

**EQUITORIAL EXPLORATION CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JUNE 30, 2019**

**1.1 DATE OF REPORT** JULY 31, 2019

**1.2 OVERALL PERFORMANCE**

*General*

Equitorial Exploration Corp. (the "Company") was incorporated on September 21, 2010 under the laws of the British Columbia Business Corporations Act.

The following Management Discussion and Analysis has been prepared as of July 31, 2019, should be read in conjunction with the audited financial statements for the years ended December 31, 2018 and 2017 and related notes attached thereto, which are prepared in accordance with IFRS. All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**Description of Business**

The Company is a junior natural resource company engaged in the acquisition, exploration and development of mineral properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the TSX Venture Exchange under the symbol EXX and Frankfurt: EE1 and EQTFX on the OTCQB markets in the United States.

The Company has yet to receive any revenue from its natural resource exploration operations. Accordingly, the Company has no operating income or cash flows. Its continued existence has relied almost exclusively upon equity financing activities, which is not expected to significantly change in the immediate future.

**Forward Looking Information**

Certain statements in this Management Discussion and Analysis constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically containing statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose" or similar words suggesting future outcomes or statements regarding, and outlook. Forward-looking statements or information in this Management Discussion and Analysis include, but are not limited to, statements regarding:

- Business objectives, plans and strategies;
- Exploration objectives, plans and strategies; and,
- Certain geological interpretations and expectations.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this Management Discussion and Analysis, assumptions have been made regarding, among other things:

- The ability of the Company to continue to fund its operations through financings, options and joint ventures;
- The ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities;
- The level of exploration activities and opportunities;
- The ability of the Company to retain access and develop its mineral claims; and
- Current and future mineral commodity prices.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- The ability of management to execute objectives, plans and strategies;
- Exploration, development and operational risks inherent in the mining industry;
- Market conditions;
- Risks and uncertainties inherent in geology and exploration for deposits;
- Potential delays and changes in plans;
- The Company's ability to retain land tenure;
- Uncertainties regarding financings and funding;
- General economic and business conditions;
- Possibility of governmental policy changes;
- Changes in First Nations policies;
- Other risks and uncertainties described within this document.

The forward-looking statements or information contained in this Management Discussion and Analysis are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities law.

## **Significant Acquisitions**

### ***Li Property***

On July 27<sup>th</sup>, 2016 the Company purchased from Strategic Metals LTD 100% interest of the **Li Property** which hosts the **Little Nahanni Pegmatite Group (LNPG)** lithium-cesium-tantalum (LCT) pegmatite dykes that have been traced for over 13km. The property is located in the North West Territories and is 37km northwest of the recently closed tungsten mine (Cantung). A gated road that extends northwest from Cantung passes within 5km of the LNPG property.

As consideration of the purchase and sale, the Company has issued to Strategic 5,000,000 common shares of the Company on the closing date; and paid \$100,000 towards expenditures required for the 2016 work program on the Property and grant a 2% NSR Royalty to Strategic. The Company will have the right to buy down half of the NSR Royalty (equal to 1% of the Net Smelter Returns) in consideration for \$2,000,000. Within one year of the closing date, the Company will issue to Strategic 2,500,000 (issued) common shares of the Company; and 2,500,000 common share purchase warrants (issued) of the Company, with each warrant entitling Strategic to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the date of issue of the warrants.

During the 2016 field program, a total of 81 channel samples were cut across parts of the lithium-cesium-tantalum pegmatite dike swarms that comprise the Prison Wall, Berlin Wall, Great Wall of China and Hadrian's Wall dike swarms within cirques 3 and 4. Highlights from individual dikes within and adjacent to dike swarms include:

- 1.57 per cent lithium oxide (Li<sub>2</sub>O), 250.3 grams per tonne (g/t) tantalum pentoxide (Ta<sub>2</sub>O<sub>5</sub>) and 0.95 per cent tin dioxide (SnO<sub>2</sub>) across 1.7 metres;
- 2.04 per cent Li<sub>2</sub>O, 57.8 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across four metres;
- 3.1 per cent Li<sub>2</sub>O, 53.6 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.03 per cent SnO<sub>2</sub> across 0.95 metre;
- 2.33 per cent Li<sub>2</sub>O, 59 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across 1.2 metres;
- 1.67 per cent Li<sub>2</sub>O, 41.4 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.03 per cent SnO<sub>2</sub> across 3.75 metres;
- 1.83 per cent Li<sub>2</sub>O, 67.3 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.05 per cent SnO<sub>2</sub> across 1.25 metres;
- 1.63 per cent Li<sub>2</sub>O, 52.9 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.01 per cent SnO<sub>2</sub> across 5.15 metres.

