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## **DISCOVERY HARBOUR RESOURCES CORP.**

### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

#### **FOR THE YEAR ENDED SEPTEMBER 30, 2018**

This Management’s Discussion and Analysis (“MD&A”) of Discovery Harbour Resources Corp. (the “Company” or “Discovery Harbour”) (formerly CVC Cayman Ventures Corp.) 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, 2018 and September 30, 2017 and results of operations for the years ended September 30, 2018 and September 30, 2017, 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 17, 2018** (“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, 2018 (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](http://www.sedar.com).

### **1. CORE BUSINESS**

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

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

- **Caldera Gold Property** (Nye County, Nevada) – gold property located in Nye County, Nevada in which the Company has an option to earn a 100% interest, subject to advance minimum royalty payments and a 2% retained net smelter return royalty.
- **Caldera Extension Gold Property** (Nye County, Nevada) – gold property located in Nye County, Nevada in which the Company has signed a Letter of Intent to acquire a 100% interest, subject to the acceptance of the TSX Venture Exchange (“TSXV”).

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

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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. (active) and Discovery Harbour (USA) LLC (dormant). Inter-company balances and transactions are eliminated on consolidation.

## **2. FINANCIAL CONDITION**

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The Company has not generated revenue from operations since inception. The Company has accumulated losses of \$20,418,197 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 \$279,865 at September 30, 2018 compared to a deficit of \$161,365 at September 30, 2017.

Cash was \$3,372 at September 30, 2018 compared to \$39,659 at September 30, 2017. Term deposits held at BMO Bank of Montreal totaled \$160,000 at September 30, 2018 (2017 - \$nil). The Company's sources and uses of cash are discussed in Section 4 "Cash Flows" below.

Amounts receivable of \$17,701 at September 30, 2018 (2017 - \$1,671) consist of GST input tax credits, interest receivable on term deposits, office rental deposit and vendor credit receivable.

Prepaid expenses of \$6,604 at September 30, 2018 (2017 - \$5,486) relate to ordinary operating expenses.

Investments of \$35,641 (2017 - \$40,501) consist of the fair value of 162,000 shares of Red Oak Mining Corp. ("Red Oak") that trade publicly on the TSXV. Trading in Red Oak is temporarily suspended pending regulatory review of a proposed transaction.

The Company holds a USD \$5,684 reclamation bond on a property previously written off that will be returned to the Company upon successful site inspection.

Exploration and evaluation assets of \$261,073 at September 30, 2018 (2017 - \$53,294) 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 \$27,282 at September 30, 2018 (2017 - \$16,879). Trade payable amounts are unsecured.

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Due to related parties was \$7,250 at September 30, 2018 (2017 - \$nil). 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, 2018 (2017 - \$94,205) 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 \$0.05 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.

Loans payable of \$333,010 at September 30, 2018 (2017 - \$97,097) are held by the same director and significant shareholder of the Company. The loans are unsecured, non-interest bearing and payable on demand.

### **3. FINANCIAL PERFORMANCE**

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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 year ended September 30, 2018 was \$202,817 compared to net loss of \$227,193 for the year ended September 30, 2017. Comprehensive loss for the year ended September 30, 2018 was \$207,677 compared to comprehensive loss of \$202,893 for the year ended September 30, 2017. Loss per share was \$0.01 for the year ended September 30, 2018 compared to loss per share of \$0.01 for the 2017 comparative quarter.

Net loss for the three months ended September 30, 2018 was \$129,727 compared to net loss of \$69,117 for the three months ended September 30, 2017. Comprehensive loss for the three months ended September 30, 2018 was \$145,927 compared to comprehensive loss of \$45,627 for the three months ended September 30, 2017. Loss per share was \$0.01 for the three months ended September 30, 2018 compared to loss per share of \$0.00 for the 2017 comparative quarter.

#### **3.1 Other Income and Expenses**

Other income and expenses for the year ended September 30, 2018 consists of loss on foreign exchange of \$9,097 and interest income of \$154. Other income and expenses for the year ended September 30, 2017 consists of gain on foreign exchange of \$597.

