

# TERRAX MINERALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the three and nine months ended October 31, 2019

This Management's Discussion and Analysis of TerraX Minerals Inc. ("TerraX" or the "Company") ("MD&A") provides analysis of the Company's financial results for the three and nine months ended October 31, 2019 and should be read in conjunction with the accompanying unaudited consolidated condensed interim financial statements and notes thereto for the three and nine months ended October 31, 2019 and with the audited financial statements and notes thereto for the year ended January 31, 2019, all of which are available at [www.sedar.com](http://www.sedar.com). This MD&A is based on information available as at December 30, 2019.

The accompanying unaudited condensed interim financial statements for the three and nine months ended October 31, 2019 have been prepared in accordance with International Accounting Standard 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") and Interpretations of the IFRS Interpretations Committee. All amounts are expressed in Canadian dollars, unless otherwise stated.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information about TerraX Minerals Inc. is available at [www.sedar.com](http://www.sedar.com).

The Company was incorporated on August 1, 2007 pursuant to the provisions of the *Business Corporations Act* (British Columbia) under the name of TerraX Resource Corp. On March 31, 2008, the Corporation amended its notice of articles to change its name to TerraX Minerals Inc. The Company has one wholly-owned subsidiary, Gold Matter Corporation, that was incorporated under the Business Corporations Act (Ontario).

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, liquidity and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

## OVERVIEW

During the three month period ended October 31, 2019 TerraX conducted a summer field exploration program that began in July 2019 with drilling on its wholly-owned Yellowknife City Gold Project (“YCG”) immediately north, south and east of the City of Yellowknife in the Northwest Territories. On November 4, 2019 the Company announced its maiden resource estimate for the YCG. The classification of the mineral resource estimate was completed in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) definition standards incorporated by reference in National Instrument 43-101.

The inferred resource estimate of 735,000 ounces consists of:

- A pit-constrained inferred resource of 11.6 million tonnes averaging 1.4 grams per tonne (“g/t”) for 523,000 ounces of contained gold;
- An underground inferred resource of 1.2 million tonnes averaging 5.7 g/t for 212,000 ounces of contained gold.

For more details on this resource estimate, please view our news release of November 4, 2019. The Technical Report is available on our web site at [www.terraxminerals.com](http://www.terraxminerals.com) and can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

The YCG lies within the prolific Yellowknife greenstone belt and covers the northern and southern extensions of the shear system that hosts the high-grade Con (6.1 Moz produced) and Giant (8.1 Moz produced) gold mines. The project area contains multiple shears that are the recognized hosts for gold deposits in the Yellowknife gold district, with innumerable gold showings and recent high-grade drill results. Being all-season road accessible and all within 40 km of the City of Yellowknife, the YCG is close to vital infrastructure, including transportation, service providers, hydro-electric power and skilled trades people.

For more information on the YCG, including its exploration history, please visit the Company’s web site at [www.terraxminerals.com](http://www.terraxminerals.com)

## EXPLORATION OVERVIEW

TerraX has conducted extensive exploration on the YCG since acquiring its initial property, the Northbelt, in February of 2013. To date, TerraX has drilled over 56,000 m in 274 diamond drill holes (“DDH”) at Northbelt to complement a historic drill database that includes 186 DDH totalling 37,500 m of core from the former Giant Mine core yard. This has allowed us to begin developing geologic models of resources along 5 km of strike that encompasses three main high grade gold mineralized zones at Northbelt:

Ryan Lake - 308 drill holes that include:

Barney Shear - 22.4 m @ 6.35 g/t Au  
Crestaurum – 5.0 m @ 62.9 g/t Au  
Hebert Brent – 11.0 m @ 7.55 g/t Au; and  
Shear 20 – 21 m @ 2.97 g/t Au

