



## **MANAGEMENT DISCUSSION & ANALYSIS**

**For the Six Months Ended**

**October 31, 2019**

### **Management's Discussion and Analysis**

This management's discussion and analysis (MD&A) for Gespeg Resources Ltd. (formerly Gespeg Copper Resources Inc.) (the "Company") should be read in conjunction with the condensed interim financial statements of October 31, 2019 and the audited annual financial statements of April 30, 2019. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company presents its results in Canadian (CDN) dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

### **Forward Looking Statements**

Certain statements in this document that are not supported by historical facts are forward-looking, which means that they are subject to risks, uncertainties and other factors that may result in actual results differing from those anticipated or implied by such forward-looking statements. There are many factors that may cause such a disparity, notably unstable metal prices, the impact of fluctuations in foreign exchange markets and interest rates, inaccurate resources estimates, environmental risks (more stringent regulations), unexpected geological events, unfavourable mining conditions, political risks arising from mining in developing countries, changing regulations and government policies (laws or policies), failure to obtain required permits and approval from government authorities, or any other risk related to mining and development.

Even though the Company believes that the assumptions relating to the forward-looking statements are plausible, readers are cautioned to not place undue reliance on such statements, which are valid only as of the date of this document.

Additional information about the Company can be found under the Gespeg Copper Resources Inc. profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

### **Date**

This MD&A was prepared as of December 13, 2019.

## **Description of the Business**

The Company was incorporated under the laws of British Columbia on May 31, 2006 and is listed on the TSX Venture Exchange (“TSX-V”). The principal business of the Company is the identification, exploration and development of mineral properties.

The Company is focusing on exploring and developing its copper mineral claims in the Gaspé region of Quebec, with a view to developing mineral occurrences and discovering economically viable mineral deposits.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Company has not earned significant revenue and is considered to be in the identification and exploration stage.

The investment in, and expenditures on, exploration and evaluation assets comprise a significant portion of the Company’s assets. Mineral exploration and development is highly speculative and involves inherent risks. Realization of the Company’s investment in these assets is dependent upon the renewed legal ownership of the claims, and whether an economically viable operation can be established.

In addition, it has not yet been determined whether the Company’s properties contain ore reserves that are economically recoverable. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

As at October 31, 2019, the Company’s current committed cash resources are insufficient to cover expected expenditures in fiscal 2020. The Company’s ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurance that management will be successful in securing adequate financing.

The Company reported net losses in first six months of fiscal 2020 and fiscal 2019 of \$88,590 and \$161,620 respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company’s ability to continue as a going concern.

The financial statements do not include any adjustments to the carrying values of asset and liabilities that might be necessary, if the Company is unable to continue as a going concern. Such adjustments could be material.

The technical disclosure contained in this MD&A was prepared by Bernard-Olivier Martel, P.Geo, a consultant to the Company. Mr. Martel is a “qualified person” within the meaning of National Instrument 43-101.

## Selected Financial Information

For the periods ended	Oct. 31, 2019	April 30, 2019	April 30, 2018
Cash	\$ 19,897	\$ 34,137	\$ 50,378
Exploration and evaluation assets	\$ 98,889	\$ 14,192	\$ 39,713
Total assets	\$ 145,287	\$ 88,591	\$ 97,495
Total liabilities	\$ 439,142	\$ 373,856	\$603,318
Shareholders' equity (deficiency)	\$(293,855)	\$(285,265)	\$(505,823)
Total operating expenses	\$ 88,590	\$ 451,489	\$280,059
Other income on settlement of flow-through premium liability	\$-	\$ 13,039	\$2,580
Gain on disposal of exploration and evaluation asset	\$-	\$ 46,737	\$-
Gain on shares for debt settlement	\$-	\$ 230,093	\$-
Income tax expense (recovery)	\$-	\$-	\$-
Net loss	\$ 88,590	\$ 161,620	\$277,479
Loss per share, basic	\$0.00	\$0.00	\$0.00
Loss per share, diluted	\$0.00	\$0.00	\$0.00

## Quarterly Results of Operations (unaudited)

	Three Months Ended			
	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019
Total operating expenses	\$48,487	\$40,104	\$196,326	\$64,805
Net income (loss) for the period	\$48,487	\$40,104	\$33,767	\$(64,805)
Loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Total operating expenses	\$100,708	\$89,650	\$77,620	\$26,976
Net loss for the period	\$(49,785)	\$(80,797)	\$(75,040)	\$(26,976)
Loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**Three Month Period Ended October 31, 2019 and 2018:**

For the three months ended October 31, 2019, the Corporation recorded a net loss of \$48,487 (\$0.00 per share), compared to loss of \$100,708 (\$0.00 per share) in the three months ended October 31, 2018.

