QUEBEC PRECIOUS METALS CORPORATION

(formerly Canada Strategic Metals)

(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS

For the six-month period ended July, 2018

(Second quarter)

This management discussion and analysis (”MD&A”) of Quebec Precious Metals Corporation (the “Company”) complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure.

The MD&A is a narrative explanation, through the eyes of the management of the Company, of how the Company performed during the six-month period ended July 31, 2018, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim financial statements for the six-month period ended July 31, 2018 but does not form part of them.

The condensed interim financial statements do not include all the information and notes required for the purpose of audited annual financial statements. The accountings methods used are the same that those used for the purpose of audited annual financial statements for the year ended January 31, 2018, prepared in accordance with the IFRS as they are published by the International Accounting Standards Board ("IASB"). Therefore, this discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements as at July 31, 2018 and notes thereto, as well as the audited consolidated financial statements and notes thereto and the MD&A for the year ended January 31, 2018.

DATE

The MD&A was prepared on the basis of information available as at September 26, 2018.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, particularly: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; changes in government regulations and policies, including laws and policies; failure to obtain the necessary permits and approvals from government authorities; and other development and operating risks.

While the Company believes that the assumptions underlying in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether or not it should be revised because of new information, future events or otherwise, unless required to do so by the applicable securities laws.

NATURE OF ACTIVITIES

Quebec Precious Metals Corporation is incorporated under the Canada Business Corporations Act. The Company was involved in the acquisition, exploration and development of mining properties. The Company is active in Canada.

On June 27, 2018, the Company and Matamec Explorations Inc. (“Matamec”) entered into a business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada. Pursuant to the business combination, the Company changed its name to Quebec Precious Metals Corporation. It also undertook a consolidation of its common shares on the basis of one post-consolidation common share for 4.16 pre-consolidation common shares.

OVERALL PERFORMANCE

EEYOU ISTCHEE BAIE-JAMES, QUÉBEC

APPLE – GOLD PROJECT

Property Description

The Apple property currently consists of 46 claims (23.77 km^2) located 75 km northwest of the Eleonore mine operated by Goldcorp Inc. ("Goldcorp"). It is wholly owned by the Company. On August 16, 2016, 81 claims of the Apple property were transferred to the area of interest of the Sakami property. In winter, the property is accessible by a 400-km winter road from km 510 on the paved James Bay road. In summer, the property can be accessed by boat from the Trans-Taïga road.

The project covers a portion of the Apple geological formation, which came to light in the early 1970s with the discovery of several extensive uranium-bearing pyrite matrix in quartz pebble conglomerate zones.

The Apple uranium deposit was in fact discovered in 1971 during an airborne survey. The International Nickel Company of Canada Limited (“INCO”) and James Bay Development Corporation subsequently conducted an extensive joint exploration program from 1972 to 1975, with INCO as the operator. A total of 65 holes were drilled for a total of 14,000 metres, and the uranium-bearing conglomerates were traced over a distance of eight kilometres along an east-west trend.

In 1974, INCO performed a resource estimate on a one-kilometre section covering seven sub-vertically dipping zones. The historical estimate yielded 9.4 M tonnes grading 0.054% U_3O_8 or 1.08 lb/ton for a total of 10.1 million pounds (GM 57894). This resource includes 4.3 million tons categorized as proven and probable and 5.0 million tons categorized as possible (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). The report by Robertson et al. (1986) establishes a resource of 8.5 M tonnes grading 0.052% U_3O_8 (8.8 million pounds of U_3O_8) contained in a nine-metre by one-kilometre wide envelope extending to a depth of 300 metres, and remaining open at depth (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). A correlation was established between the highest uranium grades and the pyrite content. INCO dropped the property in 1975, and it has not been explored for uranium since.

Virginia Gold Mines explored the property between 1998 and 2001 to assess its gold potential. Significant showings were discovered but no drilling was done. The showings included the Buck showing discovered in an iron formation in 1998, which returned 20.15 g/t Au and 2.59 g/t Au over 3.5 m from channel sampling. Another showing discovered at the contact of volcanic rocks and a pegmatite in the summer of 2000 returned 23.82 g/t Au and 4.73 g/t Au in grab samples.

Several ultramafic horizons with anomalous PGE (platinum and palladium) values were also identified by the work done in 2000. The best results were 0.491 g/t Pt and 0.2347 g/t Pd.

The presence of albitized pegmatite with a quartzose core is also notable, with a halo of intense, pervasive tourmalinization, prismatic beryl crystals and proximity to ultramafic rocks with chromite mineralization (chromiferous actinolite is present in the skarned ultramafic rocks), which constitute the elements required to form emeralds.

In December 2013, the Company acquired 100% of Strateco's Apple property in exchange for a cash payment of $10,000 and the issuance of 4,000,000 common shares of the Company. The agreement was also subject to a 2% net smelter return ("NSR") royalty payable to Virginia Mines Inc. (now Osisko Gold Royalties Ltd), half of which can be bought back for $1,000,000.

Work done during the period

No exploration work was carried out on the property during the period.

SAKAMI – GOLD PROJECT

Property Description

The Sakami property consists of one large contiguous block of 213 mineral claims totaling 10,736.37 hectares (107.36 km^2) following the addition of 81 claim cells of the Apple property included in the zone of interest of 5 kilometers. The property is located approximately 570 km north of Val-d'Or and 900 km north northwest of Montreal. As of the date of this MD&A, the Company had fulfilled the conditions for acquiring a 50% interest in the Sakami property. The property is subject to a NSR of 1% on certain claims and a NSR of 2% on 81 claims, half of which can be bought back for $1,000,000.

Work done during the period

Exploration and evaluation expenses of $1,300,856 were incurred on the Sakami property during the period ended July 31, 2018.

The first five holes intersected Zone 25 and increased the size of the project's mineralized area. Hole PT-18-111 extends Zone 25 at depth to the west side by approximately 30 m from the deepest elevation on section 2+00W with a grade and width similar to the above interception in hole PT-17-102. This result supports the potential for higher grade mineralization at depth. The deepest intersection from previous drilling was in hole PT-15-89 and PT-15-90 on section 0+50W. Highlights of the recent drill results are presented in the table below.

On September 10, 2018, the Company announced the drill results for all 21 holes of the 2018 drilling program on the project (see below). The program totalled 7,226 m of drilling.

Highlights of the 7,226 m 2018 drill campaign:

- PT-18-116: 3.89 g/t Au over 14.9 m including 4.26 g/t Au over 11.9 m.
- PT-18-118: 3.22 g/t Au over 31.5 m including 5.11 g/t Au over 15.0 m.
- PT-18-120: 3.59 g/t Au over 27.0 m including 5.06 g/t Au over 15.0 m.
- PT-18-127: ended at 502 m with 2.04 g/t Au over 2.5 m.
- Drilling to date has outlined a mineralized area of 800 m long by 450 m wide along dip and to a depth of 400 m below surface.
- There is a significant potential for further extending mineralization at depth and to the west.

