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# DISCOVERY HARBOUR RESOURCES CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED SEPTEMBER 30, 2019

This Management's Discussion and Analysis ("MD&A") of Discovery Harbour Resources Corp. (the "Company" or "Discovery Harbour") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in financial condition between September 30, 2019 and September 30, 2018 and results of operations for the years ended September 30, 2019 and September 30, 2018, as well as forward-looking statements relating to the potential future performance. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below. This MD&A has been prepared as of **December 13, 2019** ("Report Date"). This MD&A is intended to supplement and complement the audited consolidated financial statements and notes thereto for the year ended September 30, 2019 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A. Certain notes to the Financial Statements are specifically referred to in this MD&A and such notes are incorporated by reference herein.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

### 1. CORE BUSINESS

Discovery Harbour Resources Corp. is a junior resource company engaged in the acquisition, exploration and evaluation of mineral properties in the United States hosting gold and base metals.

The Company holds interests in the following mineral resource property in the United States:

- **Caldera Gold Property** (Nye County, Nevada) – gold property located in Nye County, Nevada. The Caldera Gold Property has been acquired through various agreements and staking. The Company has an option to earn a 100% interest, subject to advance minimum royalty payments and a 2% retained net smelter return royalty ("NSR") , increasing to a 3% NSR should the price of gold exceed US$1,601 per ounce, on certain of the mineral claims. The Company holds a 100% interest, subject to nil or a 2% retained NSR on certain other mineral claims comprising the Caldera Gold Property.

The Company is considering financing strategies to enable it to advance the Caldera Properties and continues to review projects with the intent to expand its portfolio with a focus on gold projects located in the western United States or other jurisdictions it considers favourable.

In March and October 2019, the Company completed non-brokered private placements consisting of an aggregate 14,000,000 units priced at $0.05 (the "Units") for gross proceeds of $700,000. Each Unit consists of one common share and one share purchase warrant exercisable into one further common share at a price of $0.10 for a term of one year, subject to an acceleration provision for the October private placement. Insiders subscribed for $265,000 of the financings. All securities issued were subject to a four month hold period. The proceeds were used for working capital and work on the Caldera Gold Property. Refer to Section 8, Liquidity, for further details of these private placements.

The Company was incorporated under the Business Corporations Act of British Columbia on March 11, 2009. The Company was classified as a Capital Pool Company as defined in Policy 2.4 of the TSXV and completed its Qualifying Transaction pursuant to the policies of the TSXV on November 22, 2010. The Company is listed on the TSX Venture Exchange as a Tier 2 Venture Issuer having the symbol DHR-V. The Company completed a reverse takeover transaction with CVC Cayman Ventures Corp. on April 2, 2013.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0845837 B.C. Ltd. and Discovery Harbour (USA) LLC. Inter-company balances and transactions are eliminated on consolidation.

## 2. FINANCIAL CONDITION

The Company has not generated revenue from operations since inception. The Company has accumulated losses of $20,597,074 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise financing and generate future profitable operations. As the Company is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The Company had a working capital deficit of $468,348 at September 30, 2019 compared to a deficit of $279,865 at September 30, 2018.

Cash was $7,450 at September 30, 2019 compared to $3,372 at September 30, 2018. Term deposits held at BMO Bank of Montreal totaled $15,000 at September 30, 2019 (September 30, 2018 - $160,000). The Company's sources and uses of cash are discussed in Section 4 "Cash Flows" below.

Amounts receivable of $1,155 at September 30, 2019 (September 30, 2018 - $17,701) consist of GST input tax credits and interest receivable on term deposits.

Prepaid expenses of $6,600 at September 30, 2019 (September 30, 2018 - $6,604) relate to ordinary operating expenses.

Investments of $3,241 at September 30, 2019 (September 30, 2018 - $35,641) consist of the fair value of 162,000 shares of Red Oak Mining Corp. ("Red Oak") that trade publicly on the TSXV.

Exploration and evaluation assets of $390,238 at September 30, 2019 (September 30, 2018 - $261,073) consist of acquisition and exploration expenditures on the Company's Caldera property, which are discussed in section 6 "Major Operating Milestones" below.

Trade and other payables were $18,006 at September 30, 2019 (September 30, 2018 - $27,282). Trade payable amounts are unsecured.

Due to related parties was $42,173 at September 30, 2019 (September 30, 2018 - $7,250) (see Section 11 "Transactions Between Related Parties" below). Due to related parties represents amounts owing to directors, officers, companies with a common director or officer, and shareholders who hold greater than a 10% interest in the Company for unpaid project management services, expenses and salaries, which are unsecured, non interest bearing and payable on demand.

The convertible debenture of $100,000 at September 30, 2019 (September 30, 2018 - $100,000) is held by a director and significant shareholder of the Company. The debenture is non-interest bearing, unsecured, and convertible at the option of the holder, into shares of the Company at a conversion price equal to the greater of $0.15 per share or the subscription price for each share in the most recently completed private placement of the Company during the term of the debenture. The debenture matured on April 8, 2018 and is payable on demand.

Loans payable of $338,374 at September 30, 2019 (September 30, 2018 - $333,010) are held by the same director and significant shareholder of the Company. The loans are unsecured, non-interest bearing and payable on demand. Subsequent to year end, on October 9, 2019, the Company amended the promissory notes for US $180,000 of these loans such that the loans mature on October 9, 2020 ("Maturity") and interest will accrue at a rate of 4% per annum, compounded semi-annually, and will be paid on Maturity together with the outstanding principal.

## 3. FINANCIAL PERFORMANCE

The Company's corporate and administrative head office is located in Vancouver, Canada and it is engaged in acquisition, exploration and evaluation activities in the state of Nevada, United States of America.

Because the Company is in the exploration stage, it did not earn any significant revenue and its expenses relate to the costs of operating a public company of its size. Net loss for the three months ended September 30, 2019 was $55,195 (three months ended September 30, 2018 - $129,727) and comprehensive loss for the three months ended September 30, 2019 was $55,195 (three months ended September 30, 2018 –$145,927). Loss per share was $0.00 for the three months ended September 30, 2019 (three months ended September 30, 2018 - $0.01 per share). Net loss for the year ended September 30, 2019 was $198,317 (year ended September 30, 2018 - $202,817) and comprehensive loss for the year ended September 30, 2019 was $198,317 (year ended September 30, 2018 - $207,677). Loss per share was $0.01 for the year ended September 30, 2019 (year ended September 30, 2018 - $0.01 per share).