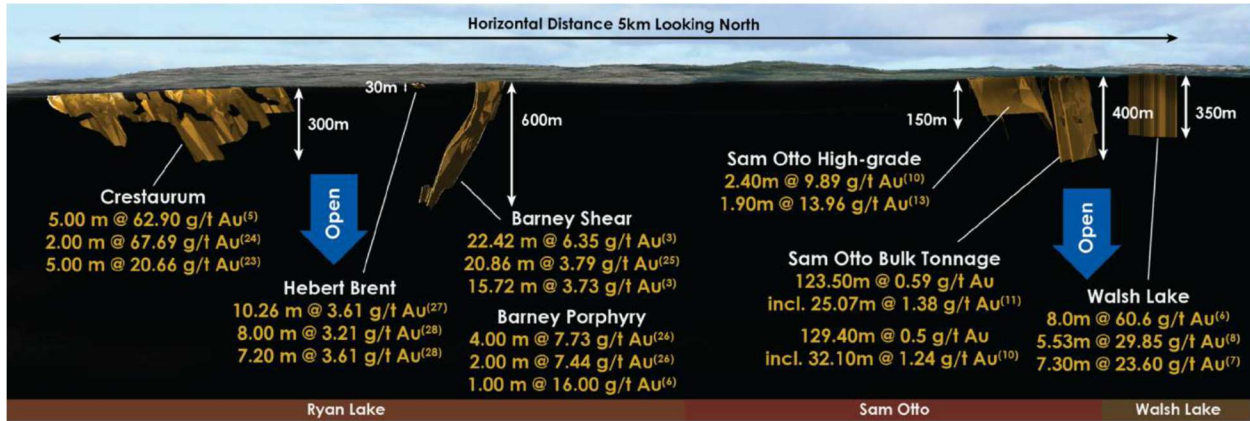
Sam Otto – 58 drill holes that include:

- 123.5m @ 0.59 g/t Au;
- 1.9 m @ 13.96 g/t Au; and
- 27.16 m @ 2.16 g/t Au in a 1.5 km step out to the south of prior drilling.

Walsh Lake (Mispickel) – 50 drill holes that include:

- 8.00 m @ 60.60 g/t Au;
- 5.53 m @ 29.85 g/t Au; and
- 7.30 m @ 23.60 g/t Au

All of these mineralized zones are open along strike and down dip and will be further defined in subsequent drill programs.



### Summer Drill Program commences in July 2019

On July 5, 2019 phase 1 drilling commenced at Sam Otto South to test the 3.5-kilometre strike extension of the already defined gold structures at Sam Otto Main. Approximately 3,500 metres of diamond drilling was planned to test and extend the strike and continuity of the 2018 stepout discovery hole at Sam Otto South. The goals of the first phase of the summer drill campaign were to define a large, multi-kilometre-long, gold-bearing system and the geometry of high-grade lenses. The Sam Otto corridor was tested based on surface mapping and sampling, as well as geophysical interpretation of ground magnetics.

In September, 2019 the Company announced the results of 1,182 meters of drilling in six holes at Sam Otto. These assay results extended the gold mineralized zone at Sam Otto by 600 meters. The Sam Otto South zone now extends for 1.2 km, and remains open in all directions. Gold mineralization of the Sam Otto trend has been defined for a minimum of 2.5 km along the 5 km Sam Otto structural corridor.

Phase 1 drill highlights from the Sam Otto South zone include: 7 m of 2.93 g/t gold (within a broader interval of 40 m of 0.6 g/t Au), 14 m of 1.36 g/t gold (within a broader interval of 34m of 0.64 g/t Au), 11m of 1.24 g/t gold, and 9m of 1.2 g/t gold. For more information, and maps showing the location of this drilling, please see our news release of September 9, 2019.

On October 11, 2019 the Company announced the results from an additional 732 meters of drilling at Sam Otto. Highlights from this Phase 2 drill program at the Sam Otto South zone include 25.5m of 1.26 g/t gold, including 10.0m of 1.76 g/t gold, demonstrating that the zone is thickening and also open at depth. The Sam Otto South area is open in all directions over a strike length of more than 2.5 km. For more information, and maps showing the location of this drilling and cross-sections, please see our news release of October 10, 2019.

On December 2, 2019 the Company filed a technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* supporting the first mineral resource estimate on its 100% owned Yellowknife City Gold Project, as reported in the Company’s news release dated November 4, 2019.

The technical report, titled “**Amended Technical Report on the Resource Estimates for the Crestaurum-Barney-Sam Otto/Mispickel Deposits, Yellowknife City Gold Project, Yellowknife, Northwest Territories, Canada,**” is dated December 2, 2019 with an effective date of November 4, 2019, and can be found on the Company’s website at [www.terraxminerals.com](http://www.terraxminerals.com) and is available under TerraX’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

During the nine months ended October 31, 2019 the Company incurred \$2,639,188 in exploration expenditures on the YCG, inclusive of geological consulting of \$345,796, drilling and assays of \$1,794,970, community relations of \$145,192, environmental work of \$17,167, geophysical consulting of \$19,837 and field expenses of \$316,226.