#### **3.2 Total Expenses for the Year Ended September 30, 2018**

Total expenses for the year ended September 30, 2018 were \$193,874 compared to total expenses of \$227,790 recorded for the 2017 comparative year.

Employee costs were \$118,000 for the year ended September 20, 2018 compared to expenses of \$112,559 recorded for the 2017 comparative year. Employee costs include management fees, consulting fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
Management fees	108,000	59,430
Consulting fees	8,000	53,129
Salaries and benefits	2,000	-
Share-based payments	-	-
	<u>118,000</u>	<u>112,559</u>

Management fees of \$108,000 for the year ended September 30, 2018 consist of \$75,000 paid to the Interim President and \$33,000 paid to the Company's former CFO. Management fees of \$59,430 for the year ended September 30, 2017 consist of \$21,930 paid to the former Senior Executive Vice President and \$37,500 paid to the Company's former CFO.

Consulting fees of \$8,000 for the year ended September 30, 2018 consist of \$5,000 paid to a business consultant and \$3,000 paid for accounting services. Consulting fees of \$53,129 for the year ended September 30, 2017 consist of \$48,911 paid to a corporate consultant and \$4,218 paid to a consultant to draft a property option agreement.

Salaries and benefits of \$2,000 for the year ended September 30, 2018 was paid to the Company's CFO.

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

General and administrative expenses were \$70,079 for the year ended September 30, 2018 compared to expenses of \$100,421 recorded for the 2017 comparative year. The following is a breakdown of the material components of the Company's general and administrative expenses for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
Accounting and audit fees	15,515	13,525
Filing fees	7,749	18,444
Insurance	9,945	9,973
Investor communication	12,005	4,869
Legal	12,614	33,136
Office	8,968	13,749
Transfer agent	3,283	6,725
	<u>70,079</u>	<u>100,421</u>

Accounting and audit fees consist of amounts paid and/or accrued for the Company's annual audit and income tax returns.

Filing fees were \$7,749 for the year ended September 30, 2018 compared to expenses of \$18,444 recorded for the 2017 comparative year. The following is a breakdown of the material components of the Company's filing fees for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
Listing sustaining fee	3,900	5,200
Annual financial statements	1,779	1,779
Stock option plan	500	500
USA filings	345	1,587
Miscellaneous filings	1,225	500
Foreign search fee	-	3,761
Share consolidation	-	2,500
Convertible debenture	-	2,038
Property acquisition	-	579
	<u>7,749</u>	<u>18,444</u>

Insurance consists of directors and officer's liability insurance.

Investor communication expenses were \$12,005 for the year ended September 30, 2018 compared to expenses of \$4,869 recorded for the 2017 comparative year. 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. The following is a breakdown of the material components of the Company's investor communication expenses for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
Annual general meeting	4,505	3,594
Investor relations consultant	7,500	-
News releases	-	1,275
	<u>12,005</u>	<u>4,869</u>

Legal fees were \$12,614 for the year ended September 30, 2018 compared to expenses of \$33,136 for the 2017 comparative year. The following is a breakdown of the material components of the Company's legal fees for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
General corporate matters	6,063	14,465
Annual general meeting	2,684	1,713
Property acquisition	2,803	5,250
Financial statements	1,064	1,210
Convertible debenture	-	6,956
Share consolidation	-	3,542
	<u>12,614</u>	<u>33,136</u>

Office expenses were \$8,968 for the year ended September 30, 2018 compared to expenses of \$13,749 for the 2017 comparative year. The following is a breakdown of the material components of the Company's office expenses for the years ended September 30, 2018 and 2017.

	<b>Year ended September 30, 2018</b>	<b>Year ended September 30, 2017</b>
	\$	\$
Rent	6,122	6,000
IT / web	2,232	1,574
Bank charges and interest	465	913
Courier and postage	99	1,422
Office supplies	50	-
Telephone	-	2,217
Annual report	-	959
Business license	-	664
	8,968	13,749

Transfer agent fees were \$3,283 for the year ended September 30, 2018 compared to expenses of \$6,725 for the 2017 comparative year, which includes \$3,284 for the cost of the share consolidation.