### 3.1 Other Income and Expenses

Other income and expenses for the year ended September 30, 2019 consists of loss on foreign exchange of $5,171 (2018 - $9,097), interest income of $968 (2018 - $154) and unrealized loss on investments of $32,400 (2018 - $nil).

### 3.2 Total Expenses for the year ended September 30, 2019

Total expenses for the year ended September 30, 2019 were $161,714 compared to total expenses of $193,874 recorded for the 2018 comparative period.

Employee costs were $87,369 for the year ended September 30, 2019 compared to expenses of $118,000 recorded for the 2018 comparative period. Employee costs include management fees, consulting fees, salaries and benefits and WorkSafeBC premiums. The following is a breakdown of material components of the Company's employee costs for the years ended September 30, 2019 and 2018.

| | Year ended September 30, 2019 $ | Year ended September 30, 2018 $ |
|---|---|---|
| Management fees | - | 108,000 |
| Consulting fees | 60,800 | 8,000 |
| Salaries and benefits | 26,247 | 2,000 |
| WorkSafeBC premiums | 322 | - |
| | 87,369 | 118,000 |

Management fees of $108,000 for the year ended September 30, 2018 consist of $75,000 paid to a company controlled by the Interim President and $33,000 paid to a company controlled by the Company's former CFO.

Consulting fees of $60,000 were paid to a business consultant and $800 were paid to a geological consultant during the year ended September 30, 2019. During the year ended September 30, 2018, consulting fees of $5,000 were paid to a business consultant and $3,000 were paid for accounting services.

Salaries and benefits of $26,247 for the year ended September 30, 2019 were paid to the Company's CFO (2018 - $2,000).

WorkSafeBC premiums of $322 for year ended September 30, 2019 cover the period from January 1, 2016 to September 30, 2019.

Finance expense for 2018 consists of accretion expense on the Company's one year convertible debenture.

General and administrative expenses were $74,345 for the year ended September 30, 2019 compared to expenses of $70,079 recorded for the 2018 comparative period. The following is a breakdown of the material components of the Company's general and administrative expenses for the years ended September 30, 2019 and 2018.

| | Year ended September 30, 2019 $ | Year ended September 30, 2018 $ |
|---|---|---|
| Accounting and audit fees | 13,946 | 15,515 |
| Filing fees | 10,774 | 7,749 |
| Insurance | 9,987 | 9,945 |

| | | |
|---|---|---|
| Investor communication | 19,525 | 12,005 |
| Legal | 12,527 | 12,614 |
| Office | 4,234 | 8,968 |
| Transfer agent | 3,352 | 3,283 |
| | 74,345 | 70,079 |

Accounting and audit fees for the 2019 and 2018 comparative years each include a provision of $13,500 for year-end audit and preparation of income tax returns.

Filing fees were $10,774 for the year ended September 30, 2019 compared to expenses of $7,749 recorded for the 2018 comparative period. The following is a breakdown of the material components of the Company's filing fees for the years ended September 30, 2019 and 2018.

| | **Year ended September 30, 2019** **$** | **Year ended September 30, 2018** **$** |
|---|---|---|
| Annual financial statements | 1,779 | 1,779 |
| CDS | - | 125 |
| Exempt distributions | 650 | 945 |
| Investor relations consultants | - | 500 |
| Listing sustaining fee | 5,200 | 3,900 |
| Personal information form | 400 | - |
| Private placement | 1,250 | - |
| Property acquisition | 1,000 | - |
| Stock option plan | - | 500 |
| SEDAR agent filing fees | 495 | - |
| | 10,774 | 7,749 |

Insurance consists of directors and officer's liability insurance.

Investor communication expenses were $19,525 for the year ended September 30, 2019 compared to expenses of $12,005 recorded for the 2018 comparative period. The Company signed an agreement dated August 15, 2018 to engage Purple Crown Communications Corp. to provide investor relations services for a three month term for consideration of $5,000 per month. Upon expiry of the term, the parties agreed to reduce the fee to $500 per month for maintenance services. This arrangement was terminated in October 2019. The following is a breakdown of the material components of the Company's investor communication expenses for the years ended September 30, 2019 and 2018.

| | **Year ended September 30, 2019** **$** | **Year ended September 30, 2018** **$** |
|---|---|---|
| Annual general meeting | 4,442 | 4,505 |
| Investor relations consultant | 13,260 | 7,500 |
| Marketing materials | 1,363 | - |
| News releases | 460 | - |
| | 19,525 | 12,005 |

Legal fees were $12,527 for the year ended September 30, 2019 compared to expenses of $12,614 for the 2018 comparative period. The following is a breakdown of the material components of the Company's legal fees for the years ended September 30, 2019 and 2018.

| | Year ended September 30, 2019 $ | Year ended September 30, 2018 $ |
|---|---|---|
| Annual general meeting | 3,649 | 2,684 |
| Annual report | 470 | 463 |
| Financial statements | - | 1,064 |
| General corporate matters | 2,447 | 5,338 |
| Property acquisition | 5,451 | 2,803 |
| US domestic representation | 510 | 263 |
| | 12,527 | 12,614 |

Office expenses were $4,234 for the year ended September 30, 2019 compared to expenses of $8,968 for the 2018 comparative period. The following is a breakdown of the material components of the Company's office expenses for the years ended September 30, 2019 and 2018.

| | Year ended September 30, 2019 $ | Year ended September 30, 2018 $ |
|---|---|---|
| Bank charges and interest | 277 | 464 |
| Courier and postage | 66 | 99 |
| IT / web | 1,830 | 2,232 |
| Office supplies | 309 | 50 |
| Rent | 1,463 | 6,122 |
| Telephone | 288 | - |
| | 4,234 | 8,968 |

Transfer agent fees were $3,352 for the year ended September 30, 2019 compared to expenses of $3,283 for the 2018 comparative period.

### 3.3 Total Expenses for the three months ended September 30, 2019

Total expenses for the three months ended September 30, 2019 were $46,171 compared to total expenses of $120,588 recorded for the 2018 comparative period.