Mineralized intersections from drill program and drill hole coordinates (last results received and reviewed in August 2018)

Hole	UTM E	UTM N	Length (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Au g/t
PT-18-107	375310	5895040	312.0	3.4	-66	250.5	256.5	**6.0**	**1.31**
Including						253.5	256.5	**3.0**	**1.74**
PT-18-107						264.0	265.5	**1.5**	**1.28**
PT-18-107						289.5	291.0	**1.5**	**1.49**
PT-18-108	375213	5894986	363.0	2.0	-66	285.0	313.5	**28.5**	**0.62**
Including						304.5	313.5	**9.0**	**1.13**
Including						309.0	313.5	**4.5**	**1.46**
PT-18-108						319.5	325.5	**6.0**	**1.23**
PT-18-109A	375110	5895020	399.0	2.9	-69	295.5	358.5	**63.0**	**1.10**
Including						300.0	315.0	**15.0**	**3.08**
Including						304.5	309.0	**4.5**	**5.31**
Including						304.5	310.5	**6.0**	**4.81**
PT-18-110	375053	5894981	432.0	359.5	-64	343.5	354.0	**10.5**	**1.78**
Including						348.0	354.0	**6.0**	**2.15**
PT-18-111	375008	5894947	501.0	3.5	-68	385.5	390.0	**4.5**	**3.25**
PT-18-111						399.0	400.5	**1.5**	**1.27**
PT-18-111						415.5	418.5	**3.0**	**2.42**
PT-18-111						445.5	450.0	**4.5**	**1.14**
PT-18-112	375099	5894918	480.0	357.2	-70	403.5	415.5	**12.0**	**0.81**
PT-18-113	375162	5894871	472.5	357.9	-68	406.5	445.5	**39.0**	**0.69**
Including						406.5	411.0	**4.5**	**2.98**
PT-18-113						444.0	445.5	**1.5**	**3.40**
PT-18-114	375357	5894964	362.0	2.0	-64	286.5	309.0	**22.5**	**1.00**
Including						294.0	309.0	**15.0**	**1.23**
PT-18-115	375403	5894953	414.0	358.7	-66	270.0	277.5	**7.5**	**1.59**
PT-18-115						306.0	307.5	**1.5**	**2.53**
PT-18-115						412.5	414.0	**1.5**	**3.16**
PT-18-116	374962	5894910	485.0	352.7	-66	423.1	438.0	**14.9**	**3.89**
Including						423.1	435.0	**11.9**	**4.26**
PT-18-117	375402	5895126	213.0	3.0	-61	154.5	157.5	**3.0**	**4.72**
PT-18-118	375244	5895185	174.0	2.0	-55	103.5	135.0	**31.5**	**3.22**
Including						106.5	135.0	**28.5**	**3.47**
Including						112.5	127.5	**15.0**	**5.11**
Including						114.0	120.0	**6.0**	**6.66**
PT-18-119	375216	5895202	193.5	357.4	-52	115.5	117.0	**1.5**	**1.09**
PT-18-119						124.5	136.5	**12.0**	**1.49**
PT-18-119						142.5	151.5	**9.0**	**1.34**
PT-18-119						163.5	165.0	**1.5**	**1.15**
PT-18-120	375216	5895202	204.0	357.4	-65	117.0	144.0	**27.0**	**3.59**
Including						118.5	133.5	**15.0**	**5.06**
Including						118.5	129.0	**10.5**	**6.12**
PT-18-120						201.0	204.0	**3.0**	**1.43**

Hole	UTM E	UTM N	Length (m)	Azimuth	Dip	From (m)	To (m)	Interval (m)	Au g/t
PT-18-121	375167	5895181	240.0	346.8	-61	150.0	178.5	**28.5**	**0.98**
Including						150.0	156.0	**6.0**	**2.05**
PT-18-122	375088	5895144	279.0	2.0	-64	217.5	235.5	**18.0**	**2.05**
Including						220.5	231.0	**10.5**	**2.41**
PT-18-123	375366	5895154	171.0	8.4	-60	112.5	117.0	**4.5**	**1.10**
PT-18-123						133.5	135.0	**1.5**	**2.67**
PT-18-124	375461	5895088	327.0	358.0	-74	148.5	178.5	**30.0**	**0.99**
Including						148.5	156.0	**7.5**	**1.45**
Including						169.5	178.5	**9.0**	**1.57**
PT-18-124						232.5	238.5	**6.0**	**2.38**
PT-18-125	375258	5894999	339.0	356.1	-63	277.5	280.5	**3.0**	**1.49**
PT-18-125						295.5	304.5	**9.0**	**1.78**
Including						301.5	304.5	**3.0**	**3.70**
PT-18-125						316.5	319.5	**3.0**	**1.40**
PT-18-126	375307	5894971	354.0	358.4	-64	289.5	309.0	**19.5**	**2.17**
Including						289.5	300.0	**10.5**	**3.12**
PT-18-126						333.0	336.0	**3.0**	**2.15**
PT-18-127	374910	5894910	512.1	353.3	-69	467.2	512.1	**44.9**	**0.59**
Including						471.0	480.0	**9.0**	**1.04**
Including						499.5	502.0	**2.5**	**2.04**

Footnotes:
1. True widths are estimated based on drill angle and interpreted geometry of mineralization and range from 70% to 95% of the drilled length.
2. All gold values are uncut.

Figure 1 - Plan view of the La Pointe area

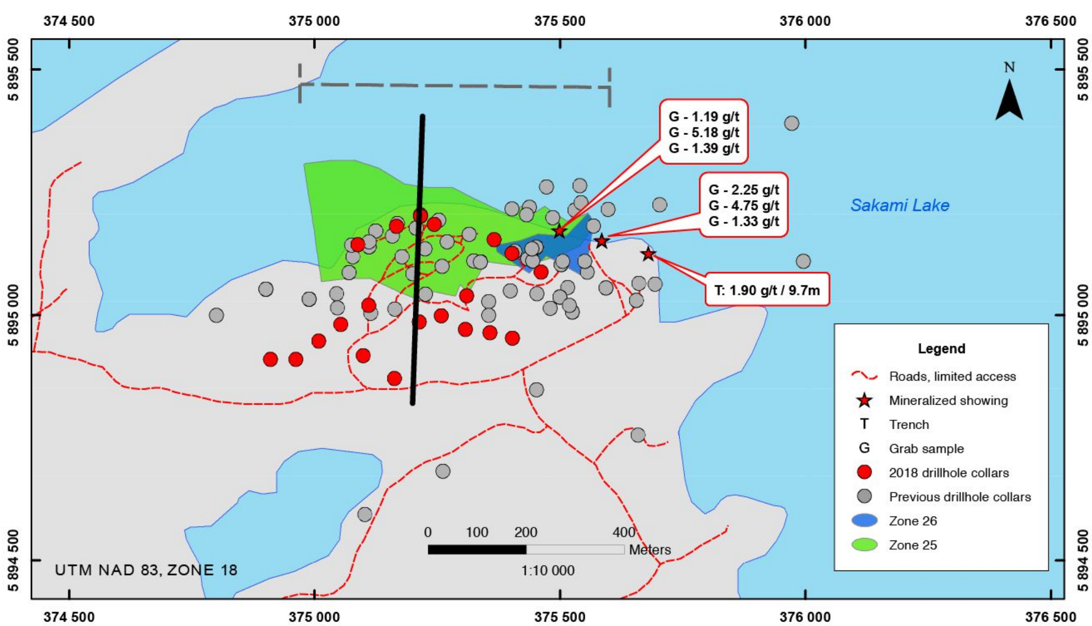
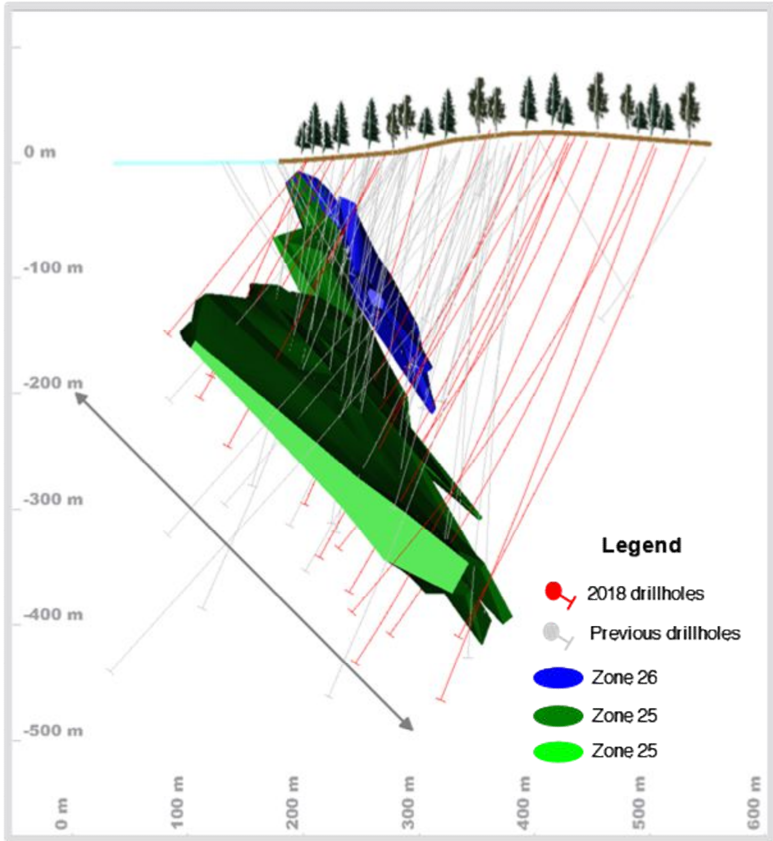