Impairment of exploration and evaluation assets for the year ended September 30, 2017 was \$9,350 and consists of abandonment of the Jersey Valley property option.

### **3.3 Total Expenses for the Three Months Ended September 30, 2018**

Total expenses for the three months ended September 30, 2018 were \$120,588 compared to total expenses of \$69,058 recorded for the 2017 comparative quarter.

Employee costs were \$91,000 for the three months ended September 30, 2018 compared to expenses of \$17,643 recorded for the 2017 comparative quarter. Employee costs include management fees, consulting fees, salaries and benefits and share-based payments. The following is a breakdown of material components of the Company's employee costs for the three months ended September 30, 2018 and 2017.

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>
	\$	\$
Management fees	81,000	7,643
Consulting fees	8,000	10,000
Salaries and benefits	2,000	-
Share-based payments	-	-
	91,000	17,643

Management fees of \$81,000 for the three months ended September 30, 2018 consist of \$75,000 paid to the Interim President and \$6,000 paid to the Company's former CFO. Management fees of \$7,643 for the three months ended September 30, 2017 consist of \$9,000 paid to the Company's former CFO less an adjustment of \$1,357 from the former Senior Executive Vice President.

Consulting fees of \$8,000 for the three months ended September 30, 2018 consist of \$5,000 paid to a business consultant and \$3,000 paid for accounting services. Consulting fees of \$10,000 for the three months ended September 30, 2017 were paid to a corporate consultant.

Salaries and benefits of \$2,000 for the three months ended September 30, 2018 was paid to the Company's CFO.

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

General and administrative expenses were \$29,588 for the three months ended September 30, 2018 compared to expenses of \$36,605 recorded for the 2017 comparative quarter. The following is a breakdown of the material components of the Company's general and administrative expenses for the three months ended September 30, 2018 and 2017.

	<b>Three months ended September 30, 2018 \$</b>	<b>Three months ended September 30, 2017 \$</b>
Accounting and audit fees	13,500	11,500
Filing fees	270	1,253
Insurance	2,466	2,521
Investor communication	5,683	429
Legal	4,568	16,175
Office	2,162	3,637
Transfer agent	939	1,090
	<b>29,588</b>	<b>36,605</b>

Accounting and audit fees consist of amounts paid and/or accrued for the Company's annual audit and income tax returns.

Filing fees were \$270 for the three months ended September 30, 2018 and consist of miscellaneous filings. Filing fees were \$1,253 for the 2017 comparative quarter and consist of USA filings.

Insurance consists of directors and officer's liability insurance.

Investor communication expenses were \$5,683 for the three months ended September 30, 2018 and consist of \$7,500 paid to an investor relations consultant and \$160 for a shareholder meeting, less \$1,977 reclassified to legal fees. Investor communication expenses of \$429 for the 2017 comparative quarter relate to a shareholder meeting.

Legal fees were \$4,568 for the three months ended September 30, 2018 compared to expenses of \$16,175 for the 2017 comparative quarter. The following is a breakdown of the material components of the Company's legal fees for the three months ended September 30, 2018 and 2017.

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>
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	\$	\$
General corporate matters	2,377	9,484
Annual general meeting	1,977	43
Property acquisition	-	2,609
Financial statements	214	355
Convertible debenture	-	1,510
Share consolidation	-	2,174
	4,568	16,175

Office expenses were \$2,162 for the three months ended September 30, 2018 compared to expenses of \$3,637 for the 2017 comparative quarter.

Transfer agent fees were \$939 for the three months ended September 30, 2018 compared to expenses of \$1,090 for the 2017 comparative quarter.

Impairment of exploration and evaluation assets for the three months ended September 30, 2017 was \$9,350 and consists of abandonment of the Jersey Valley property option.

#### **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 \$194,482 for the year ended September 30, 2018 compared to cash used of \$207,783 for the 2017 comparative year.

Cash used in investing activities was \$367,779 for the year ended September 30, 2018 and consists of mineral property expenditures of \$207,779 and purchase of term deposit of \$160,000. In comparison, cash of \$46,764 was used in investing activities during the 2017 comparative year, and consists of expenditures on exploration and evaluation assets.