Employee costs were $21,923 for the three months ended September 30, 2019 compared to expenses of $91,000 recorded for the 2018 comparative period. Employee costs include management fees, consulting fees, salaries and benefits and WorkSafeBC premiums. The following is a breakdown of material components of the Company's employee costs for the three months ended September 30, 2019 and 2018.

| | Three months ended September 30, 2019 $ | Three months ended September 30, 2018 $ |
|---|---|---|

| | | |
|---|---|---|
| Management fees | - | 81,000 |
| Consulting fees | 15,000 | 8,000 |
| Salaries and benefits | 6,913 | 2,000 |
| WorkSafeBC premiums | 10 | - |
| | 21,923 | 91,000 |

Management fees of $81,000 recorded for the three months ended September 30, 2018 consist of $75,000 paid to a company controlled by the Interim President and $6,000 paid to a company controlled by the Company's former CFO.

Consulting fees of $15,000 were paid to a business consultant during the three months ended September 30, 2019 (2018 - $8,000). Salaries and benefits of $6,913 for the three months ended September 30, 2019 were paid to the Company's CFO (2018 - $2,000).

General and administrative expenses were $24,248 for the three months ended September 30, 2019 compared to expenses of $29,588 recorded for the 2018 comparative period. The following is a breakdown of the material components of the Company's general and administrative expenses for the three months ended September 30, 2019 and 2018.

| | **Three months ended September 30, 2019 $** | **Three months ended September 30, 2018 $** |
|---|---|---|
| Accounting and audit fees | 13,500 | 13,500 |
| Filing fees | 1,795 | 270 |
| Insurance | 2,514 | 2,466 |
| Investor communication | 1,500 | 5,683 |
| Legal | 3,493 | 4,568 |
| Office | 858 | 2,162 |
| Transfer agent | 588 | 939 |
| | 24,248 | 29,588 |

Accounting and audit fees for the 2019 and 2018 fourth quarters include a provision of $13,500 for yearend audit and preparation of corporate tax returns.

Filing fees were $1,795 for the three months ended September 30, 2019 compared to expenses of $270 recorded for the 2018 comparative period. The following is a breakdown of the material components of the Company's filing fees for the three months ended September 30, 2019 and 2018.

| | **Three months ended September 30, 2019 $** | **Three months ended September 30, 2018 $** |
|---|---|---|
| CDS | - | 125 |
| Exempt distributions | - | 945 |
| Investor relations consultants | - | 500 |
| Listing sustaining fee | 1,300 | (1,300) |
| SEDAR agent filing fees | 495 | - |

| | | |
|---|---|---|
| | 1,795 | 270 |

Insurance consists of directors and officer's liability insurance.

Investor communication expenses were $1,500 for the three months ended September 30, 2019 compared to expenses of $5,683 recorded for the 2018 comparative period. The Company signed an agreement dated August 15, 2018 to engage Purple Crown Communications Corp. to provide investor relations services for a three month term for consideration of $5,000 per month. Upon expiry of the term, the parties agreed to reduce the fee to $500 per month for maintenance services.

Legal fees were $3,493 for the three months ended September 30, 2019 compared to expenses of 4,568 for the 2018 comparative period. The following is a breakdown of the material components of the Company's legal fees for the three months ended September 30, 2019 and 2018.

| | **Three months ended September 30, 2019 $** | **Three months ended September 30, 2018 $** |
|---|---|---|
| Annual general meeting | - | 1,165 |
| Annual report | - | 215 |
| Financial statements | - | (25) |
| General corporate matters | 548 | 1,331 |
| Private placement | - | (359) |
| Property acquisition | 2,821 | 1,978 |
| US domestic representation | 124 | 263 |
| | 3,493 | 4,568 |

Office expenses were $858 for the three months ended September 30, 2019 compared to expenses of $2,162 for the 2018 comparative period. The following is a breakdown of the material components of the Company's office expenses for the three months ended September 30, 2019 and 2018.

| | **Three months ended September 30, 2019 $** | **Three months ended September 30, 2018 $** |
|---|---|---|
| Bank charges and interest | 64 | 110 |
| Courier and postage | - | 100 |
| IT / web | 375 | 1,315 |
| Office supplies | 19 | (985) |
| Rent | 366 | 1,622 |
| Telephone | 34 | - |
| | 858 | 2,162 |

Transfer agent fees were $588 for the three months ended September 30, 2019 compared to expenses of $939 for the 2018 comparative period.

## 4. CASH FLOWS

The Company is still in the exploration and development stage and as such does not earn any significant revenue. Total cash used in operating activities was $153,279 for the year ended September 30, 2019 compared to cash used of $194,482 for the 2018 comparative period.

Cash provided by investing activities was $23,193 for year ended September 30, 2019 and consists of mineral property expenditures of $129,165, redemption of term deposit of $145,000, and return of reclamation bond of $7,358. In comparison, cash of $367,779 was used in investing activities during the 2018 comparative period and consists of $207,779 in expenditures on exploration and evaluation assets and $160,000 on the purchase of term deposits.

Cash provided by financing activities was $134,164 for the year ended September 30, 2019 and consists of $100,000 in proceeds from a private placement, $759 in share issuance costs, and $34,923 in advances from related parties. Cash provided by financing activities was $525,974 for the year ended September 30, 2018 and consists of $300,000 in proceeds from a private placement, $6,766 in share issuance costs, demand loan received of $255,490, demand loan repayment of $30,000 and advances from related parties of $7,250.

## 5. SELECTED ANNUAL INFORMATION

The table below presents selected financial data for the Company's annual financial statements for each of the three most recently completed financial years. The financial data provided is prepared in accordance with IFRS and is presented in Canadian dollars.

| | **September 30, 2019 $** | **September 30, 2018 $** | **September 30, 2017 $** |
|---|---|---|---|
| Total revenue | - | - | - |
| Net loss for the year | (198,317) | (202,817) | (227,193) |
| Comprehensive loss for the year | (198,317) | (207,677) | (202,893) |
| Loss per share, basic and diluted | (0.01) | (0.01) | (0.01) |
| Total assets | 423,684 | 491,749 | 146,831 |
| Total long term liabilities | - | - | - |
| Cash dividends declared per share | - | - | - |

Various factors contribute to the year to year variations in financial position and financial performance.

The fiscal 2019 net loss is $4,500 smaller than the fiscal 2018 net loss. In 2019, employee costs were reduced by $30,631 over that recorded in 2018. Accretion expense of $5,795 on convertible debenture was recorded in 2018 but did not recur in 2019. General and administrative expenses were $4,266 higher in 2019. Other expenses were higher by $27,660 in 2019 largely from the recognition of $32,400 in unrealized loss on investments upon the adoption of IFRS 9 during the year, which was previously included in other comprehensive loss.

