**WALCOTT RESOURCES LTD.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three and nine months ended June 30, 2020**

The following Management's Discussion and Analysis ("**MD&A**") has been prepared by management, in accordance with the requirements of NI 51-102 as of August 28, 2020 and should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended June 30, 2020 and 2019, the audited consolidated financial statements for the years ended September 30, 2019 and 2018, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("**IFRS**"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

**Business Overview**

The Company was incorporated in the province of British Columbia on December 11, 2017. Its principal business comprises the exploration for and development of mineral properties. The Company is in the exploration stage.

On July 20, 2019, the Company completed its initial public offering and listed on the Canadian Securities Exchange ("CSE") under the symbol "WAL".

The head office and principal address of the Company is located at 1315 Moody Avenue, North Vancouver, BC V7L 3T5.

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken by countries to contain and treat the disease.

**Proposed Transaction**

On August 13, 2020, the Company entered into a share exchange agreement among the Company, 1256714 B.C. Ltd. ("TargetCo") and the shareholders of TargetCo (the "Definitive Agreement"), pursuant to which, subject to regulatory approval, the Company will acquire 60% of the issued and outstanding shares of TargetCo (the "Proposed Transaction"). Targetco owns a 100% interest (subject to a 2% NSR) in two prospective silver-zinc projects in Australia, being the Tyr Silver Project and the Century South Silver-Zinc Project.

Pursuant to the terms of the Definitive Agreement, upon the date of closing (the "Closing Date") of the Proposed Transaction, Walcott will acquire 60% of the issued and outstanding securities of TargetCo in consideration for the issuance of 15,000,000 common shares of the Company (the "Payment Shares") pro-rata to shareholders of TargetCo at a deemed price of $0.305 per Payment Share. In addition, subject to approval of the Canadian Securities Exchange (the "CSE"), the Company will issue 675,000 common shares to an arm's length third party finder in connection with the Proposed Transaction (the "Finders' shares") at a deemed price of $0.305 per Finders' Share. The Payment Shares will not be subject to any hold periods under applicable securities laws. The Finders' Shares will be subject to a four month and one day hold period under applicable securities laws.

The Proposed Transaction remains subject to certain closing conditions including, without limitation, (a) the receipt by the Company of all necessary corporate and regulatory approvals, including the approval of the CSE, as applicable; and (b) each party's representations and warranties in the Definitive Agreement being true and correct in all aspects as of the Closing Date, and each party meeting its terms and conditions

and completing its covenants and obligations as contained therein. There can be no guarantees that the Proposed Transaction will be completed as contemplated or at all.

**Cobalt Hill Property**

Pursuant to an option agreement (the "Agreement") dated February 5, 2018 and Amended April 25, 2019, the Company was granted an option to acquire a 100% undivided interest in certain Cobalt Hill mineral claims (the "Property") located in the Trail Creek Mining Division in British Columbia.

In accordance with the Agreement, as amended, the Company has the option to acquire a 100% undivided interest in the Property by making cash payments totaling $355,000, and issuing a total of 1,100,000 common shares of the Company as follows:

- Upon signing the Agreement – 200,000 common shares (issued) and $35,000 in cash (paid);
- On or before February 5, 2019 - 200,000 common shares (issued) and $40,000 in cash (paid);
- On or before February 5, 2020 - 300,000 common shares (issued);
- On or before August 5, 2020 - $80,000 in cash; and
- On or before February 5, 2021 - 400,000 common shares and $200,000 in cash.

The optionor will retain a 1.5% Net Smelter Returns royalty on the Property.

On July 9, 2020, the Company amended the terms of the Cobalt Hill property option agreement by reducing the amount of the payment due August 5, 2020 from $80,000 to $15,000, with the balance of $65,000 being payable on or before December 31, 2020.

The following is a summary of exploration and evaluations asset expenditures to June 30, 2020 and September 30, 2019:

| | June 30, 2020 | September 30, 2019 |
|---|---|---|
| | $ | $ |
| Acquisition costs: | | |
| Balance, beginning of year | 95,000 | 45,000 |
| Additions | 60,000[2] | 50,000[1] |
| Balance, end of year | 155,000 | 95,000 |
| | | |
| Deferred exploration expenditures: | | |
| Balance, beginning of year | 86,524 | 78,484 |
| Geological and permitting | 8,001 | 8,040 |
| Balance, end of year | 94,525 | 86,524 |

[1]Includes 200,000 shares valued at $0.05 per share and $40,000 paid in cash
[2]300,000 shares valued at $0.20 per share

Overall Performance

During the period from incorporation in December 2017 to March 31, 2020, the company initiated certain exploration activities on the Property, spending $92,390 which was capitalized by the Company.

The components of expensed exploration costs are described above in the Cobalt Hill Property section and in the accompanying audited financial statements of the Company.

Results of Operations – For the three months ended June 30, 2020 and 2019:

The Company incurred a loss of $29,061 during the three months ended June 30, 2020 due to expense incurred by the Company as follows:

| | June 30, 2020 | September 30, 2019 |
|---|---|---|
| | $ | $ |
| General and administrative | 1,500 | 63 |
| Management fees | 10,500 | - |
| Professional fees | 3,745 | 1,649 |
| Regulatory and filing fees | 4,108 | 150 |
| Marketing | 66 | - |
| | 19,919 | 1,862 |

General and administrative increased to $1,500 due to rent and management fees increased to $10,500 for fees paid to the CEO and CFO of the Company.