Cash provided by financing activities was \$525,974 for the year ended September 30, 2018 and consists of proceeds from share issuance of \$300,000, share issuance costs of \$6,766, advances from related parties of \$7,250, demand loans received totalling \$255,490, less repayment of demand loans of \$30,000. Cash provided by financing activities was \$193,671 for the year ended September 30, 2017 and consists of proceeds from a convertible debenture of \$100,000, demand loan received of \$97,097, and repayments to related parties of \$3,426.

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. For 2017 they comprised of \$15,880 in share-based payments included in exploration and evaluation assets.

#### **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, 2018	September 30, 2017	September 30, 2016
	\$	\$	\$
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Total revenue	-	-	-
Net loss for the year	(202,817)	(227,193)	(1,417,136)
Comprehensive loss for the year	(207,677)	(202,893)	(1,332,236)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.08)
Total assets	491,749	146,831	133,100
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 2016 net loss of \$1,417,136 includes a write off of exploration and evaluation expenditures of \$1,021,527 on the 2 Bar property in Nevada.

Total assets of \$491,749 for the year ended September 30, 2018 includes \$261,073 (2017 - \$53,294; 2016 - \$nil) of exploration and acquisition expenditures on the Caldera property in Nevada.

## **6. MAJOR OPERATING MILESTONES**

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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 \$261,073 as at September 30, 2018 (2017 - \$53,294).

### **6.1 Caldera Property**

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, subject to advance minimum royalty payments and a 2% retained royalty, in the Caldera gold property (the "Property") located in Nye County, Nevada. 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 \$100,000).

During the year ended September 30, 2018, the Company expended \$167,389 (2017 - \$48,893) in acquisition costs on the Property that consists of \$38,199 (USD \$30,000) in advance royalty, \$109,628 in unpatented mining claim rentals, and \$19,562 in claims staking of an additional 163 mineral claims. The Company spent \$40,390 (2017 - \$4,401) in exploration costs which largely consists of mapping and sampling activities. A mapping program completed in the fall of 2017 successfully delineated a number of structures and alteration patterns, including low temperature clay minerals that are key elements to identify an epithermal gold deposit on the Caldera Project.

The Caldera property is comprised of 260 claims totalling over 3,000 hectares (~7,400 acres) in Nye County, Nevada. The Property is located west of the Round Mountain gold mine (Kinross Gold) and in the foothills of the Shoshone Range. Its location is nearly equidistant from 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 Project 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 Project 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.

### **6.11 Project Exploration Focus and Concepts**

Caldera 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 very significant gold mineralization may occur at depth, within and above the 'boiling zone' where circulating, low temperature groundwater aquifers have 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.

Drilling at Caldera has not been deep enough to test for this boiling zone-related mineralization. This will be the focus of the Company's exploration efforts; however, the initiation and scope of any future exploration program is subject to the Company's ability to raise capital.

### **6.2 Caldera Extension Property**

On August 15, 2018, as amended September 19, 2018, the Company signed a Letter of Intent with a non-arm's length party (the "Vendor") to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada for consideration of 2,000,000 common shares of the Company. The Vendor is a related party by virtue of holding beneficial ownership of over 10% of the common shares of the Company. The acquisition is subject to the acceptance of the TSX Venture Exchange.

The Caldera Extension consists of 56 mineral claims and is contiguous to the Company's Caldera gold project.

## **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.

	<b>Q4</b> <b>Sep 30,</b> <b>2018</b> <b>\$</b>	<b>Q3</b> <b>Jun 30,</b> <b>2018</b> <b>\$</b>	<b>Q2</b> <b>Mar 31,</b> <b>2018</b> <b>\$</b>	<b>Q1</b> <b>Dec 31,</b> <b>2017</b> <b>\$</b>
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)
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>

	<b>Sep 30,</b> <b>2017</b> \$	<b>Jun 30,</b> <b>2017</b> \$	<b>Mar 31,</b> <b>2017</b> \$	<b>Dec 31,</b> <b>2016</b> \$
Total revenue	-	-	-	-
Earnings (loss) for the period	(69,117)	(72,524)	(56,826)	(28,726)
Comprehensive earnings (loss) for the period	(45,627)	(63,614)	(73,026)	(20,626)
Earnings per share, basic and diluted	(0.00)	(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, 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. The loss for the quarter ended September 30, 2017 includes an audit provision of \$11,500 and impairment of exploration and evaluation assets of \$9,350 related to the Jersey Valley property.

