

XPLORE RESOURCES CORP. (formerly VON Capital Corp.)

Management's Discussion and Analysis

At June 30, 2020

Description of Business

The Company was incorporated on February 24, 2017 as 1108775 BC Ltd. pursuant to the Business Corporations Act of British Columbia. The Company changed its name on March 16, 2017 to VON Capital Corp. Effective October 6, 2020, the Company changed its name to Xplore Resources Corp.

As at June 30, 2020, the Company was a Capital Pool Corporation (a "CPC"), defined by Policy 2.4 of the TSX-Venture Exchange ("TSX-V"). As a CPC, the Company's immediate objective is to identify and acquire either operating assets or a business, subject to shareholders' approval, that meet the criteria of a Qualifying Transaction, as defined by the TSX-V ("Qualifying Transaction"). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

On October 30, 2017, the Company completed its initial public offering ("IPO") of 3,000,000 common shares at \$0.10 per common share for gross proceeds of \$300,000, and the Company's shares commenced trading on the TSX-V under the symbol "VON.P". As a result of completing its Qualifying Transaction on October 6, 2020 (see *Qualifying Transaction* below) trading of the common shares of the Company on the TSX-V resumed under the symbol "XPLR" on October 8, 2020.

The registered office of the Company is located at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition for the Company should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2020 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise stated.

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

The effective date of this MD&A is October 23, 2020.

Qualifying Transaction

On August 12, 2019 the Company announced that it had entered into a Letter of Intent (the "LOI") dated August 6, 2019 with Xplore Resources Corp. ("Xplore"), an arm's length private mineral exploration company incorporated under the laws of the Province of Ontario with an interest in

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the Valk Project located in Province of British Columbia for a business combination that will result in a reverse takeover of the Company by the shareholders of Xplore and will be a "qualifying transaction" for the Company under TSX-V Policy 2.4 (the "Qualifying Transaction").

Effective October 6, 2020, the Qualifying Transaction was completed. Pursuant to the Qualifying Transaction:

- a) and pursuant to the terms of an amalgamation agreement dated February 13, 2020 among the Company, 2717915 Ontario Inc. ("Company Sub", a private Ontario company and a wholly owned subsidiary of the Company), and Xplore Resources Corp. ("Xplore Private Co"), a private Ontario corporation, (i) Company Sub and Xplore Private Co amalgamated, (ii) the amalgamated entity became a wholly owned subsidiary of the Company, and (iii) the holders of the issued and outstanding common shares (the "Xplore Common Shares") of Xplore Private Co were exchanged for an aggregate of 18,100,000 Resulting Issuer Shares. In addition, 8,580,000 Resulting Issuer Shares were issued to the subscribers under the Xplore Private Placement (described below), which were exchanged for Resulting Issuer Shares on a one for one basis;
- b) VON changed its name to "Xplore Resources Corp."; and
- c) management and the board of directors of the Company changed such that the board of directors and executive team of the Company now consists of: Wesley C. Hanson, Chief Executive Officer and Director; Charles Edgeworth, Chief Financial Officer and Director; Robert Brain, Corporate Secretary and Director; Tim McGuire, Director; Jamie Hyland, Director; and David Patterson, Director.

As of the date hereof, the Company has issued and outstanding, a total of: (i) 31,680,000 Resulting Issuer Shares; (ii) 500,000 stock options exercisable to purchase Resulting Issuer Shares; and (iii) 8,580,000 Resulting Issuer Warrants (as defined herein) exercisable to purchase Resulting Issuer Shares. Certain of the Resulting Issuer Shares are subject to escrow restrictions including: (i) 2,000,000 Resulting Issuer Shares subject to release under the CPC Escrow Agreement, with a first release of 10% as of October 7, 2020; and (ii) 11,100,000 Resulting Issuer Shares subject to a 36-month staged release under the Qualifying Transaction Escrow Agreement, with a first release of 5% as of October 7, 2020.

Additional details regarding the Transaction and Xplore are contained in the Company's Filing Statement dated as of July 28, 2020 and news releases dated July 30, 2020 and October 7, 2020 which can be found on SEDAR at www.sedar.com.

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About Xplore and the Valk Project

Xplore is an Ontario-incorporated privately held mining exploration company, incorporated May 28, 2018, focused on the acquisition and development of copper and gold properties.

The Valk Project consists of 1,614 ha located within the Nanaimo Mining Division, British Columbia, approximately 20 km NW of Port Hardy. Xplore has entered into an earn-in agreement to acquire a 100% interest in the project. The Project is road accessible via an extensive network of provincial highways, local roads, and logging roads. The Project is dominated by theoleiitic basalts of the Karmutsen Formation. The Valk Project is located 25 km north of the historic Island Copper Mine (345 Mt @ 0.41% Cu) and the North Island Copper and Gold Project (indicated resource of 305 Mt @ 0.21% Cu).

Regional scale rock and soil geochemistry has identified widespread, anomalous copper and vanadium mineralization that is open along strike on a NW trend. Xplore contracted Longford Exploration Services Ltd. ("Longford") to complete follow up reconnaissance soil and rock sampling to confirm and expand the known anomalies on the Project. Longford completed the field work in July 2019 at a cost of \$115,000.