The technical information contained in this MD&A has been approved by Joseph Campbell, Chief Operating Officer of TerraX, who is a Qualified Person as defined in “National Instrument 43-101, Standards of Disclosure for Mineral Projects”.

### **Acquisition of Gold Matter Corporation and Private Placement for \$360,000**

On October 21, 2019 the Company completed the acquisition of Gold Matter Corporation (“Gold Matter”). Concurrently with the completion of the acquisition of Gold Matter, Mr. Panneton also subscribed for 1,000,000 common shares of the Company at a price of \$0.36 per share for proceeds to the Company of \$360,000. These shares are subject to a hold period of four months and one day.

As consideration for the Acquisition, the Company issued 5 million common shares of the Company to the shareholders of Gold Matter. The former shareholders of Gold Matter have agreed to a four month hold on the TerraX shares issued to them, expiring on February 21, 2020, with Gerald Panneton, the founder of Gold Matter, agreeing to a further eight month hold (for a total 12 month hold), expiring on October 21, 2020.

As a result of the acquisition, the Company now holds a 100% undivided interest in the Mulligan Project located in the Province of New Brunswick made up of 12 mining claims comprising 413 units and covering 8,200 hectares, subject to a 2% net smelter returns royalty on production. The highlight of this property is an undrilled gold discovery at surface with a value of 5.67 g/t Au over 16 metres. An IP survey was recently completed, and the Company plans to drill test the project next summer.

The Company concluded that the acquired assets did not constitute a business and accounted for the transaction as an asset acquisition. The purchase price was allocated according to the assets acquired as follows:

Cash	\$ 172,600
HST and Exploration Grants Receivables	30,368
Property Acquisition	<u>1,110,363</u>
	\$ 1,313,331

### **Appointment of New Directors and Officers**

Following the closing of the Gold Matter acquisition, the Company appointed Gerald Panneton, founder of Detour Gold, as the Company’s Executive Chairman and Louis Dionne, also formerly with Detour Gold, as a director. Joseph Campbell, former Executive Chairman, agreed to serve as Chief Operating Officer.

At the Annual General and Special Meeting of the Company held on December 17, 2019 (the “Meeting”) the shareholders elected Gerald Panneton, David Suda, Stuart Rogers, Louis Dionne, Elif Lévesque, Laurie Gaborit and Russell Starr as directors of the Company for the forthcoming year. Joe Campbell, Rene Carrier and Paul Reynolds did not stand for re-election at the Meeting, with Joe Campbell continuing to serve as Chief Operating Officer.

### **Bought Deal Financing Completed for \$5 Million**

On December 27, 2019 the Company closed a bought deal financing (the “Offering”) with BMO Capital Markets for aggregate gross proceeds of \$5 million. Pursuant to the Offering, a total of 20 million common shares of TerraX were issued at a price of \$0.25 per share for gross proceeds of \$5 million. The Offering was made through BMO Capital Markets (the “Underwriter”).

The Company has granted the Underwriter an option exercisable at the offering price for a period of 30 days following the closing of the Offering, to purchase up to an additional 10% of the number of Common Shares sold under the Offering to cover over-allotments, if any. The offering was completed by way of a short form prospectus filed in all provinces in Canada, except Quebec, and offered and sold elsewhere outside of Canada on a private placement basis.

Concurrent with the completion of the Offering, the Company issued an aggregate of 320,000 common shares at a price of \$0.25 per share for gross proceeds of \$80,000. These shares were issued on a non-brokered private placement basis and are subject to a statutory hold period in Canada expiring on April 28, 2020. No commission or other fees were paid in connection with the issuance of such shares.

### **Use of Proceeds from Flow-through Private Placements**

Flow-through (“FT”) common shares require the Company to incur an amount equivalent to the proceeds of the issued FT common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the

required exploration expenditures. Under the IFRS framework, the increase to share capital when FT shares are issued is measured based on the current market price of the common shares. The incremental proceeds, or “premium”, are recorded as a FT liability.

On June 26, 2019 the Company received a total of \$2,496,300 from the issuance of 5,430,000 FT shares as part of a larger financing that totalled \$3,138,000, as described in more detail above. These units were issued at a premium to market, for a total premium of \$541,500. The Company has accounted for this deferred premium on flow-through shares as a liability in its financial statements.

During the nine month period ended October 31, 2019 the Company incurred and renounced expenditures of \$2,312,330 with respect to the FT financing and reduced the deferred premium on flow-through shares by \$501,592 as a result.