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

Comprehensive earnings (loss) includes the unrealized gain or loss on the Company's investment of Red Oak Mining Corp., a public company that trades on the TSX Venture Exchange.

## **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, 2018 was \$3,372 compared to cash of \$39,659 at September 30, 2017. Term deposits of \$160,000 were held at BMO Bank of Montreal at September 30, 2018 (2017 - \$nil). Working capital deficit was \$279,865 at September 30, 2018 compared to a deficit of \$161,365 at September 30, 2017. 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 raise financing. Management believes that this condition may continue over the next twelve months.

Amounts receivable of \$17,701 at September 30, 2018 (2017 - \$1,671) consist of GST input tax credits, interest receivable on term deposits, office rental deposit and vendor credit receivable.

The Company has total current liabilities of \$467,542 at September 30, 2018, of which \$440,260 is owing to related parties. Due to related parties of \$7,250 includes amounts owing to officers and 10% shareholders for unpaid salaries and consulting fees. The \$100,000 convertible debenture and \$333,010 loan is payable to a director and major shareholder of the Company.

Based on the above financial condition at September 30, 2018, 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.

## **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 \$50,000 (paid) and unpatented mining claims rental of an estimated USD \$43,565 in the 2019 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:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits and director fees	110,000	59,430
Share-based payments	-	-
	<u>110,000</u>	<u>59,430</u>

During the year ended September 30, 2018, the Company paid \$75,000 (2017: \$nil) to a company controlled by the President, Chief Executive Officer and a director of the Company for his services as an officer.

The Company has entered into an Employment Agreement with the Company's Chief Financial Officer effective September 1, 2018 for a twelve month term ending August 31, 2019. 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, 2018, the Company paid \$2,000 (2017: \$nil) in salary to the Chief Financial Officer.

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Due to related parties at September 30, 2018 includes \$2,000 (September 30, 2017: \$nil) in amounts owing to the Chief Financial Officer for unpaid services and expenses.

During the year ended September 30, 2018, the Company paid \$33,000 (2017: \$37,500) in accounting fees to a company controlled by the former Chief Financial Officer.

During the year ended September 30, 2018, the Company paid \$nil (2017: \$21,930) in management consulting fees to a former director.

### **11.2 Consulting Agreement**

The Company has entered into a Strategic Consulting Agreement with a corporate consultant (the "Consultant") effective September 1, 2018 for a twelve month term with provisions for automatic renewal for consecutive twelve month terms unless 30 day written notice of termination is provided. As compensation for the services to be provided, the Consultant will receive a monthly fee of \$5,000. The Consultant is a related party by virtue of participating in the Company's private placement described in Note 10(a) and acquiring beneficial ownership of over 10% of the common shares of the Company. During the year ended September 30, 2018, the Company paid \$5,000 (2017: \$nil) in consulting fees to the Consultant. Due to related parties at September 30, 2018 includes \$5,250 (September 30, 2017: \$nil) in amounts owing to the Consultant for unpaid services and expenses.

### **11.3 Office Rent**

Office rent of \$6,000 (2017: \$6,000) was paid to a company with a common officer. At September 30, 2018, a rental deposit of \$500 receivable from the related party was included in amounts receivable.

### **11.4 Convertible Debenture and Demand Loan**

On April 8, 2017, the Company issued a non-interest bearing, unsecured convertible debenture to a director of the Company for gross proceeds of \$100,000. The debenture is convertible, at the option of the holder, into shares of the Company at a conversion price equal to the greater of \$0.05 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 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 a director. The fair value of the loan was \$103,560 on September 30, 2018 (2017 - \$97,097).