In March 2017, the Company has filed NI 43-101 technical report. The 43-101 technical report concludes that, *'results such as 10.35m at 1.13% Li<sub>2</sub>O, 71.1 g/t Ta<sub>2</sub>O<sub>5</sub> and SnO<sub>2</sub> are highly encouraging.*

The Technical Report titled "Geology and Summary Report of the Little Nahanni Pegmatite Prospect" was prepared by Timothy Liverton, Phd, C.Geol, FGS, an independent qualified person as defined by National Instrument 43-101. The report has been filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) under the Equitorial Exploration Corp. profile.

During the period ended June 30, 2017, the Company received a land use permit. The permit is valid for 5 years and allows the Company to conduct diamond drilling from a camp located on the property.

On November 28, 2017, the Company reported the results from the resampling of 2007 diamond drill core from its 100%-owned Little Nahanni Pegmatite Group (LNPG) Lithium Property (NWT). Equitorial resampled the 2007 diamond drill core because the previous operator's focus was tantalum and tin and many of the 2007 samples exceeded the upper detection limit for lithium (1%) and were not further analyzed.

#### **Resampling Highlights**

- **Five holes totaling 1,120 m drilled**
- **1.47% Li<sub>2</sub>O, 39 g/t Ta<sub>2</sub>O<sub>5</sub>, and 0.0% SnO<sub>2</sub> over 9.66 m**
- **1.03% Li<sub>2</sub>O, 31 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.02% SnO<sub>2</sub> over 17.96 m**
- **1.04% Li<sub>2</sub>O, 319 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.07% SnO<sub>2</sub> over 1.76 m**
- **0.84% Li<sub>2</sub>O, 38 g/t Ta<sub>2</sub>O<sub>5</sub> and 0.02% SnO<sub>2</sub> over 3.68 m**

### Li<sub>2</sub>O Grade Comparison 2007 to 2017

DDH	2007 Width (m)	2007 Grade Li <sub>2</sub> O	2017 Width (m)	2017 Grade Li <sub>2</sub> O (%)	% Increase in Li <sub>2</sub> O
MAC006	18.27	0.92%	<b>17.96</b>	<b>1.03%</b>	<b>12%</b>
MAC007	10.94	1.20%	<b>9.66</b>	<b>1.47%</b>	<b>23%</b>

### Diamond Drill Core Highlights\*

DDH	From (m)	To (m)	Width (m)	Li <sub>2</sub> O (%)	SnO <sub>2</sub> (%)	+
MAC006	61.88	66.86	4.98	0.26	0.02	76
MAC006	62.15	66.87	4.72	0.52	0.02	74
	<b>85.58</b>	<b>87.34</b>	<b>1.76</b>	<b>1.04</b>	<b>0.07</b>	<b>319</b>
	<b>172.29</b>	<b>190.25</b>	<b>17.96</b>	<b>1.03</b>	<b>0.02</b>	<b>31</b>
MAC007	<b>107.13</b>	<b>116.79</b>	<b>9.66</b>	<b>1.47</b>	<b>0.03</b>	<b>39</b>
	125.59	129.33	3.74	0.26	0.01	15
	<b>146.94</b>	<b>150.62</b>	<b>3.68</b>	<b>0.84</b>	<b>0.02</b>	<b>38</b>
MAC008	41.40	43.46	2.06	0.16	0.001	2
	146.89	147.32	0.43	0.24	0.08	156
	154.10	158.43	4.33	0.38	0.01	50
	<b>156.55</b>	<b>158.43</b>	<b>1.88</b>	<b>0.67</b>	<b>0.03</b>	<b>111</b>

On July 24, 2019, the Company announced the commencement of a metallurgical bench test program using material from its LNPG property in the NWT. The Little Nahanni Pegmatite Group Property (LNPG) is a 100% owned Rare Element Lithium-Cesium-Tantalum, LCT pegmatite complex similar in geology to the Greenbushes Pegmatite LCT deposits in Australia. The LNPG property is located in the Northwest Territories 37 kilometres northwest of the recently closed Cantung tungsten mine. A gated road extending northwest from Cantung passes within five kilometres of the LNPG property.