The fiscal 2018 net loss is $24,375 smaller than the fiscal 2017 net loss. In 2019, employee costs were higher by $5,441 over that recorded in 2018. Accretion expense on convertible debenture was a fairly consistent $5,795 in 2018 and $5,460 in 2017. General and administrative expenses were $30,341 lower in 2018 than 2017, largely because legal and filing fees were incurred in 2017 in connection with a number of activities. The 2017 fiscal year recorded an impairment charge of $9,350 on the Jersey Valley property. Other expenses include a loss on foreign exchange of $9,097 realized in 2018.

Total assets of $423,684 for the year ended September 30, 2019 includes $30,205 in current assets, $3,241 in investments and $390,238 in exploration and evaluation assets.

Total assets of $491,749 for the year ended September 30, 2018 includes $187,677 in current assets, $35,641 in investments, $7,358 in reclamation bond and $261,073 in exploration and evaluation assets.

Total assets of $146,831 for the year ended September 30, 2017 includes $46,816 in current assets and $100,015 in exploration and evaluation assets.

## 6. MAJOR OPERATING MILESTONES

The Company is in the mineral exploration stage and as such has no revenues. Mineral interests in the form of exploration and acquisition costs totalled $390,238 as at September 30, 2019 (September 30, 2018 - $261,073). Total costs incurred on exploration and evaluation assets are summarized as follows:

| | **Nevada Caldera $** | **Nevada Caldera Extension $** | **Total $** |
|---|---|---|---|
| Balance at September 30, 2017 | 53,294 | - | 53,294 |
| Exploration costs | | | |
| Administration | 797 | - | 797 |
| Mapping | 35,366 | - | 35,366 |
| Sampling | 4,227 | - | 4,227 |
| | 40,390 | - | 40,390 |
| Acquisition of property | | | |
| Advance royalty | 38,199 | - | 38,199 |
| Claim rental | 109,628 | - | 109,628 |
| Claim staking | 19,562 | | 19,562 |
| | 167,389 | - | 167,389 |
| Balance at September 30, 2018 | 261,073 | - | 261,073 |
| | | | |
| Balance at September 30, 2018 | 261,073 | - | 261,073 |
| Acquisition of property | | | |
| Advance royalty | 66,300 | - | 66,300 |
| Claim rental | 61,598 | 1,267 | 62,865 |
| | 127,898 | 1,267 | 129,165 |
| Balance at September 30, 2019 | 388,971 | 1,267 | 390,238 |

### 6.1 Caldera Gold Property

The Caldera Gold Property is comprised of 260 claims totalling over 3,000 hectares (~7,400 acres) in Nye County, Nevada. The claims have been acquired through a combination of option agreement, acquisition agreement and staking.

On November 18, 2016, as amended February 17, 2017 and March 30, 2017, the Company signed an option agreement with Genesis Gold Corporation to acquire a 100% interest to 41 mineral claims which form part of the Caldera Gold Property. The claims are subject to advance minimum royalty payments and a 2% retained NSR, increasing to a 3% NSR should the price of gold exceed US$1,601 per ounce. The Company may earn its interest in the property by issuing 166,667 share purchase warrants exercisable at $0.15 per share over a three year term (issued), paying the rentals on the unpatented mining claims to keep the property in good standing (paid), and making scheduled minimum advance royalty payments totalling USD $400,000 (paid - USD $175,000).

In October 2017, the Company staked an additional 163 claims to increase its holdings in Caldera to 204 claims.

Finally, on January 3, 2019, the Company completed the acquisition of an additional 56 claims to bring its current holdings to a total of 260 contiguous claims. The Company acquired the additional claims from Ore Capital Partners Ltd. ("Ore Capital"), a company related by virtue of holding over 10% ownership interest in the Company and sharing a common director, pursuant to a Letter of Intent dated August 15, 2018 as amended September 19, 2018 and December 20, 2018, for consideration of a 2% NSR retained by Ore Capital that the Company can purchase each one percentage point of NSR for $1,000,000 at any time.

During the year ended September 30, 2019, the Company expended $129,165 in acquisition costs on the Caldera property that consists of $66,300 (USD $50,000) in advance royalty, $61,598 (USD $46,245) in claim rental costs, and $1,267 (USD $940) in claim transfer fees.

Subsequent to year end, on November 13, 2019, the Company made the third anniversary advance royalty payment of $99,638 (USD $75,000) to Genesis Gold Corporation.

During the year ended September 30, 2018, the Company expended $40,390 in exploration costs on the property that consist of a mapping and sampling program and $167,389 in acquisition costs that consist of $38,199 (USD $30,000) in advance royalty, $109,628 (USD $85,596) in claim rental payments and $19,562 in claim staking costs.

The Caldera Gold Property is located west of the Round Mountain gold mine (Kinross Gold) and in the foothills of the Shoshone Range. Its location is within the Round Mountain, Paradise Peak, Monte Cristo, Northumberland, Manhattan and Tonopah districts from which over 30 million ounces of gold have been collectively produced. Most of these deposits are classified as low sulfidation epithermal gold systems.

The Caldera Gold Property is classified as a low-sulfidation, epithermal gold system, occurring near the periphery (crater rim) of a Tertiary-aged volcano. Historical, small-scale mining was primarily focused on gold-silver occurrences contained in thin veins with bonanza-style gold and silver grades. Historical production figures have not been presented and are not available in researched literature for the project.

Good road access to the Caldera Gold Property is present.

A NI 43-101 technical report has been completed on the property by other explorers (Caldera – NI 43-101 Report dated February 21, 2005) and is available on SEDAR.

### 6.1.1 Project Exploration Focus and Concepts

The Caldera Gold Property hosts strong epithermal gold mineralization and very significant gold pathfinder element geochemistry (rock and soil) exposed at surface, in shallow workings and in drill intercepts. These results all support the likelihood that significant gold mineralization may occur at depth, within and above the 'boiling zone' where circulating, low temperature groundwater aquifers interacted with magmatic heat, raising temperatures to allow gold to be deposited as veining, void fillings and as disseminated and stratabound mineralization in chemically favorable and structurally prepared host lithologies.