Figure 2 – North-south cross section, looking east, of the La Pointe area



The technical committee comprised of members from Goldcorp and the Company has held recently its first meeting to review the 2018 results and has carried a field visit to plan and approve the next exploration and expansion drilling program at Sakami as well as benefit from Goldcorp's technical expertise and knowledge.

CHEECHOO-ÉLÉONORE TREND – GOLD PROJECT

Property Description

The Cheechoo-Eleonore Trend property is wholly owned by the Company and consists of 551 claims (285.70 km^2). The project is located in the extension of the axis connecting the gold discoveries on the Apple and Sakami properties, Goldcorp Inc.'s Eleonore gold mine and the Chechoo gold discovery belonging to Sirios Resources Inc. ("Sirios"). The northwestern part of the property is adjacent to the Apple and Saami properties, and the southeastern end is approximately 24 km northwest of the Eleonore mine, with a road accessible 14 km away. Given the same high level of metamorphism and similar auro-arsenic parageneses, the Company considers the property's geological setting to be comparable to that of the Sakami and Cheechoo discoveries and the Eleonore mine.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the Cheechoo-Eleonore Trend gold property owned 50%-50% by Sphinx Resources Ltd. ("Sphinx") and Sirios. The property was acquired on June 27, 2018, through the issuance of 600,000 common shares (post-consolidation). The next work program is currently in the planning stage as part of the overall work to be conducted on the Apple and Sakami properties.

Work done during the period

No exploration work was carried out on the property during the period.

OPINACA GOLD WEST AND OPINACA LITHIUM – GOLD PROJECT

Property Description

The Opinaca Gold West and Opinaca Lithium properties consists of 278 claims (145.67 km^2) some 40 km west of the Eleonore mine. The properties are wholly owned by the Company. The James Bay Highway crosses the properties. The claims extend over a distance of approximately 40 km and cover prospective sequences of volcano-sedimentary rocks striking generally east-west. Gold and arsenic geochemical anomalies have been identified on the Opinaca Gold West project.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec. A work program will be prepared in the near future.

Work done during the period

No exploration work was carried out on the property during the period.

ANNABELLE – GOLD PROJECT

Property Description

The Annabelle property consists of 353 claims covering 18,608.27 hectares (186,08 km^2), 100% owned by the Company and located approximately 40 km west of Goldcorp Inc.'s Eleonore deposit. The Annabelle property covers sequences of volcano-sedimentary rocks and intrusions of the Opinaca subprovince,

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources. A work program will be prepared in the near future.

Work done during the period

No exploration work was carried out on the property during the period.

BLANCHE – GOLD PROJECT

Property Description

The Blanche property consists of 256 claims covering 13,092.25 hectares (130,92 km^2), 100% owned by the Company. The Blanche property covers the volcano-sedimentary rocks of the La Grande subprovince. Several known gold showings are found on properties about 5 km south.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources. A work program will be prepared in the near future.

Work done during the period

No exploration work was carried out on the property during the period.

CHARLES – GOLD PROJECT

Property Description

The Charles property consists of 61 claims (31,15 km^2)100% owned by the Company. It lies approximately 120 km northeast of the Eleonore mine. The Charles property covers the volcanico-sedimentary rocks of the La Grande subprovince. Several known gold showings are found on properties about 5 km south.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources**.** A work program will be prepared in the near future.

Work done during the period

No exploration work was carried out on the property during the period.

NEW GOLD – GOLD PROJECT

Property Description

The New Gold property consists of 49 claims covering 2,590.01 hectares (25.90 km^2), 100% owned by the Company. It is located about 5 km northwest of the 167-Extension property, where Visible Gold Mines Inc. in 2014 discovered several erratic boulders containing gold, silver, copper and zinc mineralization.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources and an assessment of the erratic boulder dispersal train aimed at identifying the potential in-situ source of the boulders identified by Visible Gold Mines Inc. The property covers a strong SW-NE magnetic anomaly crossed by a NW-SE major structure. The junction of these two structures is located right in the middle of the property. A work program will be prepared in the near future.

Work done during the period

No exploration work was carried out on the property during the period.

CHEMIN TROÏLUS – GOLD PROJECT

Property Description

The Chemin Troïlus property is wholly owned by the Company and consists of 61 claims (33.15 km^2). The property is located 25 km southwest of the former Troïlus gold and copper mine and approximately 110 km north-northwest of Chibougamau with good road access. The project is located at the southwestern end of a northeastern-trending gold-copper corridor at the northern edge of the Frotet-Troïlus greenstone belt. This corridor includes the Troilus mine, which was operated by Inmet Mining Corporation from 1997 to 2010 and produced over 2 million ounces of gold and 70,000 tonnes of copper. Prospecting work identified mineralized boulders in a northeast-striking 220 m by 45 m area within the corridor. The mineralized boulders, however, have not been explained by the preliminary drilling program and their source in the bedrock remains a priority for future exploration. In combination with the drilling, the result of till sampling programs confirm the sector's prospectivity. Further work will be needed to identify the source of the blocks.

On April 25, 2018, the Company entered into an asset purchase agreement to acquire 100% of the Chemin Troïlus gold property owned by Sphinx. The property was acquired on June 27, 2018, through the issuance of 369,000 common shares (post-consolidation). The Company plans to sell the property or identify a partner to continue exploring the property.

Work done during the period

No exploration work was carried out on the property during the period.

OTHER PROPERTIES

LAC-DES-ÎLES WEST – GRAPHITE PROJECT

Property Description

The Lac-des-Îles West property consists of one large contiguous block of 74 mineral claims totalling 4,013.30 hectares (40.13 km^2) that borders on the western edge of the Timcal Lac-des-Îles graphite mine, close to the town of Mont-Laurier, 183 km northwest of Montréal in southern Québec.

Further to an option agreement signed between the Company and Lomiko Metals ("Lomiko") in February 2015, all the conditions of which having been met, Lomiko now owns 80% of the property.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and Lac-des-Îles West properties (the "Lomiko Properties") allowing Lomiko to acquire up to a 100% interest in the Lomiko properties. Lomiko will also have to pay to the Company an amount of $1,125,000, issue to the Company an 950,000 common shares of Lomiko (for a period commencing on the deemed exercise date of the additional option signed on February 6, 2015 and ending on December 31, 2018.

Work done during the period

No exploration work was carried out on the property during the period.