On October 6, 2017, the Company received a non-interest bearing, unsecured demand loan of US \$100,000 from a director. The fair value of the loan was \$129,450 on September 30, 2018.

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

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### **11.5 Private Placement**

On July 23, 2018, the Company raised gross proceeds of \$300,000 by way of a non-brokered private placement of 6,000,000 units priced at \$0.05 (the "Units"). Each Unit consists of one common share and one share purchase warrant, with each whole warrant exercisable into one further common share at a price of \$0.10 for a term of two years. The private placement was fully subscribed by directors and/or parties who hold beneficial ownership of over 10% of the common shares of the Company.

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### **12. FOURTH QUARTER**

N/A

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### **13. PROPOSED TRANSACTIONS**

On August 15, 2018, as amended September 19, 2018, the Company signed a Letter of Intent with a non-arm's length party (the "Vendor") to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada for consideration of 2,000,000 common shares of the Company. The Vendor is a related party by virtue of holding beneficial ownership of over 10% of the common shares of the Company. The acquisition is subject to the acceptance of the TSX Venture Exchange.

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 Report, the Company does not have any proposed transactions.

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### **14. SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE**

N/A

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### **15. CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2018, and have not been applied in preparing these financial statements.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position.

New accounting standards effective October 1, 2018:

#### *IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive

income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

*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.

*IFRS 2 – Shared-Based Payments*

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

New accounting standards effective October 1, 2019:

*IFRS 16 – Leases*

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The extent of the impact of adoption of this standard and interpretation on the financial statements of the Company has not been determined.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Fair values*

The Company's financial instruments include cash, term deposits, amounts and other receivable, investments, trade and other payables, amounts due to related parties, convertible debenture and demand 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:

	<b>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
FVTPL assets (i)	163,372	163,372	39,659	39,659
Loans and receivables (ii)	11,393	11,393	-	-

Investments (iii)	35,640	35,640	40,500	40,500
Other financial liabilities (iv)	21,032	21,032	5,379	5,379
Convertible debenture	100,000	100,000	94,205	94,205
Demand loans payable	333,010	333,010	97,097	97,097
(i) Cash, term deposits				
(ii) Amounts and other receivable				
(iii) Marketable securities				
(iv) Trade and other payables and due to related parties				

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, 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	3,372	-	-	3,372
Term deposits	160,000	-	-	160,000

The Company believes 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, 2018, 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 payable, amounts due to related parties, convertible debenture and loans payable. The Company has a working capital deficit of \$279,865 as at September 30, 2018 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, 2018:

	Carrying Amount \$	Contractual Cash Flows \$	Within 1 year \$	Within 2 years \$	Within 3 years \$	Over 3 years \$
Trade and other payables	13,782	13,782	13,782	-	-	-
Due to related parties	7,250	7,250	7,250	-	-	-
Convertible debenture	100,000	100,000	100,000	-	-	-
Loans payable	333,010	333,010	333,010	-	-	-
<b>Total</b>	<b>454,042</b>	<b>454,042</b>	<b>454,042</b>	<b>-</b>	<b>-</b>	<b>-</b>

*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

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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

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in the near or long term any restrictive policies 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 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 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.

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*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.

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**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 17, 2018, the Company has 23,797,840 common shares issued and outstanding.

As at December 17, 2018, the Company has outstanding warrants as follows:

<b>Number</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
166,667	\$0.15	June 12, 2020
33,333	\$0.225	June 12, 2020
6,000,000	\$0.10	July 23, 2020
6,200,000		

As at December 17, 2018, the Company has outstanding options as follows:

<b>Number</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
366,667	\$0.30	March 23, 2020
10,000	\$0.90	July 5, 2020
10,000	\$1.23	November 23, 2020
386,667		

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

The Company is party to a property option agreement and a Letter of Intent to acquire mineral properties.

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

Other than disclosed in this Report, the Company does not have any commitments, expected or unexpected events, or uncertainties.

## **19. BOARD OF DIRECTORS AND OFFICERS**

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

## **20. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

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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 year ended September 30, 2018 filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://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

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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**

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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