Previous explorers on the Caldera Gold Property encountered sporadic but encouraging gold grade results over widths of 5 to 20 feet as they searched for a shallow bulk tonnage gold deposit. However historical drilling only averaged 100 metres vertically depth, the deepest drill hole being 194 metres. The Company plans to drill to 300 to 500 metres to reach the boiling zone where gold and silver would be deposited in a low sulphidation epithermal system.

### 6.1.2 Fall 2019 Soil Sampling Program

In November 2019, the Company initiated a detailed soil sampling program on the property that is currently ongoing. Over 1,200 samples will be collected on 100m by 50m spacing to support the prioritization of 30 ranked gold targets. The comprehensive soil sampling program will provide a cohesive and uniform data set over much of the Caldera property and in particular the specific targets that have been prioritized as possible drill targets. This data will be integrated with the historical data including previous shallow drilling, geology, rock samples, the patchwork of previous soil sampling, alteration and structural mapping, and geophysics to prioritize the most promising targets for a drill program planned for 2020.

### 6.1.3 New Priority Targets Identified

The Company has continued to review the available data. Targets are being evaluated and selected on the basis of structural features or the widespread presence of pathfinder elements and mineral textures predictive of high-grade gold mineralization at depth. Two such priority targets have been further refined, with both zones indicating some of the most complete signs of low-sulphidation gold epithermal zonation to date. The first target is 1 km west-southwest of the historic Golden King Mine workings and integrates rock-chip assays with clay alteration development, and coincident colour and geochemical soil anomalies. The second target is approximately 7 km west of Golden King and has similar geology. Both targets have been tested by drilling which was too shallow to intersect the predicted bonanza gold zone at depth.

For Target 2019-1, the kaolinite, jarosite and gypsum noted in Discovery Harbour's sample Cld201710-08 is associated within a large jarositic gossan with lacustrine sediments and could indicate near-surface advanced argillic alteration near an up-flow zone. This potential near surface manifestation of a deeper target is further supported by the presence of a coincident antimony-mercury-arsenic geochemical soil anomaly. This area also corresponds with a distinctive colour anomaly. The soils program currently underway has been expanded to adequately cover this target.

At Target 2019-2, the geology is comprised of rhyolite crystal tuffs dacite/latites and distinctive felsic ash tuffs that are pervasively silicified, with local strong opaline silica and fossilized plant fragments. Shallow level and above groundwater table (acid sulphate) conditions are suggested by the significant amount of chalcedony and opal. A linear zone of tectonic-hydrothermal breccia with some minor silicification of the matrix cuts the silicified ash. Irregular low temperature massive to botryoidal chalcedony veins and stringers are common in the felsic tuffs. The silicification, opaline silica and fossilized fragments suggest a maar/volcanic lake-type setting and the existence of a paleosurface. The breccia zone indicates post-syn silicification faulting and a dynamic environment favourable for mineralization.

Previously, Kennecott Exploration outlined low level gold-arsenic-mercury soil geochemical anomalies in the area of Target 2019-2. Argillic alteration and strong Fe-oxide colour anomalies lie in the recessive areas on the east side of the main outcrop area.

On both targets, preliminary clay mineral determinations on 8 of 11 rock samples indicate the presence of the temperature sensitive clay, montmorillonite in the absence of illite, suggesting temperatures below (too shallow) levels considered optimal for gold deposition.

Mark Fields, P.Geo., is the Qualified Person for Discovery Harbour as defined in NI 43-101 and has reviewed and approved the technical contents of this MD&A.

## 7. SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the Company's eight most recently completed fiscal quarters as presented in the unaudited condensed interim consolidated financial statements. The financial data provided is prepared in accordance with IFRS and is presented in Canadian dollars.

| | **Q4 Sep 30, 2019 $** | **Q3 Jun 30, 2019 $** | **Q2 Mar 31, 2019 $** | **Q1 Dec 31, 2018 $** |
|---|---|---|---|---|
| Total revenue | - | - | - | - |
| Earnings (loss) for the period | (55,195) | (22,195) | (31,133) | (89,794) |
| Comprehensive earnings (loss) for the period | (55,195) | (22,195) | (31,133) | (89,794) |
| Earnings per share, basic and diluted | (0.00) | (0.00) | (0.00) | (0.00) |

| | **Q4 Sep 30, 2018 $** | **Q3 Jun 30, 2018 $** | **Q2 Mar 31, 2018 $** | **Q1 Dec 31, 2017 $** |
|---|---|---|---|---|
| Total revenue | - | - | - | - |
| Earnings (loss) for the period | (129,727) | (18,117) | (25,982) | (28,991) |
| Comprehensive earnings (loss) for the period | (145,927) | 13,473 | (30,032) | (45,191) |
| Earnings per share, basic and diluted | (0.01) | (0.00) | (0.00) | (0.00) |

### 7.1 Total Revenue

Because the Company is in the exploration stage, it did not earn any significant revenue.

### 7.2 Earnings (Loss) for the Period

Loss from continuing operations has been fairly consistent throughout the eight most recently completed fiscal quarters. The loss for the quarter ended September 30, 2019 includes an audit provision of $13,500. The loss for the quarter ended December 31, 2018 includes unrealized loss on investments of $27,540 and unrealized loss on foreign exchange of $12,126. The loss for the quarter ended September 30, 2018 includes a $75,000 fee paid to the Interim President and Interim CEO for his services as an officer of the Company for the period of March 2017 to July 2018 and an audit provision of $13,500.

### 7.3 Comprehensive Earnings (Loss) for the Period

Comprehensive earnings (loss) for the fiscal 2018 quarters includes the unrealized gain or loss on the Company's investment of Red Oak Mining Corp., a pubic company that trades on the TSX Venture Exchange. During the 2019 fiscal year, the Company adopted IFRS 9 and accordingly the Company's investments were classified as fair value through profit and loss.

## 8. LIQUIDITY

The Company's financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. In order for the Company to continue as a going concern and meet its financial obligations over the next twelve months, the Company may need to conclude an equity and/or debt financing.

Cash at September 30, 2019 was $7,450 compared to cash of $3,372 at September 30, 2018. Term deposits of $15,000 were held at BMO Bank of Montreal at September 30, 2019 (September 30, 2018 - $160,000). Working capital deficit was $468,348 at September 30, 2019 compared to a deficit of $279,865 at September 30, 2018. Factors that could impact on the Company's liquidity are monitored regularly and include market changes, gold price changes, and economic downturns that affect the market price of the Company's trading securities for the purposes of raising financing. The current state of equity markets have improved marginally but still presents a challenge to financing raises. Management believes that this condition may continue over the next twelve months.