LA LOUTRE – GRAPHITE PROJECT

Property Description

The La Loutre property consists of one large contiguous block of 48 mineral claims totaling 2,867.29 hectares (28.67 km^2) located approximately 53 km east of Imerys Carbon and Graphite (formerly known as the Timcal Graphite Mine, North America's only operating graphite mine) and 120 km northwest of Montréal.

Grab samples taken on the property returned up to 22.04% carbon flake graphite, and carbon purity test results returned up to 100.00% carbon purity in the large and extra-large flake graphite. The results of grab sampling and mapping on the property has confirmed a graphite-bearing structure covering an area of approximately 7 km by 1 km in multiple parallel zones 30-50 metres wide. Another area has also been identified covering an area of approximately 2 km by 1 km in multiple parallel zones of 20-50 metres wide, which includes results of up to 18% graphite. Grab samples are selective by nature and are unlikely to represent the average grade of a deposit.

On March 24, 2016, the Company filed a technical report titled "Technical Report and Mineral Resource Estimate for the La Loutre Property" on Sedar (www.sedar.com). The mineral resource estimate by InnovExplo Inc. is shown in the table below.

Indicated Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	4,137,300	6.50	268,800
	> 2.5	6,927,500	4.95	342,900
	> 2.0	15,181,200	3.49	529,200
	> 1.5	**18,438,700**	**3.19**	**588,400**
	> 1.0	19,005,400	3.13	595,700
	> 0.8	19,137,500	3.12	596,900
	> 0.6	19,279,600	3.09	595,300
	> 0.5	19,381,900	3.09	598,400

Inferred Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	6,181,000	6.11	377,600
	> 2.5	9,699,200	4.86	471,800
	> 2.0	15,332,000	3.92	600,300
	> 1.5	**16,675,100**	**3.75**	**624,900**
	> 1.0	16,927,300	3.71	628,000
	> 0.8	17,120,500	3.68	629,700
	> 0.6	17,306,700	3.63	628,100
	> 0.5	17,400,900	3.63	631,600

The results of a 1,550 m drill program conducted in 2017 in the Refractory sector intercepted multiple zones of graphite mineralization. The results are shown in the table below.

Drill Hole #	From (m)	To (m)	Length (m)	Gp %
LL-16-001	3.90	139.50	135.60	7.74
Including	3.90	48.00	44.10	16.81
Including	135.00	138.00	3.00	14.85
LL-16-002	3.90	26.20	22.30	17.08
Including	**113.90**	129.00	15.10	14.80
LL-16-003	30.20	141.00	110.80	14.56
LL-16-004			NVS	
LL-16-005	55.80	57.40	1.60	13.35
LL-16-006	54.00	141.00	85.00	7.67***
Including	109.50	141.00	31.50	13.09
LL-16-007	52.50	115.80	63.30	8.51
Including	69.00	85.50	16.50	15.75
LL-16-008	109.50	121.50	12.00	3.91
LL-16-009			NVS	
LL-16-010	31.20	45.00	13.80	4.14
Including	72.00	147.00	75.00	4.60

*** Length along the core. The Company does not have enough information to estimates the true width of the mineralized zone intersected in the drill holes.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and Lac-des-îles West properties allowing Lomiko to acquire up to 100% interest in the properties. Lomiko will also have to pay to the Company an additional amount of $1,125,000, issue to the Company an additional 950,000 common shares of Lomiko (450,000 shares received during the year in total for both properties) for a period commencing on the deemed exercise date of the Additional Option signed on February 6, 2015 and ending on December 31, 2018.

At July 31, 2018, Lomiko owned 80% of the property.

Work done during the period

Exploration and evaluation expenses on La Loutre property for an amount of $7,402 of which $12,690 were incurred by Lomiko following the signature of the option agreements.

SOMANIKE – NICKEL AND GOLD PROJECT

Property Description

The Somanike property consists of 111 claims (51.46 km^2) and is wholly owned by the Company. It lies approximately 25 km northwest of the town of Malartic, in the Abitibi region. The property was named as part of the signing of a cooperation agreement with the Abitibiwinni First Nation, based in Pikogan, Quebec. It is more than 14 km long and consists of Archean volcanic rocks (the Malartic and Louvicourt groups) and sedimentary rocks of the Kewagama Group. Sphinx has been conducting exploration work to develop the property's nickel and gold potential since 2014. The property area includes the former Marbridge underground nickel-copper mine, which produced 774,227 tonnes of ore grading 2.28% nickel and 0.1% copper between 1962 and 1968, with four deposits discovered by surface prospecting and drilling between 1957 and 1966. Marbridge is the only nickel mine in the Abitibi region to date and is the first nickel sulphide deposit in Quebec associated with komatiitic volcanic rocks.

On April 25, 2018, the Company signed an asset purchase agreement to acquire 100% of the property owned by Sphinx. The property was acquired on June 27, 2018, through the issuance of 531,000 common shares (post-consolidation). The Company plans to sell the property or identify a partner to continue exploring the property.

Work done during the period

On August 20, 2018, the Company entered into an agreement with Vanicom Resources Limited ("Vanicom") on the Somakine property. The agreement provides that Vanicom may acquire 100% interest in the property in consideration of a total of $25,000 in cash payments at the signature of the Agreement. Vanicom had also to $125,000 in common shares of Vanicom and engage $600,000 in exploration expenditures no later than June 15, 2021.

ZEUS – RARE EARTHS PROJECT

Property Description

The Zeus property consists of 65 claims (38.32 km^2) located in the Témiscamingue RCM in southwestern Quebec. It is wholly owned by the Company. These claims are adjacent to the Kipawa deposit claims, which are also wholly owned by the Company (see description below). The property is located in the Témiscamingue region of Quebec, 140 km south of Rouyn-Noranda and 90 km northeast of North Bay, Ontario. It lies in the Grenville geological province, approximately 55 km south of the contact with the Superior province. The lithologies consist mainly of gneiss with a grade of metamorphism ranging from the green schist facies to the amphibolite-granulite facies. Twelve heavy rare earth showings have been identified on the property, some of which contain niobium and tantalum.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec. The Company intends to find one or more third parties to participate in the project.

Work done during the period

No exploration work was carried out on the property during the period.

KIPAWA PROJECT - RARE EARTHS PROJECT

Property Description

The Company has a 68% interest in the Kipawa project. The project consists of 22 claims (12,96 km^2) and is owned by *Société en coparticipation coentreprise terres rares Kipawa* ("SCCK"). Ressources Québec Inc. holds 32% interest. These claims are contiguous to the claims of the Zeus property, which is also wholly owned by the Company (see description above). The project is located in the Témiscamingue region of Quebec, 140 km south of Rouyn-Noranda and 90 km northeast of North Bay, Ontario. The rare earth mineralization lies within the syenite of the Kipawa alkaline complex.

On September 4, 2013, Matamec announced the results of a feasibility study for the Kipawa project (the “study”). The study, which was prepared by Roche Ltd. and GENIVAR Inc. with the support of SGS Geostat and Golder Associates Ltd., showed that the project was technically and economically feasible. On September 18, 2014, Matamec and Toyotsu Rare Earth Canada Inc. ("TRECan") signed a termination agreement for the Kipawa project, pursuant to which Matamec paid TRECan $280,000 and TRECan converted its undivided 49% interest in the project into a 10% interest on net profits from future production.

On September 24, 2017, SCCK decided to stop its development activities for the Kipawa project and then its research activities with various university partners and government agencies. The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec. The Company intends to find one or more third parties to participate in the project.

Work done during the period

No exploration work was carried out on the property during the period. This property was impaired during the period ended July 31, 2018.