The company's NI 43-101 ( March 20, 2017 ) concludes that there are, "Sufficient grades to bring the rock to within economic values." The combined strike length is 13km and the dyke swarms up to 500 meters. Peak assay values from drill core returned up to 3.1% Li<sub>2</sub>O.

The metallurgical test program will include scoping level testwork to evaluate processing options for the LNPG property. Testwork will be conducted by SGS Canada and managed by Archer, Cathro & Associates (1981) Limited. Phase 1 of the testwork program will include quantitative mineralogy, magnetic separation and flotation testing to produce a high-grade lithium concentrate. If results of the phase 1 work are promising, phase 2 testwork will proceed, including roasting, leaching and hydrometallurgical purification targeting production of battery-grade lithium carbonate.

Technical information in this news release has been approved by Matthew R. Dumala, P.Eng., a geological engineer with Archer Cathro and a qualified person for the purpose of National Instrument 43-101.

### ***Mag One Products Inc.***

On March 11, 2016, the Company entered into agreement with Mag One Products Inc. (“Mag One”), in which Mag One has granted the Company a first right to a 50/50 JV to fund equally the construction of the first magnesium and refining production facility for use by Mag One to produce magnesium metal and related products, by using its proprietary magnesium metal technology upon the Company completing its investment of \$1 million Canadian dollars to Mag One.

The terms of the JV shall be set out in a formal JV agreement once the Investment is in place. Upon the successful completion of the first production and refining facility under the JV terms, the Company shall then have the first right to enter into a further 50/50 JV in regard to participate to funding of the construction of the second production and refining facility on the same terms as the first JV. The Company will also have the right to fund other production facilities on a 50/50 JV, on a non-exclusive basis, with Mag One once the first 2 facilities are funded and in operation.

### **Amendment to Agreement**

On May 2<sup>nd</sup>, 2016, The Company and Mag One have amended their agreement announced March 11, 2016. Upon providing \$750,000 (paid) of the initial \$1.5M private placement, the Company will have earned an exclusive right to enter into the first JV to fund, on a 50/50 basis, the construction of production facilities that Mag One will use to produce magnesium metal and products.

The Company will also have the right to fund other production facilities on a 50/50 JV, on a non-exclusive basis, with Mag One. On the Company advancing a second \$750,000, then it would have an exclusive option to enter into a second JV to fund, on a 50/50 basis a second facility on the same basis as the first JV.

On May 6, 2016, the Company bought 833,333 units of Mag One at a price of \$0.90 per unit. Each unit has one common share and one share purchase warrant at a price of \$1.10 per share expiring on May 6, 2017.

On May 18, 2016, the Company further bought 277,778 units at a price of \$0.90 per unit. Each unit has one common share and one share purchase warrant at a price of \$1.10 per share expiring on May 18, 2017.

### 1.3 SELECTED FINANCIAL INFORMATION

	December 31, 2018	December 31, 2017	December 31, 2016
Total revenues	\$ -	\$ -	\$ -
Income (loss) before other items	(1,396,781)	(1,916,316)	(672,128)
Net income (loss) attributable to shareholders of the Company	(1,900,865)	(2,998,135)	(2,242,196)
Income (loss) per share basic and diluted	(0.02)	(0.05)	(0.03)
Total assets	705,692	1,261,707	2,795,004

### 1.4 RESULTS OF OPERATIONS

These interim consolidated financial statements, as at and for the six months ended June 30, 2019, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The Company recorded a net loss for the period ended June 30, 2019 of \$151,990 (\$0.00 per share) and had cumulative deficit of \$10,055,705 as compared to cumulative deficit of \$9,903,715 for the year ended December 31, 2018.

#### *Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018*

The total expenses were \$151,990, a decrease of \$847,243 compared to \$999,233 for the comparable period of the prior year. This was mainly due to decrease in exploration expenses, consulting fees, stock based compensation expenses and shareholders information.

Accounting and audit fees were increased by \$4,940. This was due to an increase in accounting fees.

The consulting fees were decreased by \$196,554 as a result of decreased activities in business development, marketing and in administration services.

Exploration expenses decreased by \$186,621. In current period, the Company has not spent in exploration expenses.

The filing fees were decreased by \$1,099.

The legal fees were increased by \$3,256 due to the closing of private placements.

Office expenses were decreased by \$2,717 due to less office activities.

Rent expenses were increased by \$765 due to increase in monthly rent.

The shareholder information expenses were decreased by \$111,908. This was due to lesser money spent on various channels to reach out to potential shareholders.