Amounts receivable of $1,155 at September 30, 2019 (September 30, 2018 - $17,701) consist of GST input tax credits and interest receivable on term deposits.

The Company has total current liabilities of $498,553 at September 30, 2019, of which $480,547 is owing to related parties. Due to related parties of $42,173 includes amounts owing to officers and 10% shareholders for unpaid salaries and consulting fees. The $100,000 convertible debenture and $338,374 loan is payable to a director and major shareholder of the Company.

On March 20, 2019, the Company raised gross proceeds of $100,000 by way of a non-brokered private placement of 2,000,000 units priced at $0.05 (the "Units"). Each Unit consists of one common share and one common share purchase warrant, with each whole warrant exercisable into one further common share at a price of $0.10 for a term of one year. The proceeds were used for working capital. Insiders subscribed to $65,000 of the financing. All securities issued were subject to a hold period expiring July 21, 2019.

Based on the above financial condition at September 30, 2019, the Company will need to raise additional equity or loan financing in order to meet its financial obligations as they become payable in the current fiscal year.

On October 23, 2019, the Company completed the initial tranche (the "First Tranche") of a non-brokered private placement consisting of 7,884,000 units priced at $0.05 (the "Units") for gross proceeds of

$394,200. Each Unit consists of one common share and one share purchase warrant (the "Warrant") exercisable into one further common share at a price of $0.10 for a term of one year, subject to an acceleration provision of the Company whereby, if for any ten (10) consecutive trading days the closing price of the shares on the TSXV exceeds $0.20 at any time commencing four (4) months after the Closing and until their expiry date, then the remaining term of the Warrants will be reduced to thirty (30) days, commencing seven (7) days from the end of such ten (10) consecutive trading day period. All securities issued in the First Tranche are subject to a hold period expiring February 24, 2020.

On October 31, 2019, the Company completed the final tranche (the "Final Tranche") of a non-brokered private placement consisting of 4,116,000 Units for gross proceeds of $205,800. Insiders subscribed to $200,000 of the financing. All securities issued in the Final Tranche are subject to a hold period expiring March 1, 2020. The proceeds of the two tranches will be used for working capital and work on the Caldera Gold Property.

## 9. CAPITAL RESOURCES

The Company has no commitments for capital expenditures. The Company holds a property option agreement in the Caldera property that will require an advance royalty payment of USD $75,000 (paid) and unpatented mining claims rental of an estimated USD $46,245 in the 2020 fiscal year to maintain the option in good standing.

The Company does not have any capital resources in the form of debt, equity and any other financing arrangements.

## 10. OFF-BALANCE SHEET ARRANGEMENTS

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

## 11. TRANSACTIONS BETWEEN RELATED PARTIES

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

### 11.1 Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short-term employee benefits and director fees | 24,000 | 110,000 |
| | 24,000 | 110,000 |

The Company has entered into an Employment Agreement with Sandra Wong, the Company's Chief Financial Officer, effective September 1, 2018 for a twelve month term ending August 31, 2019 and subsequently extended on September 1, 2019 to continue on a monthly basis. As compensation for the services to be provided, the Chief Financial Officer will receive a monthly fee of $2,000. During the year ended September 30, 2019, the Company paid $24,000 (2018: $2,000) in salary to the Chief Financial Officer.

During the year ended September 30, 2018, the Company paid $33,000 in accounting fees to BJ Financial Consulting Inc., a company controlled by Binny Jassal, the former Chief Financial Officer, and $75,000 in management fees to MC Fields Ventures Inc., a company controlled by Mark Fields, the Interim President and Chief Executive Officer.

No director fees were paid during the period.

### 11.2 Consulting Agreement

The Company has entered into a strategic consulting agreement with Ore Capital, a significant shareholder with a common director, effective September 1, 2018 for a twelve month term with provisions for automatic renewal for consecutive twelve month terms unless 30 days written notice of termination is provided. As compensation for the services provided, Ore Capital will receive a monthly fee of $5,000. During the year ended September 30, 2019, the Company recorded $60,000 (2018: $5,000) in consulting fees payable to Ore Capital. Due to related parties at September 30, 2019 includes $42,173 (2018: $5,250) in amounts owing to Ore Capital for unpaid services and expenses.

### 11.3 Office Expenses

Office expenses of $226 (2018: $nil) was paid to Opawica Explorations Inc., a company with a common officer in Sandra Wong, during the year ended September 30, 2019. Due to related parties at September 30, 2019 includes $nil (September 30, 2018 - $nil) in amounts owing to the related company for unpaid office expenses.

Office rent of $nil (2018: $4,500) was paid to Arctic Star Exploration Corp., a company that formerly shared a common officer in Binny Jassal, during the year ended September 30, 2019.

### 11.4 Convertible Debenture and Demand Loan

On April 8, 2017, the Company issued a non-interesting bearing, unsecured convertible debenture to Richard Gilliam, a director and major shareholder of the Company, for gross proceeds of $100,000. The debenture is convertible, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of $0.15 per common share or the subscription price for each share in the most recently completed private placement of the Company during the term of the debenture. The debenture matured twelve (12) months from the date of closing of the financing on April 8, 2018. Using a risk adjusted discount rate of 12%, the equity portion was determined to be $11,255 and was recognized as the equity portion of convertible debenture on the Consolidated Statement of Financial Position. Accretion expense of $5,795 was expensed to the Consolidated Statements of Comprehensive Loss during the year ended September 30, 2018 (2017 - $5,460).

On August 1, 2017, the Company received a non-interest bearing, unsecured demand loan of US $80,000 from Richard Gilliam. The fair value of the loan was $105,944 on September 30, 2019 (September 30, 2018 - $103,560).

On October 6, 2017, the Company received a non-interest bearing, unsecured demand loan of US $100,000 from Richard Gilliam. The fair value of the loan was $132,430 on September 30, 2019 (September 30, 2018 - $129,450).

On October 9, 2019, the Company amended the promissory notes for the US $80,000 loan advanced on August 1, 2017 and US $100,000 loan advanced on October 6, 2017, so that the loans mature on October 9, 2020 ("Maturity") and interest will accrue at a rate of 4% per annum, compounded semi-annually, and will be paid on Maturity together with the outstanding principal.