	<b>Three Months Ended October 31</b>	
	<b>2019</b>	<b>2018</b>
General and administration <sup>1</sup>	7,961	9,145
Management fees <sup>1</sup>	22,500	17,500
Professional fees <sup>2</sup>	12,814	31,311
Property investigation costs <sup>3</sup>	-	40,973
Transfer agent and filing fees <sup>4</sup>	5,212	1,779
	<b>\$48,487</b>	<b>\$100,708</b>

**Notes:**

1. General and administration and management fees totalled \$7,961 in the three months ended October 31, 2019 compared to \$9,145 for the three months ended October 31, 2018. The decrease relates primarily to a change in the amount of business activity as the Corporation prepares for a change in the markets. Management fees ceased December 2016 and resumed again May 2017 for the CEO and resumed May 2018 for the CFO.
2. Professional fees for the three months ended October 31, 2019 were \$12,814, an decrease of \$18,497 from the three months ended October 31, 2018. The decrease is attributable to the timing of the Corporation's activities which require professional services, specifically the Corporation was engaged in property investigation activities that required legal services which ceased in 2019.
3. Property investigation costs relate to expenses incurred on properties the Corporation does not own or have a contractual right to. These properties being investigated could become properties of the Corporation in the future. The Corporation is continuing its effort to acquire additional properties.
4. The transfer agent and filing fees for the three months ended October 31, 2019 were \$5,212 compared to \$1,779 in the three months ended October 31, 2018. The increase is attributable to the timing of the Corporation's financing activities and the number of shares issued and outstanding during the period.

***Six month periods ended October 31, 2019 and 2018:***

For the six months ended October 31, 2019, the Corporation recorded a net loss of \$88,590 (\$0.00 per share), compared to loss of \$130,583 (\$0.00 per share) in the six months ended October 31, 2018. The difference between the two periods is a decrease in business activity as the Corporation continues to search and assess potential transactions.

General and administrative expenses in the six months were \$7,961 compared to \$9,145, professional fees decreased to \$12,814 and property investigation costs decrease \$40,973, all of which are the result of the Company decreasing business activity and ceasing property investigations. The Company continues seek out additional properties but the nature of such does not require other consultants and professionals at this time.

**Cash Flow:**

***Six Months Ended October 31, 2018 and 2017:***

Net cash used in operating activities in the six months ended October 31, 2019 was \$9,543 compared to \$281,409 net cash used in the six months ended October 31, 2018, a decrease in cash used of \$271,866. The decrease between the periods to the timing of accounts payables payments and collection of tax credits and a general decrease of corporate activities.

Net cash used by investing activities in the six months ended October 31, 2019 was \$4,697 compared to \$46,925 net cash provided in the six months ended October 31, 2018, a decrease in cash provided of \$51,622. The change in investing activity is effected by the timing of exploration programs based on the availability of funds in the Company and the timing of resource input credits received from the Quebec government. In addition, the Corporation sold the quarries, net of claim renewal costs in the period.

Net cash generated in financing activities was \$nil in the six months ended October 31, 2019 and \$256,670 in the comparative period. The cash generated in financing activities is subject to junior market conditions and the Company's need for cash based on planned exploration programs.

For the six months ended October 31, 2019 the Corporation had a net decrease in cash of \$14,240 compared to net increase of \$22,186 in the comparative period.

**Exploration**

During the year ended April 30, 2019, the Company continued its property investigation activities and had reduced exploration activities to preserve cash.

In the period ended October 31, 2019, the Company ceased its property investigation activities and cancelled the letter agreement with DNA Canada Inc. ("DNA"). In addition, the Company staked additional claims and purchased 32 claims from an third party. The 32 claims were acquired by issuing 8,000,000 commons shares, valued at \$80,000.

## Analysis of Acquisition and Exploration Costs

	Balance as at May 1, 2018		Additions	Impairment/ Disposals		Balance as at April 30, 2019		
Vortex	\$	1	\$	9,434	\$	-	\$	9,435
Port Daniel		39,712		11,746		(51,458)		-
Lac Arsenault		-		4,757		-		4,757
	\$	39,713	\$	25,937	\$	(51,458)	\$	14,192

	Balance as at May 1, 2019		Additions	Impairment/ Disposals		Balance as at October 31, 2019		
Vortex	\$	9,435	\$	22,500	\$	-	\$	31,935
Chandler		-		52,197		-		52,197
Ruisseau		-		10,000		-		10,000
Port Daniel		-		-		-		-
Lac Arsenault		4,757		-		-		4,757
	\$	14,192	\$	84,697	\$	-	\$	98,889

### Vortex

The Vortex project is a copper molybdenum exploration opportunity in the Gaspé region of Quebec and is the site of the former Gaspé Copper mine and smelter. The project encompasses 80 sq. km of land and is comprised of three main claim groups:

- The Sullipek deposit, situated on the western edge of the project area;
- The Sullipek East property, a skarn/porphyry copper opportunity; and
- The Madeleine des Vercheres claim group.