### **Exercise of Stock Options**

During the nine months ended October 31, 2019, the Company received proceeds totalling \$245,000 from the exercise of 700,000 stock options at an exercise price of \$0.35 per share.

### **CURRENT ECONOMIC CONDITIONS**

During the calendar year 2019, ongoing global economic weakness made for extremely volatile capital markets characterized by weaker equity prices for mineral exploration companies and an environment in which limited opportunities exist to raise additional capital. While periods of stronger commodity prices have provided financing opportunities which TerraX has capitalized on in the past to augment its working capital, management of the Company remains cautious and will continue to take the necessary precautions to maintain its cash reserves. The Company has commitments in the future (in fiscal 2020 and beyond) on its mineral properties and the Company may be forced to abandon and write-off one or more of these properties if the Company does not have the means to meet these commitments or does not feel it is fiscally prudent to do so.

With the closing of a non-brokered private placement of \$360,000 in October 2019 and completion of the bought deal financing for gross proceeds of \$5 million on December 27, 2019 the Company anticipates having sufficient cash to meet all of its obligations through to the second half of fiscal 2021. The Company continues to review its mineral property commitments as well as its working capital position on an ongoing basis. While management does not believe that the abandonment of any of the Company’s mineral properties is required at this time, management may elect to abandon properties when obligations become due if deemed necessary in order to maintain the long-term viability of the Company.

### **RESULTS OF OPERATIONS**

#### **Results of Operations - Three months ended October 31, 2019**

Operating expenses for the three months ended October 31, 2019 (the “current period”) totaled \$376,710 as compared to \$551,581 incurred during the three months ended October 31, 2018 (the “comparative period”). The significant variances in expenditures were as follows:

Consulting expense decreased to \$73,472 during the current period from \$104,611 incurred during the comparative period due to a reduction in the number of contract staff engaged during the current period.

Depreciation expense of \$20,984 was incurred for a right-to-use asset during the current period as a result of the adoption of IFRS 16 “Leases” at the start of the current fiscal year on February 1, 2019. There was no equivalent expense during the comparative period.

Management fees of \$75,000 were incurred during the current period as this figure now includes fees paid to the new Executive Chairman, Gerald Panneton. This compares to management fees paid during the comparative period of \$60,000 for just the President and CEO, David Suda.

During the current period, the Company incurred \$9,492 for share-based payments expense (a non-cash expense) for stock options granted during prior fiscal periods and vested during the current period. This is a decrease from share-based payment expense of \$75,717 incurred during the comparative period when a larger number of options vested.

Transfer agent, filing fees and shareholder communications expenses increased to \$97,581 during the current period from the \$85,044 incurred during the comparative period due to an increase in road shows and attendance at trade shows during the current period.

Travel expenses decreased to \$31,828 during the current period from the \$152,241 incurred during the comparative period when the company incurred one-time moving expenses for the hiring of a new President and CEO.

A finance cost of \$6,708 was incurred during the current period for interest expense paid on the reduction of the lease liability recorded on the adoption of IFRS 16 “Leases” at the start of the current fiscal year.

As a result of completing \$1,449,844 of eligible exploration expenditures during the current period, the Company reduced its outstanding deferred flow-through share premium related to this flow-through financing by \$314,501 during the period and recorded this same amount as a flow-through share premium reversal. This compares to a share premium reversal of \$280,841 recorded during the comparative period.

As a result of the foregoing, the Company recorded a comprehensive loss for the current period of \$63,361 as compared to a loss of \$269,025 incurred during the comparative period.

### ***Nine months ended October 31, 2019***

Operating expenses for the nine months ended October 31, 2019 (the “current nine-month period”) totaled \$1,308,309 as compared to \$1,555,957 incurred during the nine months ended October 31, 2018 (the “comparative nine -month period”). The significant variances in expenditures were as follows:

Consulting expense decreased to \$256,871 during the current nine-month period from \$298,247 incurred during the comparative nine-month period due to a reduction in contract staff during the current period.

Directors’ fees expense incurred during the current nine-month period totaled \$30,000 as compared to \$22,500 paid during the comparative nine-month period. Director’s fees for an additional director were accrued during the current period. Commencing May 1, 2017 individual independent directors of the Company began receiving director’s fees of \$2,500 per quarter.

Office, rent and miscellaneous expense decreased to \$98,399 during the current nine-month period from \$111,771 incurred during the comparative nine-month period.

During the current nine-month period, the Company incurred \$49,605 for share-based payments expense (a non-cash expense) for the vesting of stock options. This is a reduction from the share-based payment expense of \$276,642 incurred during the comparative nine-month period.