TANSIM – LITHIUM PROJECT

Property Description

The Tansim property consists of 65 claims (37.66 km^2) in the Témiscamingue RCM. The Company owns a 50% interest in the property. The Tansim property is part of the Pontiac geological subprovince, located south of the Abitibi subprovince, part of the Archean Superior province. The lithologies consist of a group of Late Archean metasedimentary-metavolcanic-granitoid-gneiss rocks.

On January 22, 2018, Matamec announced that it had granted an option on 65 claims to Sayona Québec Inc. (“Sayona”), a subsidiary of Sayona Mining Corp., an Australian company.

This option is for a period of two years from the signature date of the agreement, January 18, 2018. In the first year, Sayona may acquire 50% of the 65 claims by paying a total of $103,587 for the claim renewal fees, or $63,587 by carrying out exploration work before January 31, 2018 on 50 claims and paying the renewal fees for the remaining claims. In addition, Sayona was required to spend $200,000 on exploration work and pay Matamec $100,000.

If Sayona wishes to earn an additional 50% interest to hole 100% of the property, it must spend $350,000 on exploration work and pay Matamec $250,000 in the second year. Matamec will also receive a 2% NSR on the production of minerals mined on the property.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec.

Work done during the period

Sayona announced in August 2018, that current exploration program at Tansim is aimed at defining drilling targets at the Viau-Dallaire and Viau prospects. Viau-Dallaire is a pegmatite dyke measuring 300 m long and between 12 and 20 m thick. At the second prospect, Viau, pegmatites have been mapped over an area up to 200 m long and 30 m wide. A recent airborne geophysics survey has confirmed a strong east-west magnetic anomaly that corresponds with historical surface mapping of pegmatites over an area measuring 9 km long and up to 700 m wide. In addition, the host intermediate/mafic magnetic rocks confirmed by the survey are intruded by sub-parallel lithium, beryllium and tantalum-bearing, granitic pegmatite dykes.

On September 14, 2018, Sayona fulfilled his obligations and holds 50% in the property.

VALMONT – COPPER-LEAD-ZINC-SILVER AND GOLD PROJECT

Property Description

The Valmont property consists of 114 claims (63.36 km^2) and is located in the north central part of the Gaspé Peninsula, northwest of the McGerrigle Mountains and some 21 km south of the coastal village of Marsoui. The property is part of a broad band of Ordovician sedimentary rocks some tens of kilometres long in the Appalachian geological province. On the Valmont property, the Candego deposit, which has been mined, is a quartz carbonate-lead-zinc vein-type deposit lying alongside or near a schistose zone commonly called the Candego fault.

The property was acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec. The Company plans to sell the property or identify a partner to continue exploring the property.

Work done during the period

No exploration work was carried out on the property during the period.

VULCAIN – COPPER-ZINC PROJECT

Property Description

The Vulcain property consists of 68 claims (40.05 km^2) located in Haute-Gatineau. It is wholly owned by the Company. A deposit located on the property beneath Renzy Lake was mined from 1969 to 1972, known as the Renzy Mine, with approximately 718,000 tonnes of ore mine, grading 0.7% Ni and 0.7% Cu. The deposit and nickel-copper showings on the property are all hosted by ultramafic sills. These sills, which vary in width from 10 to 300 m and are up to 3 km long, lie in the paragneisses of the Grenville geological province supergroup.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec.

Work done during the period

No exploration work was carried out on the property during the period.

CASA-DÉTOUR – GOLD PROJECT

Property Description

The Casa-Détour property consists of 221 claims (116.39 km^2) in the Témiscamingue RCM and is wholly owned by the Company. It is located north of La Sarre, in the Abitibi region of northwestern Quebec, near the Casa Berardi mine, which is owned and operated by Hecla. The property is in the northern part of the Abitibi subprovince, part of the Superior province, and is within the Harricana-Turgeon volcanic belt. The regional geology is characterized by a mixed assemblage of mafic volcanic rocks and sedimentary formations bounded by a large granodiorite to granite batholith.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec.

Work done during the period

No exploration work was carried out on the property during the period.

FABRE – COBALT PROJECT

Property Description

The Fabre property consists of 57 claims (33.14 km^2) in the Témiscamingue RCM and is wholly owned by the Company. The property covers the sedimentary rocks of the cobalt group of the Huronian supergroup, Nipissing diabase dikes and Archean volcanic rocks.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec.

Work done during the period

No exploration work was carried out on the property during the period.

NEW PROJECT – RARE EARTHS PROJECT

Property Description

The Fabre property consists of 27 claims (15.93 km^2) in southwestern Quebec and is wholly owned by the Company. The property was staked to explore the area's rare earth potential. The property lies in the Grenville geological province.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec.

Work done during the period

No exploration work was carried out on the property during the period.

ONTARIO PROPERTIES

Properties Description

The Company holds a 50% interest in 60 mineral titles (12,0 km^2) of the Matheson-Explorers property owned by the Matheson joint venture, located in the Timmins mining camp in Ontario. International Explorers and Prospectors Inc. ("IEP") owns the other 50%. The property is subject to a 1.5% NSR payable to IEP of which 0.75% can be bought back for $ 1,500,000, a 1.5% NSR payable to Amalco of which 0.75% can be bought back for $ 750,000 and NSR of 1% to certain persons or companies on certain mineral titles, of which 0.5% can be bought back for $ 500,000.

The Company owns a 100% interest in 10 claims (1,6 km^2) on the Matheson-Pelangio property, located in the Timmins mining camp. The property is subject to a 3.5% NSR to Pelangio and 2.5% to Asarco. The property is adjacent to the Matheson-Explorers property.

These two properties are part of the stratigraphic assemblages that contain most of the gold deposits of the Timmins mining camp. A number of exploration targets have been identified by past exploration programs but have not been systematically tested by drilling.

The properties were acquired on June 27, 2018, following the business combination by way of a plan of arrangement approved by an order of the Superior Court of Canada with Matamec. The Company plans to sell its interest in the properties or identify a partner to continue exploring the properties.

Work done during the period

No exploration work was carried out on the properties during the period.

Persons in Charge of Technical Disclosure

Normand Champigny, Ing., President and Chief Executive Officer, and Jean-Sebastien Lavallée (OGQ #773), Vice-President Exploration, respectively, of the Company and both Qualified Persons under *NI 43-101 on standards of disclosure for mineral projects*, have prepared and approved the technical content of this MD&A for the properties.

RESULTS OF OPERATIONS

The Company anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

The comments below provide an analysis of the operating results for the six-month period ended July 31, 2018. The selected financial information shown below is taken from the condensed unaudited interim financial statements for each of the six-month periods indicated.

FINANCIAL HIGHLIGHTS

	July 31 (6 months)	
	2018	**2017**
Salaries & General administrative expenses	**$ 89 094**	$ 64 553
Registration, listing fees and shareholders' information	**$ 235 813**	$ 61 883
Professionnal and consultant fees	**$ 417 591**	$ 73 349
Amortization of property, plant and equipment	**$ 2 028**	$ -
Share-based payments	**$ -**	$ 146 754
Part XII.6 taxes	**$ 5 236**	$ -
Change in fair value of marketable securities and derivative financial instruments	**$ 117 800**	$ -
Gain on disposable of marketable securities	**$ -**	$ 12 618
Write-off and depreciation of exploration end evaluation assets	**$ 798**	$ (22 776)
	$ 868 360	$ 336 381
Revenues	**$ 3 293**	$ 1 535
Gain on disposal of property, plant and equipment	**$ 2 312**	$ -
Loss before income taxes	**$ 862 755**	$ 334 846
Deferred income taxes	**$ (271 080)**	$ (155 545)
Net loss and comprehensive loss for the period	**$ 591 675**	$ 179 301
Cash	**$ 4 883 079**	$ 85 006

Revenues

Revenues for the six-month period ended July 31, 2018 amounted to $3,293 ($1,535 in 2017). This item consisted of management revenues. Given its status as a mining exploration company, the Company does not generate any steady income, and must finance its activities by issuing equity.