On July 23, 2013, the Company and ASPM Inc. (the “Vendor”) executed a term extension on the Madelaine des Vercheres claim group. Under the terms of the extension, the Company was required to make a one-time payment of \$30,000 to the Vendor (paid).

Also, considered a part of the Vortex is the In-between project, a copper molybdenum exploration opportunity in the Gaspé region of Quebec. It covers lands between Vortex to the west and Murdochville to the east. This area was claimed in 2011 and a geophysical survey was executed in 2012. The 2012 survey showed 436 targets and 141 priority one targets to be further explored in the future.

### Chandler

The project is a copper molybdenum exploration opportunity in the Gaspé region of Quebec.

### Ruisseau

The project is a copper molybdenum exploration opportunity in the Gaspé region of Quebec.

### Port Daniel

Port Daniel is a copper mineral opportunity located in the south region of the Gaspé Peninsula of Quebec.

During the year ended April 30, 2019, the Company reviewed its exploration and evaluation assets and determined economic conditions, commodity prices and the Company's future expenditure plans supported the need to impair the property and accordingly the Company recorded a write down in the amount of \$51,458.

### Lac Arsenault

During the year ended April 30, 2019 the Company entered into an agreement to acquire 15 mining claims in the southern part of the Gaspé Peninsula, Quebec in exchange for 100,000 common shares of the Company (issued at a fair value of \$3,500).

### Montauban

Montauban is a gold mineral opportunity located in the regions of Chavigny and Portneuf townships of Quebec.

On June 9, 2017 and September 26, 2017, the Company signed a binding letter agreement with DNA Canada Inc, whereby the Company will acquire up to a 50% undivided interest in 65 mining claims for consideration as follows:

- a. Earn a 10% interest; by delivering a compliant 43-101 report on all existing tailings and issuing 3,000,000 common shares;
- b. Earn an additional 15% interest; obtaining all required permits and issuing 5,000,000 common shares
- c. Earn an additional 25% interest; by starting production of the tailings and issuing 10,000,000 common shares

On May 2, 2019, the Company cancelled the letter agreement.

### Net smelter royalty

As part of the acquisition of the Vortex claims, the Company entered into an agreement with 49 North Resources Inc. to grant a 2% net smelter return "NSR" royalty from the sale of all copper-molybdenum lands portion of the property, excluding the Port Daniel property. The Company may, at any time reduce the NSR from 2% to 0.5%, by making a cash payment of \$1,000,000 to 49 North.

### **Financing**

Issuance of common shares:

On May 31, 2018, the Company completed a financing of 6,825,000 units at an issue price of \$0.03 per unit for gross proceeds of \$204,750. Each unit subscription entitles the holder to one non-flow-through common share of the Company and one common share purchase warrant with an exercise price of \$0.06 and a term of 24 months.

On June 14, 2018, the Company completed a financing of 2,866,667 units at an issue price of \$0.03 per unit for gross proceeds of \$86,000. Each unit subscription entitles the holder to one non-flow-through common share of the Company and one common share purchase warrant with an exercise price of \$0.06 and a term of 24 months. In connection with the May and June financings, the Company issued 160,000 broker warrants and paid cash share issue costs totaling \$17,162.

On August 13, 2018, the Company issued 100,000 pursuant to a property purchase agreement. The shares were valued at \$3,500, in total.

On March 4, 2019, the Company issued 3,281,422 common shares pursuant to shares for debt settlements, approved by the shareholders on January 11, 2019. The shares were issued at a value of \$98,442, resulting in a gain on shares for debt settlement of \$230,093.

On April 8, 2019, the Company issued 300,000 common shares pursuant to a property purchase agreement. The shares were valued at \$9,000, in total.

On October 29, 2019, the Company issued 8,000,000 common shares pursuant to a property purchase agreement. The shares were valued at \$80,000, in total.