Transfer agent, filing fees and shareholder communications expenses increased to \$456,791 during the current period from the \$327,960 incurred during the comparative period due to an increase in road shows and attendance at trade shows during the current period.

Travel and related costs were reduced to \$97,168 during the current nine-month period from the \$224,119 incurred during the comparative nine-month period when the Company incurred one-time moving expenses for the hiring of a new President and CEO.

During the current nine-month period, the Company earned interest income of \$10,135 on cash and cash equivalents on hand. This compares to \$4,691 earned during the comparative nine-month period when the Company had less cash on hand.

As a result of completing \$2,312,330 of eligible exploration expenditures during the current nine-month period, the Company reduced its outstanding deferred flow-through share premium related to the flow-through financing completed in June 2019 by \$501,592 and recorded this same amount as a flow-through share premium reversal. This compares to a premium reversal of \$643,549 recorded during the comparative nine-month period for a FT financing completed in April 2018.

As a result of the foregoing, the Company recorded a comprehensive loss for the current nine-month period of \$817,734 as compared to a loss of \$907,717 incurred during the comparative nine-month period.

Summary of Quarterly Results

	Q3-2020	Q2 -2020	Q1 -2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018
<b>Net loss (\$)</b>	63,361	208,527	545,846	633,304	269,025	231,743	414,277	462,713
<b>Per Share (\$)</b>	00	0.00	0.00	0.00	0.00	0.00	0.00	0.01

The loss for the fourth quarter of fiscal 2018 decreased to \$462,713 from the loss of \$633,822 incurred during the third quarter primarily as a result of lower share-based payments expense recorded during this quarter.

The loss for the first quarter of fiscal 2019 decreased to \$414,277 from the loss of \$462,713 incurred during the fourth quarter of fiscal 2018 primarily as a result of lower professional fees and share-based payments expense recorded during the more recent quarter.

The loss for the second quarter of fiscal 2019 decreased to \$231,743 from the loss of \$414,277 incurred during the first quarter of fiscal 2019 primarily due to the FT share premium reversal of \$362,708 incurred during the second quarter. There was no FT share premium reversal recorded during the first quarter.

The loss for the third quarter of fiscal 2019 increased to \$269,025 from the loss of \$231,743 incurred during the second quarter primarily due to a reduction in the FT share premium reversal in the current period to \$280,841 from the \$362,708 recorded during the prior quarter.

The loss for the fourth quarter of fiscal 2019 increased to \$633,304 from the loss of \$269,025 incurred during the third quarter primarily due to a reduction in the FT share premium reversal in the current period to \$13,594 from the \$280,841 recorded during the prior quarter and a decrease in the allowance for deferred income tax of \$202,000.

The loss for the first quarter of fiscal 2020 decreased to \$545,846 from the loss of \$633,304 incurred during the fourth quarter of fiscal 2019 primarily due to the elimination of a deferred income tax expense of \$202,000 recorded during the prior period as a result of a decrease in the valuation allowance for deferred tax assets. This was partially offset by an increase in transfer agent, filing fees and shareholder communications expenses to \$245,022 in the first quarter of 2020 from the \$88,217 incurred during the prior fiscal quarter.

The loss for the second quarter of fiscal 2020 decreased to \$208,527 from the loss of \$545,846 incurred during the first quarter of fiscal 2019 primarily due to the FT share premium reversal of \$187,091 incurred during the second quarter. There was no FT share premium reversal recorded during the first quarter.

The loss for the third quarter of fiscal 2019 was reduced to \$63,361 from the loss of \$208,527 incurred during the second quarter of fiscal 2020 primarily due to an increase in the FT share premium reversal to \$314,501 during the third quarter from \$187,091 during the second quarter.

Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As of October 31, 2019 the Company had working capital of \$502,020 (January 31, 2019 – working capital of \$839,568) (excluding the deferred premium on flow-through shares), inclusive of cash and cash equivalents of \$1,010,097 (January 31, 2019 - \$954,126).

At October 31, 2019, the Company had current assets of \$1,221,030, total assets of \$33,570,969 and total liabilities of \$1,082,335, inclusive of the deferred premium on flow-through shares of \$39,908, a deferred income tax liability of \$202,000 and a lease liability calculated under IFRS 16 of \$197,705 for an office lease until January 31, 2022. The Company has no long-term debt. There are no known trends in the Company's liquidity or capital resources.

The principal assets of the Company are its mineral exploration properties, amounting to \$31,953,209 as at October 31, 2019.