Summary of Quarterly Results

Selected information derived from the Company's unaudited interim financial statements for the past eight quarters is as follows:

| | **Three Moths Ended June 30, 2020** | **Three Moths Ended March 31, 2020** | **Three Months Ended Dec. 31, 2019** | **Three Months Ended Sept. 30, 2019** | **Three Months Ended June 30, 2019** | **Three Months Ended March 31, 2019** | **Three Months Ended Dec. 31, 2018** | **Three Months Ended Sept. 30, 2018** |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | - | - | - | - | - | - | - | - |
| **Loss and comprehensive loss** | (19,919) | (21,974) | (29,061) | (73,235) | (9,862) | (17,241) | (28,759) | - |
| **Total assets** | 393,857 | 152,073 | 162,927 | 383,373 | 192,388 | 186,697 | 177,151 | 203,432 |
| **Working Capital (Deficit)** | 115,318 | 137,373 | 158,306 | 194,273 | (36,979) | (31,330) | 49,192 | 58,883 |
| **Long-term liabilities** | - | - | - | - | - | - | - | - |
| **Loss per share – basic and diluted** | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |

Liquidity and Capital Resources

The net working capital of the Company at June 30, 2020 amounted to $115,318 (September 30, 2019: $194,273). The Company does not have any cash flow from operations due to the fact that it is an exploration stage company and therefore financings have been the sole source of funds.

The Company's current assets are not sufficient to support the company's general administrative and corporate operating requirements on an ongoing basis for the foreseeable future. Accordingly, further financing will be required and the Company will have to raise additional funds to continue its operations. Please see Overall Performance section with respect to the Company's financing plans.

During the nine months ended June 30, 2020, the Company completed the following transactions:

- In February, 2019, the Company issued 200,000 common shares to the optionor pursuant to the Option Agreement.
- On July 30, 2019, the Company completed its initial public offering (the "Offering"). Pursuant to the Offering, the Company issued in aggregate 3,500,000 common shares at $0.10 per common share for gross proceed of $350,000. The Company issued 315,000 finders' warrants with an exercise price of $0.15 to the agent.
- On January 30, 2020, the Company issued 300,000 common shares to the optionor pursuant to the Option Agreement.

On August 6, 2020, the Company issued 4,000,000 units (each, a "Unit") of the Company at a price of $0.10 per Unit for aggregate proceeds of $400,000 (the "Private Placement"). Each Unit consisted of one common share of the Company and one non-transferable share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share at an exercise price of $0.15 per share for a period of 24 months from the date of the closing.

*Liquidity Outlook*

The Company's cash position is highly dependent on its ability to raise cash through financings.

Based on the Company's financial position as at June 30, 2020, the Company will need to complete additional external financing either through equity, debt or other forms of financing. As other opportunities become available to the Company and subject to exploration work on the Company's project and results from such exploration program is determined, management may be required to complete additional financing.

This outlook is based on the Company's current financial position and is subject to change if opportunities become available based on exploration program results and/or external opportunities. At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company will need to raise funds through equity sales, from the exercise of convertible securities, debt, deferral of payments to related parties, or other forms of raising capital. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the short and long term, but recognizes that there will be risks involved which may be beyond its control.

## Going Concern

The Company's consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception, has no recurring source of revenue and, as at June 30, 2020, had an accumulated deficit of $220,484. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company will need to raise sufficient funds as the Company's current assets are not sufficient to finance its operations and administrative expenses. The Company is evaluating financing options including, but not limited to, the issuance of additional equity and debt. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by numerous factors including the progress and results of its projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets.

The Company spent $8,001 during the nine months ended June 30, 2020 on exploration activities on Cobalt Hill claims (June 30, 2019: $Nil) which were capitalized. The funds spent on exploration activities were raised through share issuances.

The Company is required to make the scheduled payments of cash and shares detailed under the Cobalt Property Section in order to keep the property option in good standing.

## Contractual Obligations

The Company is subject to certain contractual obligations associated with the Cobalt Hill Option Agreement as discussed above. The Company has no other material and long-term contractual obligations.

## Significant Accounting Policies and Estimates

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances and require judgment on matters which are inherently uncertain. Details of the Company's significant accounting policies can be found in Note 2 of the audited annual financial statements for year ended September 30, 2019.

New Accounting Standards

The Company is aware of certain new accounting standards which are reasonably expected to have an impact on disclosures, financial position or performance when applied at a future date. Details of these changes can be found in Note 4 of the audited annual financial statements for the year ended September 30, 2019.

Related Party 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.

During the three months ended June 30, 2020, the Company incurred $10,500 (June 30, 2019: $Nil) in management fees for the CEO and CFO of the Company and no other related party transactions have been completed. As at June 30, 2020, there was $6,000 in management fees due to the CEO of the Company which were subsequently paid in July 2020.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Fair Value of Financial Instruments*

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

*Fair value*

The fair value of the Company's financial instruments approximates their carrying value as at June 30, 2020 because of the demand nature or short-term maturity of these instruments.

*Financial risk management objectives and policies*

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Currency Risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

*Interest Rate Risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

*Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the risk, the Company places these instruments with a high-quality financial institution.

*Liquidity Risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

<u>Outstanding Common Shares</u>

As at the date of this MD&A:

- 16,220,000 Common Shares issued and outstanding including 2,941,980 held in escrow;
- 400,000 common shares remain issuable under the Option Agreement;
- 315,000 Share Purchase Warrants, priced at $0.15 are outstanding and expire on July 30, 2021;
- 4,000,000 Share Purchase Warrants, priced at $0.15 are outstanding and expire on August 6, 2022.
- 700,000 stock options