Salary & General Administrative Expenses

Salary and general administrative expenses for the six-month period ended July 31, 2018, consisted mainly of general office expenditures, travel expenses, promotional activities, salaries and fringe benefits and the Company's claim renewal expenses. These fees were $24,541 higher than the prior period due to higher claim renewal expenses and insurance costs, as well as the payment of the social contributions relating to directors' fees owing to certain Matamec directors and settled through the issuance of shares.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the six-month period ended July 31, 2018, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of $173,930 from the previous period was mainly due to higher publication expenses, transfer agent fees, investor relations expenses and shareholder information expenses. Most of these expenses were incurred for the annual and special meeting and to close the two companies' plan of arrangement.

Publication costs, transfer agent fees, investor relations fees and shareholder information fees. The majority of these expenses were incurred for the holding of the annual and special meeting as well as for the completion of the two companies' plan of arrangement.

Professional and Consultant Fees

Professional and consulting fees for the six-month period ended July, 2018, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were $344,242 higher than the prior period due to an increase in professional and consulting fees, legal and accounting expenses in order to conclude the plan of arrangement

Stock-Based Compensation

Share-based payments and compensation for the six-month period ended July 31, 2017, represent the charge related to the value of the 1,855,000 stock options granted to directors, officers and consultants. A compensation charge of $146,754 was thus assigned in relation to the stock options granted during the period, using the Black-Scholes model.

Write-off and depreciation of exploration and evaluation assets

During the six-month period ended July 31, 2018, the Company depreciated the Kipawa Project property. A charge of $798 was recognized in earnings.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended July 31, 2018. The selected financial information shown below is taken from the condensed unaudited interim financial statements for each of the three-month periods indicated.

FINANCIAL HIGHLIGHTS

	July 31 (3 months) 2018	2017
Salaries & General administrative expenses	$ 66 358	$ 41 185
Registration, listing fees and shareholders' information	$ 166 492	$ 35 885
Professionnal and consultant fees	$ 347 995	$ 25 206
Amortization of property, plant and equipment	$ 2 028	$ -
Share-based payments	$ -	$ 142 445
Part XII.6 taxes	$ 2 025	$ -
Change in fair value of marketable securities and derivative financial instruments	$ 24 050	$ -
Write-off and depreciation of exploration end evaluation assets	$ 798	$ (22 776)
	$ 609 746	$ 221 945
Revenues	$ 3 293	$ 300
Gain on disposal of property, plant and equipment	$ 2 312	$ -
Loss before income taxes	$ 604 141	$ 221 645
Deferred income taxes	$ (34 104)	$ (153 458)
Net loss and comprehensive loss for the period	$ 570 037	$ 68 187
Cash	$ 4 883 079	$ 85 006

Revenues

Revenues for the three-month period ended July 31, 2018, amounted to $3,293 ($300 in 2017) and consisted of management revenues. Given its status as a mining exploration company, the Company does not generate any steady income, and must finance its activities by issuing equity.

Salary & General Administrative Expenses

Salary and general administrative expenses for the three-month period ended July 31, 201, consisted mainly of general office expenditures, travel expenses, promotional activities, salaries and fringe benefits and the Company's claim renewal expenses. These fees were $25,173 higher than the prior period due to higher claim renewal fees and insurance costs, as well as the payment of the social contributions relating to directors' fees owing to certain Matamec directors and settled through the issuance of shares.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period July 31, 2018, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of $18,369 from the previous period was mainly due to higher public relations and shareholder information expenses. Most of these expenses were incurred for the annual and special meeting and to close the two companies' plan of arrangement.

Professional and Consultant Fees

Professional and consulting fees for the three-month period ended July, 2018, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were $322,789 higher than the prior period due to an increase in consulting fees, legal and accounting expenses in order to conclude the plan of arrangement

Stock-Based Compensation

Share-based payments and compensation for the three-month period ended July 31, 2017, represent the charge related to the value of the 1,800,000 stock options granted directors, officers and consultant. A compensation charge of $142,445 was thus assigned in relation to the stock options granted during the period, using the Black-Scholes model.

Write-off and depreciation of exploration and evaluation assets

During the three-month period ended July 31, 2018, the Company depreciated off the Kipawa Project property. A charge of $798 was recognized in earnings.

The selected financial information below was taken from the Company's unaudited condensed financial statements for each of the following quarters:

$000s of $ except for share data	July 31 2018	Apr. 30 2018	Jan. 31 2018	Oct. 31 2017	July 31 2017	Apr. 30 2017	Jan. 31 2017	Oct. 31 2016
Revenues	6	-	14	-	-	2	10	-
Net profit (loss)	(570)	(22)	(62)	10	(68)	(119)	(174)	(123)
Basic and diluted net loss per share	$ (0.02)	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.01)	$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

Cash as at July 31, 2018, totaled $4,883,079 compared to $85,006 as at July 31, 2017. It is management's intention to secure further capital funding in the form of equity to support current and future exploration and evaluation assets development.

Date	Financing		Commercial Goals
March 2017	Flow-through	$2,502,500	Exploration expenditures (balance of $236,939 to spend as of July 31, 2018)
June 2018	Common shares	$5,423,304	Working Capital

For the next year 2019 fiscal year, the Company has budgeted $900,000 for administrative expenses. Management is of the opinion that, even if it is unable to raise additional equity financing, the Company will be able to meet its current exploration obligations and keep its properties in good standing for the next 12 months. Advanced exploration of some of the mineral properties would require substantially more financial resources. There is no assurance that such financing will be available when required, or under terms that are favourable to Company. The Company may also select to advance the exploration and development of exploration and evaluation assets through joint ventures. Management is currently considering opportunities for further financing.

CASH FLOWS

	July 31 (6 months) 2018	2017
Operating activities	**$ (1,095,527)**	$ (186,518)
Financing activities	**$ 5,268,447**	$ 2,447,845
Investing activities	**$ (982,654)**	$(2,481,373)
	$ 3,190,266	$ (220,046)
Cash	**$ 4,883,079**	$ 85,006

During the six-month period ended July 31, 2018, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the six-month period ended July 31, 2018, the main financing activity undertaken by the Company was as follows:

> On June 27, 2018, the Company issued 8,890,663 common shares at a price of $0.61 per share, for a gross proceeds of $5,423,304.

During the six-month period ended July 31, 2018, investing activities consisted primarily of prospecting work for properties development, rebilling of exploration and evaluation assets, acquisition of all issued and outstanding Matamec's shares and the receipt of mining tax credits