The increase in cash and cash equivalents during the nine months ended October 31, 2019 of \$55,971 was due to net cash received from the issuance of common shares of \$3,699,851, offset by cash used for mineral property acquisition and exploration and reclamation deposits of \$2,275,984, cash used in operating activities of \$1,313,796 and cash used for the reduction of the lease liability of \$54,100.

In December 2019 the Company completed a bought deal financing for gross proceeds of \$5,000,000. The net proceeds of this short form prospectus offering will be sufficient to fund the Company's planned winter drill program and general and administrative expenses through to the second half of fiscal 2021.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company in the future will depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

### **Commitments**

The Company has no commitments for capital expenditures.

Effective February 1, 2017, the Company entered into a lease agreement for the rental of office premises in Vancouver, B.C. The future lease payment schedule is as follows:

2020	13,020
2021	53,760
2022	55,440
	<hr/>
	\$ 122,220
	<hr/>

### **Risk, Uncertainties and Outlook**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

### **Going concern**

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund.

While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.



### **Related Party Transactions**

During the nine months ended October 31, 2019, \$108,000 (2019 - \$108,000) was paid to West Oak Capital Group, Inc., a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for his services as Chief Financial Officer of the Company.

During the nine months ended October 31, 2019, the Company paid \$1,163,959 (2019 – \$1,177,209) to GeoVector Management Inc., a private company in which Joseph Campbell, the Chief Operating Officer of the Company, and Alan Sexton, VP Exploration of the Company, are principals, for geologic consulting services incurred on the Company’s properties during the current period. In addition, a further \$73,600 (2019 – \$140,125) was paid to this same private company for consulting services provided during the period.

During the nine months ended October 31, 2019, the Company paid \$Nil (2019 - \$25,000) to iO Corporate Services Ltd., a private company with whom the Company’s former Chief Financial Officer, Mark Gelmon, is related.

During the nine months ended October 31, 2019, the Company paid \$Nil (2019 - \$45,000) to Ridgeside Canada, a private company controlled by Russell Starr, a director of the Company, for consulting fees.

During the nine months ended October 31, 2019, the Company paid or accrued directors’ fees totalling \$30,000 (2019 - \$22,500) to independent directors of the Company, as follows:

	Nine months ended	
	October 31, 2019	October 31, 2018
Paul Reynolds	\$ 7,500	\$ 7,500
Elif Lévesque	7,500	7,500
Rene Carrier	7,500	7,500
Russell Star	5,000	-
	\$30,000	\$22,500

During the nine months ended October 31, 2019, the Company recognized share-based payments expense totalling \$46,022 (2019 - \$225,661) relating to stock options granted to directors and officers of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount as agreed to by the related parties.

### **Changes in Accounting Policies Including Initial Adoption**

Refer to Note 3 in the unaudited condensed interim financial statements for the nine months ended October 31, 2019 regarding the adoption of IFRS 16 “Leases” as of February 1, 2019.

### **Financial Risk Management**

The Company is exposed in varying degrees to a variety of financial risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company’s cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company’s secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

**Foreign exchange risk**

The Company's functional currency is the Canadian dollar. All of its major expenses are transacted in Canadian dollars and the Company maintains all of its cash in Canadian dollars. As such, the Company has no immediate exposure to fluctuations in foreign exchange rates at the present time.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has positive cash balances at October 31, 2019 and no-interest bearing debt, therefore, interest rate risk is nominal.

**Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

**Classification of Financial Instruments**

Financial assets included in the statement of financial position are as follows:

	October 31, 2019	January 31, 2019
Amortized cost:		
Cash and cash equivalents	\$ 1,010,097	\$ 954,126
	\$ 1,010,097	\$ 954,126

Financial liabilities included in the statement of financial position are as follows:

	October 31, 2019	January 31, 2019
Non-derivative financial liabilities:		
Trade payables	\$ 642,722	\$ 209,681
	\$ 642,722	\$ 209,681

**Fair Value**

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2019 and January 31, 2019:

	<b>As at October 31, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 1,010,097	\$ -	\$ -

	<b>As at January 31, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 954,126	\$ -	\$ -

**Contingencies**

The Company is aware of no contingencies or pending legal proceedings as of December 30, 2019.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Equity Securities Issued and Outstanding**

The Company had 158,493,235 common shares issued and outstanding as of December 30, 2019. In addition, there were 4,295,000 incentive stock options and 10,891,849 share purchase warrants outstanding as of December 30, 2019.