020	Dec 31 2019
	\$	\$	\$	\$
Marrelli Support Services Inc. ("Marrelli Support") (i)	-	-	-	14,926
	-	-	-	14,926

- i) For the three and nine months ended December 31, 2020, the Company expensed \$nil and \$nil, respectively, (three and nine months ended December 31, 2019 - \$nil and \$14,926) to Marrelli Support for bookkeeping services. Victor Hugo, former CFO of the Company, is an employee of Marrelli Support.

(c) Insider shareholdings

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

As of December 31, 2020, directors and officers of the Company, with individual control of less than 10% of the total common shares outstanding, collectively control 3,350,000 common shares or approximately 20% of the total common shares outstanding. To the knowledge of the directors and officers of the Company, the remaining common shares were widely held, i.e. no "control person" with greater than 20% ownership. 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.

### **COVID-19 Global Pandemic**

The novel coronavirus ("COVID-19") pandemic continues to impact the economic conditions and financial markets. The Company is continually monitoring the potential impact on its operations and the Company's exploration has been adversely impacted and delayed. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.