The share transfer agent fees were decreased by \$1,010.

The travel expenses were decreased by \$9,295. Travel expenses fluctuate significantly from period to period depending on the initiatives underway.

***Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018***

The total expenses were \$96,281, a decrease of \$477,069 compared to \$573,350 for the comparable period of the prior year. This was mainly due to decrease in exploration expenses, consulting fees, stock based compensation expenses and shareholders information.

Accounting and audit fees were increased by \$1,940. This was due to an increase in accounting fees.

The consulting fees were decreased by \$181,554 as a result of decreased activities in business development, marketing and in administration services.

Exploration expenses decreased by \$37,938. In current quarter, the Company has not spent in exploration expenses.

The filing fees were decreased by \$1,549.

The legal fees were increased by \$1,631 due to the closing of private placements.

Office expenses were decreased by \$2,929 due to less office activities.

Rent expenses were increased by \$765 due to increase in monthly rent.

The shareholder information expenses were decreased by \$71,784. This was due to lesser money spent on various channels to reach out to potential shareholders.

The share transfer agent fees were decreased by \$104.

The travel expenses were decreased by \$9,890. Travel expenses fluctuate significantly from period to period depending on the initiatives underway.

## 1.5 SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue	Net (loss) gain	Net loss per share
	\$	\$	\$
June 30, 2019	0	(96,281)	(0.00)
March 31, 2019	0	(55,709)	(0.00)
December 31, 2019	0	(620,943)	(0.01)
September 30, 2018	0	(280,689)	(0.00)
June 30, 2018	0	(573,350)	(0.01)
March 31, 2018	0	(425,883)	(0.01)
December 31, 2018	0	(434,686)	(0.01)
September 30, 2017	0	(402,676)	(0.01)

Due to written off mineral property \$504,091, the net loss was \$620,943 for the quarter ended December 31, 2018.

Due to increase in consulting fees and stock based compensation expenses the net loss was \$573,350 for the quarter ended June 30, 2018.

## 1.6 LIQUIDITY

As at June 30, 2019, the Company had working capital deficiency of (\$153,648) as compared to working capital (deficiency) of \$(311,606) on December 31, 2018.

### *Cash Flow from Operations*

During the period ended June 30, 2019, the Company had cash out-flow of \$(100,466) from operations compared to an outflow of \$(777,946) in the comparable period of the previous year.

During the period Accounts receivable increased by \$604, prepaid expenses decreased by \$500, and accounts payable increased by \$51,628.

During the quarter ended June 30, 2019, the Company had cash out-flow of \$(102,053) from operations compared to an outflow of \$(562,040) in the comparable period of the previous year.

During the quarter Accounts receivable increased by \$1,173, and accounts payable decreased by \$4,599.

### *Investing Activities*

During the period ended June 30, 2019, the net cash from (to) investing activities were \$20,313 compared to \$33,577 in the comparable period of the previous year.

During the period, due to related parties were increased by \$20,313.

During the quarter ended June 30, 2019, the net cash from (to) investing activities were \$22,743 compared to \$6,152 in the comparable period of the previous year.

During the quarter, due to related parties were increased by \$22,743.

### *Financing Activities*

During the period ended June 30, 2019, the net cash from financing activities were \$309,948 compared to \$824,081 in the comparable period of the previous year.

During the period, the Company raised \$352,500 through private placements. The share issuance costs were \$42,552,

During the quarter ended June 30, 2019, the net cash from financing activities were \$309,948 compared to \$634,081 in the comparable period of the previous year.

During the period, the Company raised \$352,500 through private placements. The share issuance costs were \$42,552,

Since incorporation, the Company's capital resources have been limited. The Company has to rely upon the sale of equity and debt securities for cash required for administration, acquisitions and exploration programs, among other things. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next year, it is unlikely that significant cash will be generated from operations over this period. Since the Company is unlikely to have significant cash flow, the Company will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company is engaged in the acquisition, exploration and development of natural resource properties.

## **1.7 CAPITAL RESOURCES**

On May 31, 2019, the Company completed a private placement of 2,750,000 units at a price of \$0.03 per unit for gross proceeds of \$82,500 and paid share issuance costs of \$5,160. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.05 for a period of two years. The Company paid \$11,765 legal fees and also issued 172,000 finder's warrants at a price of \$0.05 per warrant share for a period of two years from the date of closing. The warrants were valued at \$1,782 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.67%, expected life of 2 years, volatility of 88.86% and a dividend yield of 0%.