On December 19, 2017, the Company received a non-interest bearing, unsecured demand loan of $130,000 from Richard Gilliam. The Company repaid $30,000 of the demand loan on August 2, 2018.

### 11.5 Private Placement

On March 20, 2019, the Company raised gross proceeds of $100,000 by way of a non-brokered private placement of 2,000,000 units priced at $0.05 (see Section 8 "Liquidity" above). Richard Gilliam subscribed for 1,000,000 Units and Ore Capital subscribed for 300,000 Units.

On October 31, 2019, the Company completed the final tranche (the "Final Tranche") of a non-brokered private placement consisting of 4,116,000 Units priced at $0.05 for gross proceeds of $205,800. Richard Gilliam subscribed for 4,000,000 Units.

### 11.6 Caldera Extension Property

On August 15, 2018, as amended September 19, 2018 and December 20, 2018, the Company signed a Letter of Intent with Ore Capital to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada, subject to a 2% net smelter royalty ("NSR") retained by Ore Capital that the Company can purchase for $1,000,000 for each one percentage point of the NSR. The acquisition was completed on January 3, 2019.

## 12. FOURTH QUARTER

N/A

## 13. PROPOSED TRANSACTIONS

The Company is engaged in the search for potential mineral property acquisitions and financings, but there are currently no proposed asset or business acquisitions or dispositions. Other than disclosed in this Management's Discussion and Analysis, the Company does not have any proposed transactions.

## 14. SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE

N/A

## 15. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

The Company has adopted the following new standards effective October 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value.

The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or liabilities on the date of transition. On adoption of IFRS 9 the Company classified its investments at fair value through profit or loss and on the date of transition transferred the unrealized gain of $19,440 from accumulated other comprehensive income to deficit. There was no other significant impact on the Company's financial statements from the adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a single five–step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the Company's consolidated financial statements from the adoption of IFRS 15.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2019, and have not been early adopted in preparing these consolidated financial statements.

New accounting standards effective October 1, 2019:

IFRS 16 – Leases

IFRS 16 replaces IAS 17, "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15, "Revenue from Contracts with Customers".

The Company does not expect the adoption of IFRS 16 to have a material impact on the Company's future results and financial position.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Fair values*

The Company's financial instruments include cash, term deposits, amounts receivable, investments, trade and other payables, due to related parties, convertible debenture and loans payable. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

| | **September 30, 2019** | | **September 30, 2018** | |
|---|---|---|---|---|
| | **Fair Value** **$** | **Carrying Value** **$** | **Fair Value** **$** | **Carrying Value** **$** |
| FVTPL assets (i) | 25,691 | 25,691 | 199,013 | 199,013 |
| Amortized cost assets (ii) | 96 | 96 | 11,393 | 11,393 |
| Amortized cost liabilities (iii) | 485,053 | 485,053 | 454,042 | 454,042 |

(i) Cash, term deposits, investments
(ii) Amounts and other receivable
(iii) Trade and other payables, due to related parties, convertible debenture, loans payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

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

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

| As at September 30, 2019 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| Cash | 7,450 | - | - | 7,450 |
| Term deposits | 15,000 | - | - | 15,000 |
| Investments | 3,241 | - | - | 3,241 |

The Company has assessed that the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

*Credit risk*

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash and cash equivalents with high credit chartered Canadian financial institutions. As at September 30, 2019, the Company has no financial assets that are past due or impaired due to credit risk defaults.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables, amounts due to related parties, convertible debenture and loans payable. The Company has a working capital deficit of $468,348 as at September 30, 2019 and requires additional financing for operations and meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 16. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

The following are the contractual maturities of financial liabilities as at September 30, 2019:

| | Carrying Amount $ | Contractual Cash Flows $ | Within 1 year $ | Within 2 years $ | Within 3 years $ | Over 3 years $ |
|---|---|---|---|---|---|---|
| Trade and other payables | 4,506 | 4,506 | 4,506 | - | - | - |
| Due to related parties | 42,173 | 42,173 | 42,173 | - | - | - |
| Convertible debenture | 100,000 | 100,000 | 100,000 | - | - | - |
| Loans payable | 338,374 | 338,374 | 338,374 | - | - | - |
| Total | 485,053 | 485,053 | 485,053 | - | - | - |

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

*Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. The Company is exposed to foreign exchange risk because the Company's financial instruments are denominated in both Canadian dollars and US dollars, and all current exploration occurs within the United States.

*Exploration and Development*

Exploration for mineral commodities is a speculative venture involving substantial risk. There are no guarantees that the Company's efforts in exploration will be successful in defining economically feasible deposits. Only a limited number of exploration programs run by mineral exploration companies (including the Company) are and are expected to be successful. The long-term profitability of the Company will in part be directly related to the costs and success of its exploration projects, which may be affected by a number of variables that are beyond the control of the Company.

*Financing*

None of the Company's projects are in production and as such, do not produce revenue. The Company's ability to conduct its exploration is based on its working capital and on its ability to raise financing necessary to support its activities through equity issuances and through proceeds from future dispositions of its mineral properties, or development and production from its properties. There can be no assurance that the Company will be successful in securing the funding required to support its activities, now or in the future. Failure to raise sufficient funding has caused the Company to suspend exploration activities and eventually may force it to sell or forfeit its interest in its properties. This could ultimately result in the dissolution of the Company. Numerous factors affect the Company's abilities to raise the necessary capital. Market conditions and fluctuations in investor attitude and commodity prices are two main variables, over which the Company has no control or prior warning.

*Mining Operations*

Mining operations involve a high degree of risk and danger. Natural and/or man-made hazards or accidents could cause the Company to be liable for physical or environmental damages and such liabilities could produce adverse financial effects on the Company and its financial position, as well as result in the possible forfeiture of its assets.

*Economics of Developing Mineral Properties*

Substantial costs are attached to the establishment of economic resources of mineral commodities. Exploration and development expenditure are required to determine the viability of any deposit prior to the extraction of the ore minerals. Although substantial financial benefits are attached to the production of commodities from an economic deposit, there is no assurance that every deposit discovered will contain sufficient quantities or grades to support the required development costs attached to mine and infrastructure construction. Therefore, announcements of apparent ore-grade mineralization from exploration activities are only the first steps in a long and costly process of bringing a discovery to a production status.