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

ROYALTIES ON MINING PROPERTIES

PROPERTIES	ROYALTIES		DESCRIPTION
	Name		
Eeyou Istchee James Bay Territory properties, Quebec			
Apple	Osisko Gold Royalties Ltd.	100%	2% NSR of which 1% may be purchased for an amount of $1,000,000
Sakami	Luc Lamarche	50%	1% NSR on some claims
	Jean-Raymond Lavallée	50%	
	Osisko Gold Royalties Ltd	100%	2% NSR on 81 claims of which 1% may be purchased for an amount of $1,000,000
Opinaca Gold West & Opinica Lithium	Tony Perron, Tony Perron & Janine Mongrain on certain claims, Tony Perron Hélène Laliberté on certain claims	100%	2% NSR of which 1% may be purchased for an amount of $500,000
Chemin Troïlus	Ressources Tectonic Inc.	100%	2% NSR of which 1.5% may be purchased for an amount of $2,000,000
Other properties, Quebec			
La Loutre	Jean-Sébastien Lavallée	33.33%	1.5% NSR of which 0.5% may be purchased for an amount of $500,000
	Jean-Raymond Lavallée	33.33%	
	Michel Robert	33.33%	
Somanike	Osisko Gold Royalties Ltd.	100%	2% NSR on 55 claims
	Globex Mining Enterprises Inc.	100%	GMR (Gross Metal Royalty) on 7 claims of which 1% if Ni lower than $6 US, 1.5% between $6 and $8 US and 2% if higher than $8 US
	Jefmar Inc.	100%	2% NSR on 7 claims of which 1% may be purchased for an amount of $1,000,000
	RNC Minerals	100%	2% on 6 claims of which 2% may be purchased for an amount of $2,000,000
Kipawa Project	Toyotsu Rare Earth Canada Inc.	100%	10% on future royalties on net operating profit
Tansim	Ressources Minérales Mistassini Inc.	100%	1.25% NSR on 4 claims of which 0.25% may be purchased for an amount of $60,000
Valmont	André Gauthier	100%	1% NSR may be purchased for an amount of $500,000 payable over 2 years
Vulcain	André Gauthier	60%	1% NSR may be purchased for an amount of $500,000
	Jacques Duval	40%	
Casa-Detour	Tony Perron, Tony Perron & Carlos Perron on certain claims, Tony Perron Hélène Laliberté on certain claims	100%	2% NSR of which 1% may be purchased for an amount of $500,000
Fabre	Tony Perron	100%	2% NSR of which 1% may be purchased for an amount of $500,000
Ontario properties, Ontario			
Matheson Joint Venture	International Explorers and Prospectors Inc.	100%	1.5 % NSR of which 0.75% may be purchased for an amount of $1,500,000
	Amalco	100%	0.75% NSR of which 0.75% may be purchased for an amount of $750,000
	Certain individuals and companies on certain claims	100%	1% NSR of which 1% may be purchased for an amount of $500,000
Matheson-Pelangio	Pelangio	100%	3.5% NSR
	Asarco	100%	2.5% NSR

RELATED-PARTY TRANSACTIONS

Transactions with Key Executives

A) During the six-month period ended July 31, 2018, the Company has incurred professional and consultant fees amounting to $30,486 ($15,925 in 2017) with its Chief Financial Officer. In relation with these transactions, no amount was payable as at July 31, 2018 ($951l as at July 31, 2017).

B) During the six-month period ended July 31, 2018, the Company incurred $1,271,327 ($884,229 in 2017) in exploration and evaluation assets, no professional and consultant fee ($20,850 in 2017), general administrative expenses for $43,420 ($30,095 in 2017) and no interest and penalties ($21.918 in 2017) with Consul-Teck Exploration Minière Inc., a company of which the Vice-President Exploration (former Executive Chairman) of the Company is a shareholder. An amount of $219,526 was payable to Consul-Teck Exploration Minière Inc. as at July 31, 2018 ($456,449 as at July 31, 2017).

C) During the six-month period ended July 31, 2018, the Company incurred $125,000 in professional and consultant fees (nil in 2017) with Paradox Public Relations, a company controlled by the President (former President and Chief Executive Officer) of the Company. No amount was payable in relation to these transactions as at July 31, 2018 ($17,246 as at July 31, 2017).

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

D) The Vice-President Exploration of the Company owns 33.33% of the 1.5% NSR on the La Loutre property regarding the agreement signed in 2012. The Company has the option to purchase 0.5% of this NSR for $500,000.

E) On June 27, 2018, the Company acquired from Sphinx, the mining claims on three properties. Normand Champigny is the Chief Executive Officer, Michel Gauthier, François Biron and John W.W. Hick are directors, of both companies Sphinx and the Company. The Company issued to Sphinx Resourced Ltd 1,200,000 common shares post-consolidation.

SIGNIFICANT ACCOUNTING POLICIES

Overall Considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

Exploration and Evaluation Expenditures, and Exploration and Evaluation Assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit and loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit and loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of Interest in Connection with Option Agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

Share-based Payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the Black-Scholes Options Pricing Model. Share-based payments to non-employees are measured at the fair value of the 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 offset to the recorded cost is credited to contributed surplus.

Share-based payments (except brokers and intermediaries options) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Share-based payments to brokers and intermediaries, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-Market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of share options ultimately exercised is different from that estimated on vesting.

Impairment of Exploration and Evaluation Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Insufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed when the asset’s or cash-generating unit’s recoverable amount exceeds its carrying amount.

Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus for the options and warrants for the warrants.

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of announcement of the placement and the balance, if any, is allocated to the attached warrants.

In addition, if the shares are issued in an acquisition of property, shares are measured at fair value based on stock price on the day of the conclusion of the agreement.

Flow-through Shares

Issuance of flow-through shares represents an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented in other liability in the statement of financial position. The proceeds received from flow-through shares are allocated between share and, if any, the other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds is allocated to the other liability.

The other liability recorded is reversed on renouncement of the right to tax deductions to the investors or when the Company has the intention to renounce of tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income taxes expense.

Other Elements of Equity

Accumulated other comprehensive income includes unrealized gains and losses on available-for-sale financial assets net of relevant income taxes.

Contributed surplus includes charges related to brokers and intermediaries options and share purchase options. When options are exercised, the related compensation cost is transferred to share capital.

Warrants include charges relating to warrants. When these warrants are exercised, the relating charges are transferred to share capital. When these warrants are expired, the relating charges are transferred to contributed surplus.

Deficit includes all current and prior year retained profits or losses.

Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

Tax Credits Receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit and loss, which are measured initially at fair value. The subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;-

- Available-for-sale financial assets.

The category determines subsequent measurement, and whether any resulting income and expenses is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date.

Loans and receivables are carried at amortized cost less any impairment. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material. The Company's cash and other receivables (in 2017) fall into this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include marketable securities.

All available-for-sale financial assets are measured at fair value. Net change in the fair value is recognized in other comprehensive loss and reported within the accumulated other comprehensive loss within equity. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive loss is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive loss.

Reversals of impairment losses are recognized in other comprehensive income.

Classification and Subsequent Measurement of Financial Liabilities

The Company classifies its financial liabilities in the category financial liabilities at amortized cost.

Financial liabilities at amortized cost

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities of the Company include accounts payable and accrued liabilities (excluding salaries and fringes benefits and government remittances).

Income Taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the year, which is calculated using tax rates that have been enacted or substantively enacted by the reporting date. However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are accounted for using the liability method that requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the year of substantive enactment. Deferred tax assets, such as non-capital loss carry-forwards or deductible temporary difference, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention of set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they are related to items that are recognized in other comprehensive loss or directly in equity, in which case the related deferred tax is also recognized in other comprehensive loss or equity, respectively.

Functional and presentation currency

The functional and reporting currency of the Company is the Canadian dollar.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant areas requiring the use of management estimates relate to determining the recoverability of exploration and evaluation assets, the determination of the recoverability of amounts receivable and tax credit, the variables used in the determination of the fair value of stock options granted and warrants issued, the determination of the recoverability of deferred tax assets and the Company's ability to continue as a going concern. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Provisions and Contingent Liabilities

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Segmented information

The Company's operations consist of a single operating segment being the sector of exploration and evaluation of mineral resources and all operations are located in Canada.

NEW STANDARD AND REVISED STANDARDS

Impact of the application of IFRS 9, Financial Instruments

During the quarter ended April 30, 2018, the Company applied IFRS 9, *Financial Instruments*, (issued July 2014) and related consequential amendments to other IFRS. The requirements of IFRS 9 are a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. These new requirements are relevant to the Company; the details of the requirements and their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 retrospectively in accordance with the transitional provisions set out in the standard, and has restated its comparative financial statements. The initial application date for the Company was February 1, 2018. Consequently, the Company applied the requirements of IFRS 9 to financial instruments that were not derecognized as at February 1, 2018, but not to financial instrument requirements that were derecognized at that date. Comparative amounts relating to financial instruments not derecognized as at February 1, 2018, were restated where applicable.