On June 28, 2019, the Company completed a private placement of 9,000,000 units at a price of \$0.03 per unit for gross proceeds of \$270,000 and paid finders fees of \$21,600. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.05 for a period of two years. The Company paid 4,027 legal fees and also issued

720,000 finder's warrants at a price of \$0.05 per warrant share for a period of two years from the date of closing. The warrants were valued at \$12,032 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.35%, expected life of 2 years, volatility of 88.76% and a dividend yield of 0%.

On July 29, 2019, the Company completed a private placement of 700,000 units at a price of \$0.03 per unit for gross proceeds of \$21,000 and paid finders fees of \$1,680.00. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.05 for a period of two years. The Company issued 56,000 finder's warrants at a price of \$0.05 per warrant share for a period of two years from the date of closing. The warrants were valued at \$955 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.58%, expected life of 2 years, volatility of 74.40% and a dividend yield of 0%.

## **COMMITMENTS**

At present, the Company has no commitments.

### **1.8 OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

### **1.9 RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2019, the Company entered into the following transactions with the related parties:

- (a) During the period ended June 30, 2019, the Company incurred consulting fees of \$48,000 (June 30, 2018: \$45,000) with directors, companies owned by directors and a company by common directors.

As at June 30, 2019, \$105,593 (December 31, 2018 - \$85,280) was owing to companies controlled by directors and officers of the Company.

- (b) During the period ended June 30, 2019, payment of rent of \$7,231 (June 30, 2018: \$3,000) pertains to rent paid to a company related by a common officer for shared office premises.
- (c) During the period ended June 30, 2019, the Company incurred accounting fees of \$30,000 (June 30, 2018: \$24,000) with an officer of the Company.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment. All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

### **1.11 PROPOSED TRANSACTIONS**

N/A

## 1.12 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts, determination of functional currency and provision for restoration, rehabilitation and environmental costs.

### Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

### Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## 1.13 CHANGES IN ACCOUNTING POLICIES

## **Accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2019, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 16 *Leases* (“**IFRS 16**”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and nonlease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Company does not expect the implementation of this new standard will have any significant impact to its financial statements.

## **Significant Accounting Policies**

### **(a) Basis of measurement**

These financial statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value. All financial information in these financial statements is presented in Canadian dollars.

### **(b) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less and which are readily convertible into a known amount of cash. The Company’s cash and cash equivalents are invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

### **(c) Foreign currency translation**

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**(d) Impairment of tangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(e) Deferred income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**(f) Provision for decommissioning and restoration**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the

amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at June 30, 2019, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

**(g) Share based payments**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non- employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(h) Earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. For the period presented, dilutive loss per share is equal to basic loss per share.

**(i) Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts, determination of functional currency and provision for restoration, rehabilitation and environmental costs.

### Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

### Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### **(j) Mineral properties**

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to

lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### **(k) Financial instruments**

Effective January 1, 2018, the Company has adopted IFRS 9 Financial Instruments ("IFRS 9") which replaced IAS 39 Financial Instruments and elected to use the exemption to not restate comparative information for prior periods. Prior periods were not restated and no material changes resulted from adopting this new standard. IFRS 9 introduced a revised model for classification and measurement, and there were no quantitative impacts from adoption on the Company's audited financial statements.

As a result of the adoption of IFRS 9, The Company's accounting policy for financial instruments under IFRS 9 has been updated as follows:

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified at FVTPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified and measured at:

(i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL). All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The classification determines the method by which financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Cash and cash equivalents, and accounts receivable are measured at FVTPL with subsequent impairments recognized in the statements of operations and comprehensive loss. Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. Financial liabilities, other than financial liabilities classified as FVTPL, are measured in subsequent periods at amortized cost using the effective interest method. Accounts payable and due to related parties are classified as other financial liabilities and carried on the balance sheet at amortized cost.

#### **Impairment and uncollectibility of financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if objective evidence that can be estimated reliably indicates that one or more

events have had a negative effect on the estimated future cash flows of that asset. If a financial asset measured at amortized cost is impaired, an amount equal to the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate is recognized as an impairment loss in the statement of loss and comprehensive loss. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are recognized in the statements of loss and comprehensive loss in the period in which they occur.

#### Impact of change in accounting policy

Upon initial application of IFRS 9, there is no impact to the audited financial statements as of the date of initial application. Under IFRS 9, the Company's financial instruments are classified and subsequently measured as follows: cash and cash equivalents and accounts receivable are valued at FVTPL, accounts payable and due to related parties are valued at amortized cost.