*Marketability of Commodities*

Precious and base metal exploration and development are speculative and involve high risk. The marketability of these commodities that may be discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, government regulations and permitting issues, commodity pricing, taxation, royalties, land tenure, land use, import and export issues, and environmental permitting. The exact effect of these factors cannot be predicted and any combination of these factors may result in not being able to exploit.

*Pricing of Commodities*

The future value of the Company will, to some degree, be dependent on the pricing of mineral commodities in the marketplace. Fluctuations in the pertinent commodity prices continuously change and these fluctuations are beyond the control of the Company. Furthermore, although the Company continuously attempts to perceive the direction of commodity pricing and subsequent sales probabilities, the future pricing of mineral commodities remains uncertain and contributes to the high risk of investment in these types of opportunities.

*Environmental Requirements*

At present, the Company conducts its exploration activities only in the State of Nevada. All phases of its operations are subject to the environmental regulations in that state. All laws and regulations relating to the environment are and must be strictly adhered to in order to avoid penalties and time delays in permit issuances. Environmental legislation and regulation is evolving and, in the future, may result in the enactment of laws and regulations that could negatively impact exploration and development or entirely preclude the development of mines. This would also have a negative material and financial effect on the Company. However, the State of Nevada's laws and regulations do not appear to the Company to impose in the near or long term any restrictions that would cause significant harm to the Company nor hinder it from the development of operations there.

*Competition*

The mining industry (exploration and development) is intensely competitive in all of its phases. The Company competes with numerous other companies possessing greater financial resources and technical facilities. There is no guarantee in the future that the Company may not lose or forfeit a mineral property because of a relative lack of funding, personnel or expertise.

*Title*

While the Company has, to the best of its knowledge, registered all its claims and licenses with the appropriate mining authorities and has filed all required documentation needed to keep the claims in good standing, these should not be considered absolute guarantees of irrevocable title to those properties. The Company's properties may also be subject to prior unregistered agreements or transfers and the Company's ownership of these properties may be affected by these or other undetected defects. The Company's properties may include recorded third party claims, which have not been surveyed, rendering uncertainty as to their exact location. The Company may also lose entitlement to claims if certain payments are not made. The Company's title to the Caldera Property is subject to fulfilment of the terms of the original Caldera option agreement.

*Mining Regulation*

Mining operations are subject to extensive regulation in the jurisdictions in which its projects are located. Future changes made by such authorities could adversely affect the Company's holdings and its ability to mine, as well as mining as a whole. The Company has no control over these possible changes. The Company has not filed for any permit to mine its properties with any governmental unit. However, mining regulations in the State of Nevada are stable and no new alterations or issues have been proposed to legislative changes that would adversely affect any present or future mining operations there.

*Cash Flow and Ongoing Business*

The Company has not generated any cash flow or earnings to support its activities and there can be no assurance that the Company will generate any earnings or cash flow in the future. If the Company does not generate cash flow, additional external funding will be required to finance the Company's activities. This future funding may not be available or, if available, may not be on terms acceptable to the Company and could result in the Company ceasing to exist.

*Dilution*

Shareholders will suffer dilution with respect to future private and/or public offerings of the Company's common shares (or securities convertible into common shares).

*Key Management*

The Company has not purchased any "key man" insurance with respect to any of its directors, officers or key personnel to the date hereof. The loss of the Company's interim President and Chief Executive Officer and any other current senior officer could have an adverse affect on the Company and its business, financial position and prospects.

*Conflicts of Interest*

Certain of the Company's directors and officers currently, and may in the future, serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the Company will rely upon such laws in respect of any director or officer's conflict of interest or in respect of any breaches of duty by any of its directors or officers.

*Market Volatility*

In the past, there have been instances where the Company's common shares did not trade or where trading was limited. Additionally, the trading price of common shares may be subject to wide fluctuations in response to operating results, results of exploration, market conditions and other events and factors outside the control of the Company. In addition, the stock market has experienced extreme price and volume fluctuations which have affected the market price of junior exploration companies. There can be no assurance that significant price fluctuations will not occur in the future.

## 17. DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

As at December 13, 2019, the Company has 37,797,840 common shares issued and outstanding.

As at December 13, 2019, the Company has outstanding warrants as follows:

| Number | Exercise Price per Share | Expiry Date |
|---|---|---|
| 166,667 | $0.15 | June 12, 2020 |
| 33,333 | $0.225 | June 12, 2020 |
| 7,844,000 | $0.10 | October 23, 2020 |
| 4,116,000 | $0.10 | October 31, 2020 |
| 8,000,000 | $0.10 | March 31, 2021 |
| 20,200,000 | | |

As at December 13, 2019, the Company has outstanding options as follows:

| Number | Exercise Price per Share | Expiry Date |
|---|---|---|
| 366,667 | $0.30 | March 23, 2020 |
| 10,000 | $0.90 | July 5, 2020 |
| 10,000 | $1.23 | November 23, 2020 |
| 1,590,000 | $0.075 | October 4, 2024 |
| 600,000 | $0.09 | October 22, 2024 |
| 2,576,667 | | |

## 18. COMMITMENTS, EXPECTED OR UNEXPECTED EVENTS, OR UNCERTAINTIES

The Company is party to a property option agreement to acquire mineral properties.

The Company is party to various consulting, investor relations and employment agreements.

Other than disclosed in this Management's Discussion and Analysis, the Company does not have any commitments, expected or unexpected events, or uncertainties.

## 19. BOARD OF DIRECTORS AND OFFICERS

The directors of the Company are Mark Fields (Interim President and Interim Chief Executive Officer), Richard Gilliam, Andrew Hancharyk, Jason Cubitt and Rodney Stevens. Sandra Wong is the Chief Financial Officer and Corporate Secretary.

On July 19, 2019, the Company appointed Manning Elliott LLP as the new auditor of the Company.

## 20. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

This Management's Discussion and Analysis contains "forward-looking statements, within the meaning of applicable Canadian Securities legislation", that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and copper, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", or "might" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: risks relating to the integration of acquisitions, risk relating to international operations, the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; fluctuations in metal prices; as well as those risk factors discussed or referred to in the Company's Management's Discussion and Analysis for the nine months ended June 30, 2019 filed with the securities regulatory authorities in Canada and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

## 21. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Company and all the information in this Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and the minority of its members are independent directors. The Committee meets at least once a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The Company's auditors have full and free access to the Audit Committee.

On behalf of the Board,

**DISCOVERY HARBOUR RESOURCES CORP.**

Mark Fields

Interim President and Interim Chief Executive Officer