Financial asset classification and measurement

IFRS 9 contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally depends on the business model for managing the asset and the asset's contractual cash flow characteristics. IFRS 9 eliminates the following IAS 39 categories: held-to-maturity financial investments, loans and receivables, and available-for-sale financial assets.

Management reviewed and measured the Company's existing financial instruments as at February 1, 2018, based on the facts and circumstances that existed at that date and concluded that the application of IFRS 9 has had the following impact on the Company's financial instruments regarding their classification and measurement:

Investments previously designated as available-for-sale financial assets and measured at fair value at each reporting date under IAS 39 will now be classified in the fair value through profit and loss category in accordance with IFRS 9. Unrealized gains or losses reflected in other comprehensive income until these gains or losses are realized or a decline in value of the financial asset is other than temporary will now be charged to net earnings. This change resulted in the following adjustments to the prior year's financial statements:

Increase in net income for fiscal 2018	$7,724
Decrease in the sum of the other elements of comprehensive income as at January 31, 2018	$139,006
Increase in deficit as at January 31, 2018	$139,006

Classification and measurement of financial liabilities

The classification and measurement requirements for financial liabilities are the same in IFRS 9 as in IAS 39. The application of IFRS 9 had no impact on the classification and measurement of the Company's financial liabilities.

Basis of consolidation

The Company's consolidated condensed interim financial statements include the accounts of the parent company and its subsidiary Matamec. The parent company controls a subsidiary if it is exposed, or is entitled to variable returns from its involvement with the subsidiary and whether it has the ability to affect those returns through it hold over the subsidiary. The Company's subsidiary is wholly-owned by the parent company. The subsidiary has a reporting date of December 31.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized gains and unrealized losses on transactions between group companies. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the parent company.

Jointly controlled asset

Since January 27, 2015, Matamec and Ressources Québec Inc. (RQ) control jointly the Kipawa Project, pursuant to a joint operation agreement. Matamec hold an interest of 68%. Information on this asset is presented in Note 9 (Kipawa Project). Jointly controlled assets supposes joint control, without creating a corporation, partnership or other entity. When the Company's activities are conducted through jointly controlled assets, the Company recognizes its share of jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers. The agreement between RQ and the Company, in accordance with the practices most commonly used in the industry, has been accounted for as a farm-out agreement without consideration for the legal form of the agreement. A farm-out arrangement typically involves an entity (i.e., the farmor) agreeing to provide a working interest in a mining property (i.e., the farmee), provided that the farmee makes a cash payment to the farmor and/or incurs certain expenditures on the property to earn that interest. As of July 31, 2018, a cash amount of $29,812 is restricted to this asset's exploitation, at the joint operation level.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price of the asset. Subsequent costs are included in the book value of the asset or recorded separately, when required, when it is probable that future economic benefits associated with the asset will flow to the Company and when the cost can be measured reliably. The carrying value of an asset replaced has to be derecognized on replacement.

Repairs and maintenance costs are charged to the statements of operations during the period in which they are incurred. Amortization of property, plant and equipment is calculated to distribute property, plant and equipment cost, less their residual value, over their useful life, according to the following declining balance method and period, by major categories:

Building	4%
Leasehold improvements	2 years
Computer equipment	30%
Furniture and office equipment	20%
Exploration equipment and facilities	30%

Amortization of property, plant and equipment related to exploration and evaluation activities is expensed or capitalized in deferred exploration and evaluation expenditures, according to the capitalization policy. Amortization of property, plant and equipment related to mining development costs is capitalized to deferred exploration and evaluation expenditures. For those assets which are not related to exploration and evaluation activities, depreciation expense is recognized in profit or loss.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are in the profit or loss.

CERTIFICATION OF INTERIM FILINGS

The Chief Executive Officer and Chief Financial Officer have signed the official basic certificates for venture issuers as required by *Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings*, confirming the review, absence of untrue or misleading information and fair presentation of the interim documents filed.

- The Chief Executive Officer and Chief Financial Officer have confirmed that they have reviewed the interim financial statements and the interim MD&A (collectively referred to as the “interim filings”) of the Company for the six-month period ended July 31, 2018.
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings for these periods.

OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information data is derived from the audited financial statements at the periods indicated.

EXPLORATION AND EVALUATION ASSETS

	July 31 2018	2017
Balance, beginning of period	**$ 2 884 045**	$ 1 828 853
Add:		
Acquisition of exploration and evaluation assets	**1 007 386**	223 520
Assets for exploration and evaluation of the subsidiary	**4 121 440**	-
Drilling	**1 365 819**	725 976
Geology and geophysics	-	45 463
Other exploration and evaluation expenses	**12 243**	9 270
	6 506 888	1 004 229
Balance, before deduction	**9 390 933**	2 833 082
Rebilling	**12 690**	30 696
Disposal	-	114 750
Write-off and disposal of exploration and evaluation assets	**798**	(22 776)
	13 488	122 670
Balance, end of period	**$ 9 377 445**	$ 2 710 412

MATERIAL COMPONENTS

	July 31 2018	2017	2016
Statements of Comprehensive Income			
Professional and consultant fees	**$ 417 591**	$ 73 349	$ 161 099
Write-off and depreciation of mining properties and deferred exploration expenses	**$ 798**	(22 776)	(35 000)
Registration, listing fees and shareholders' information	**$ 235 813**	$ 61 883	$ 34 503
Change in fair value of marketable securities and derivative financial instruments	**$ 117 800**	$ 41 474	$ (9 683)
Stock-based payments	**$ -**	$ 146 754	$ 75 443
Management income	**$ 634**	$ 1 535	$ 4 065

	July 31 2018	2017	2016
Statements of Financial Position			
Cash	**$ 4 883 079**	**$ 85 006**	$ 62 047
Exploration and evaluation assets	**$ 9 377 445**	**$ 2 710 412**	$ 1 723 590

The following selected financial information is derived from the Company's unaudited financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at September 26, 2018)

Common shares outstanding: 44,835,558

Options outstanding: 1,121,915
Average exercise price of: $ 0.61

Expiry date	Number of shares	Exercise price
		$
October 2018	312,500	0.42
March 2019	13,221	0.58
June 2019	60,096	0.42
July 2019	168,269	0.42
July 2019	192,308	0.46
September 2019	135,136	1.55
May 2022	240,385	0.62
	1,121,915	

Warrants outstanding : 4,881,005
Average exercise price of: $ 0.83

Expiry date	Number of shares		Exercise price
			$
December 2018	104,231	(1)	0.46
January 2019	40,962	(1)	0.46
February 2019	15,481	(1)	0.46
March 2019	275,000	(1)	0.73
June 2020	4,445,331		0.85
	4,881,005		

(1) Broker warrants

Risks and Uncertainties

The Company is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

Exploration and mining risks. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors, including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known bodies of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

Titles to property. While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

Permits and licenses. The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Metal prices. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Competition. The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

Environmental regulations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Conflicts of interest. Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Stage of development. The Company's properties are in the exploration stage, and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Industry conditions. Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

Uninsured hazards. Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of the high cost of premiums or for other reasons. The payment of any such liability could result in the loss of Company assets or the Company's insolvency.

Future financing. Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

Key employees. Management of the Company rests on a few key officers and members of the board of directors, the loss of any of whom could have a detrimental effect on its operations.

Canada Revenue Agency. No assurance can be made that Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).