### **Share-based compensation**

The directors of the Company have adopted, and the shareholders have approved a stock option plan (the “Option Plan”), pursuant to which the directors may from time to time grant options for up to 10% of its issued and outstanding shares. The purpose of the Option Plan is to attract, retain and motivate directors, employees and consultants of the Company and to advance the interests of the Company by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Company.

No stock options are issued or outstanding in the period or comparative period.

### **Related party transactions**

Compensation of key executive personnel:

<b>Six months ended October 31,</b>	<b>2019</b>		<b>2018</b>	
<b>Consulting fees to officers</b>	\$	45,000	\$	40,000

Consulting fees paid or accrued to directors and officers or companies controlled by directors and officers are recorded in management fees, general and administrative or, as applicable, capitalized to the exploration and evaluation assets.

Sylvain Laberge, a director and officer of the Company provided consulting services to the Company. Fees accrued during the period ended October 31, 2019 were \$30,000 (2018 - \$30,000) expense was recorded in management fees. As at October 31, 2019 the Company owed \$136,104 (April 30, 2019 - \$86,362) related to such services, which is included in accounts payable and accrued liabilities.

Andrew Davidson, a director and officer of the Company provided consulting services to the Company. Fees accrued during the period ended October 31, 2019 were \$15,000 (2018 - \$10,000) expense was recorded in management fees. As at October 31, 2019 the Company owed \$32,250 (April 30, 2019 - \$16,500) related to such services, which is included in accounts payable and accrued liabilities.

## **Events After The Reporting Period**

None

## **Off-Balance Sheet Arrangements**

None.

## **Critical Accounting Estimates**

The Company's financial statements have been prepared in accordance with IFRS. The preparation of financial statements in accordance with IFRS required management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Actual results could differ from these estimates. The significant accounting policies used by the Company in this regard are discussed in detail in the notes to the 2019 annual audited financial statements. See Note 2 of the financial statements.

## **Financial Instruments**

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

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's other receivables and accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

### *Credit Risk*

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2019, the Company had a cash balance of \$19,897 to settle accounts payable and accrued liabilities of \$439,142.

The Company has historically relied on equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms.

### Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

### **Capital Management**

The Company's objectives when managing capital are:

- a. to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to continue its exploration programs;
- b. to provide sustained growth and value by increasing equity; and
- c. to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- a. raising capital through equity financings; and
- b. borrowing funds in the form of advances from related parties.

The Company is not subject to any capital requirements imposed by a regulator. There were no changes in the Company's approach to capital management during the current year. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis.

### **Risks and Uncertainties**

The following discussion outlines a number of risks that management believes could impact the Company's business.

### **Financial Risk**

Additional funds may be required in the future to finance exploration and development work. The Company has access to funds through the issuance of additional equity and borrowing. There can be no assurance that such funding will be available to the Company under current economic conditions. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or that it will provide the Company with sufficient funds to meet its objectives, which could adversely affect the Company's business and financial condition.

## **Title to Properties**

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that titles to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

## **Industry Conditions**

Mineral resource exploration and development involves a high degree of risk that even a combination of careful assessment, experience and know-how cannot eliminate. While the discovery of a deposit may prove extremely lucrative, few properties that undergo prospecting ever generate a producing mine. Substantial amounts may be required to establish ore reserves, develop metallurgical processes and build mining and processing facilities at a given site. There can be no assurance that the exploration and development programs planned by the Company will result in a profitable mining operation. The economic viability of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size, grade and proximity to infrastructure, as well as the cyclical nature of metal prices and government regulations, including those regarding prices, royalties, production limits, importation and exportation of minerals, and environmental protection. The impact of such factors cannot be precisely assessed but may prevent the Company from providing an adequate return on investment.

## **Government Regulation**

The Company's activities must comply with the applicable legislation on exploration and development, environmental protection, obtaining of permits, and authorization of mining operations in general. The Company believes that it is in compliance in all material respects with such laws. Changing government regulations could have an adverse impact on the Company's operations.

## **Outlook**

Management will continue to manage its funds very rigorously, its primary objective being to optimize return on investment for its shareholders. Its development strategy is focused on the discovery of economically viable deposits that will generate profits from mining and ensure the Company's survival. In applying its development strategy, management will take into account the global exploration context, stock market trends and the prices of copper and other metals.

## **Outstanding Share Data:**

The Company is authorized to issue an unlimited number of common shares.

As of December 13, 2019, the number of common shares of the Company outstanding or reserved for issue under convertible securities is as follows:

<b>Common shares</b>	<b>Number</b>
Outstanding	94,039,934
Issuable under warrants and broker warrants	10,218,333
Issuable under stock options	-
<b>Total diluted common shares</b>	<b>104,258,267</b>