#### **(l) 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. Parties are also considered to be related if they are subject to common control, 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.

#### **(m) Investment in Associates**

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates are recognized in the statements of income (loss).

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If the interests are impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statements of income (loss).

### **FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

#### **(a) Fair value of financial instruments**

The Company's financial instruments at June 30, 2019 consist of cash and cash equivalents, accounts receivables, accounts payables and due from/to related parties. Cash and cash

equivalents are carried at fair value using a level 1 fair value measurement. The carrying values of accounts receivables, accounts payables and due from/to related parties approximate their fair values because of their nature and respective maturity dates or durations.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2019 as follows:

		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Financial Assets</b>								
Cash and cash equivalents	\$	241,641	\$	-	\$	-	\$	241,641
	<b>\$</b>	<b>241,641</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>241,641</b>

### **(a) Risk Management**

#### Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company's receivables consist of mostly GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

#### Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

#### Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

#### Foreign currency risk

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars and US dollars. In the past years, to fund exploration expenses, it maintains a US dollars-denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. After the deconsolidation of its foreign subsidiaries, its major transactions are in Canadian dollars. Management believes the foreign exchange risk

derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

#### Commodity price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

#### **(b) Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes cash, debt and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and adjusts to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to those markets, and by its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. However, it is subject to any regulations and rules imposed by the TSX Venture Exchange in issuing and/or maintaining debt or equity financings. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

It is management's opinion that the fair value of the Company's cash, accounts receivable, accounts payable and accrued liabilities, approximate their carrying value due to the relatively short periods to the maturity of the instruments.

None of the Company's financial instruments are denominated in U.S. dollars, and the Company does not use foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

## **1.15 OTHER MD&A REQUIREMENTS**

### **Financial and Disclosure Controls and Procedures**

During the period ended June 30, 2019, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the period ended June 30, 2019 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

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"), the venture issuer basic certificate 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. 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 as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Outstanding Share Data**

- a) The Company's authorized share capital consists of unlimited common and preferred shares without par value.
- b) As at July 31, 2019, the Company had a total of 92,850,831 (December 31, 2018: 80,400,831) common shares issued and outstanding.
- c) As at July 31, 2019, the Company had 23,437,366 (December 31, 2018: 10,039,366) warrants outstanding.
- d) As at July 31, 2019, the Company had 4,375,000 (December 31, 2018: 5,275,000) stock options outstanding.

**Additional Disclosure for Venture Issuers without Significant Revenue**  
**Schedule of General and Administrative costs:**

	<b>Three Months Ended June 30, 2019</b>	Three Months Ended June 30, 2018	<b>Six Months Ended June 30, 2019</b>	Six Months Ended June 30, 2018
<b>Expenses</b>				
Accounting and audit	\$ 15,240	\$ 13,300	\$ 30,240	\$ 25,300
Bank charges	53	344	106	482
Consulting fees	65,621	247,175	90,371	286,925
Exploration expenses	-	37,938	-	186,621
Filing fees	5,835	7,384	11,785	12,884
Legal	1,935	304	7,060	3,804
Office expenses	676	3,605	2,345	5,062
Rent (	5,731	4,966	7,231	6,466
Share based compensation	-	175,366	-	346,624
Shareholders' information	-	71,784	-	111,908
Transfer agent fees	1,134	1,238	2,162	3,172
Travel	56	9,946	690	9,985
	<b>\$ 96,281</b>	<b>\$ 573,350</b>	<b>\$ 151,990</b>	<b>\$ 999,233</b>

**Schedule of Exploration and Development Costs:**

During the period ended June 30, 2019, the Company incurred property acquisition costs as follows:

	USA Tule Valley Utahs \$	Canada Li Property \$	Canada Cat Property \$	Total \$
<b>Mineral properties</b>				
Balance, December 31, 2017	406,592	689,688	97,500	1,193,780
Acquisition costs incurred during the year	-	-	-	-
Written-off	(406,592)	-	(97,499)	(504,091)
Balance, December 31, 2018	-	689,688	1	689,689
Acquisition costs incurred during the period	-	-	-	-
Written-off	-	-	-	-
<b>Balance, June 30, 2019</b>	<b>-</b>	<b>689,688</b>	<b>1</b>	<b>689,689</b>

Additional information about the Company can be found on [www.sedar.com](http://www.sedar.com).

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**Shares Listed**

TSX-V: EXX  
FRANKFURT: EE1