Board of Directors

As a result of the completion of the Qualifying Transaction, the Board of Directors is currently comprised of Wesley C. Hanson, Charles Edgeworth, Robert Brain, Tim McGuire, Jamie Hyland, and David Patterson (the former CEO and CFO of VON).

The relevant experience of the proposed directors and officers of the Resulting Issuer is set out below:

Mr. Hanson provides over 35 years of industry experience covering all aspects of mineral exploration, resource and reserve estimation, project evaluation, development, construction, operation, and corporate management. He worked on a number of large capital projects as a consulting geologist with Kilborn - SNC Lavalin before transitioning into senior management roles with Kinross Gold, Western Goldfields and Silver Bear Resources. Wes served as President and CEO of Noront Resources from 2009 through 2012. Since then he has provided contract geological services for various junior companies listed on the TSX Venture Exchange. Wes graduated from Mount Allison University with a BSc Geology (1982) and is a practicing member of the Association of Professional Geoscientists of Ontario.

Mr. Edgeworth is currently the Managing Director of Union Merchant Capital. He has over 20 years of experience in debt, equity, and project finance as well as cash management and risk mitigation. He has advised and structured numerous financings for junior and senior mining

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companies globally. He has an extensive network of corporates, banks, law firms, accounting firms, multilateral finance agencies & foreign governments throughout North & South America, UK, Europe, and Africa. Previously, Charles was responsible for corporate banking in Europe and Africa for Export Development Canada and prior to this, he was with HSBC Bank and Canaccord Genuity. In addition, Charles has served as a senior officer in the Royal Canadian Navy. Charles holds a B.A. in Political Science & Economics from the University of Victoria, BCom. in Entrepreneurial Management from Royal Roads University and MBA in Finance from HEC Montreal.

Mr. Brain is a former lawyer with over 18 years of legal and executive experience while working previously as the Chief Legal Officer for many private and publicly traded international corporations, such as Enghouse, Huawei, Redknee, Infor and Workbrain, where he was entrusted to advise on and manage all aspects of legal issues for his clients. Mr. Brain also has over 31 years of service with the Canadian Armed Forces, most recently serving with the Office of the Judge Advocate General. Mr. Brain is also active in the community and has previously sat on a number of Boards and Committees. Mr. Brain holds a B.A. (Hons.) in Law and Society from York University, a LL.B. from the University of Windsor, and is called to the Ontario Bar.

Mr. McGuire is a 20-year banking executive focusing on corporate debt, credit structuring, loan syndications, M&A, project finance, credit, and political risk insurance. The past 12 years have been spent on leading global business development and management of a \$20 billion portfolio for companies in the mining, energy, and banking sectors. Tim earned a Bachelor of Commerce (with Distinction) in International Business from the University of Victoria, Victoria, BC, Canada.

Mr. Hyland brings more than 25 years of experience in the public markets as a financial and marketing consultant, a corporate founder and manager of numerous early stage public and private businesses. His industry expertise includes mining, publishing, financial services, oil & gas, hospitality, technology, alternative energy, and healthcare appliances. He is currently a Director of Universal Copper Ltd (TSX.V: UNV), Resolve Ventures Inc. (TSX.V: RSV) and BLOK Technologies Inc. (CSE: BLK). Mr. Hyland has an extensive network of contacts within the financial community including brokers, fund managers, industry analysts and media, throughout North America, the United Kingdom and continental Europe. He earned a Bachelor of Commerce in Entrepreneurial Management from Royal Roads University, Victoria, BC, Canada.

Mr. Patterson has been involved for more than 30 years in the administration and finance of exploration companies based in North America. Currently, Mr. Patterson is the co-founder and Chief Executive Officer of Vested. He has also been a director and/or officer of several public companies listed on the TSXV. Mr. Patterson holds a Bachelor of Arts from Simon Fraser University (1977) and a Master of Business Administration from Simon Fraser University (1991) and was a member of the SFU Council for 50 and the SFU Athletic Advisory Committee.

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Forward-Looking Statements

Certain statements contained in the MD&A may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company's ability to raise sufficient capital for short-term operations and to fund exploration activities and to acquire a 100% interest in the Valk Project. Readers are cautioned not to place undue reliance on these forward-looking statements.

Risks and Uncertainties

The Company does not currently have any cash generating assets. The Company will be reliant on equity and debt financing in order to meet current and future obligations and ongoing operating costs and to exercise its mineral property option on the Valk Project. These additional funds may not be available on terms acceptable to the Company.

During the first quarter of 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

International Financial Reporting Standards – Changes in Accounting Policies

Refer to note 2 of the June 30, 2020 consolidated financial statements.

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Results of Operations

For the year ended June 30, 2020, the Company reported a loss of \$61,303 (2019 - \$33,694). The Company's loss per share was \$0.02 (2019 - \$0.01). The significant components of the loss were:

- The Company incurred \$8,179 (2019 - \$6,979) of filing and listing fees. During 2020, the Company incurred annual TSX-V sustaining fees of \$5,200 (2019 - \$5,200) and annual SEDAR fees of \$1,779 (2019 - \$1,779). The Company also incurred \$1,200 of other filing fees in 2020.
- The Company incurred \$37,237 (2019 - \$12,648) of professional fees composed of \$20,027 (2019 - \$9,600) for accounting and audit fees and \$17,210 (2019 - \$3,048) incurred for legal fees. The professional fees incurred during 2020 and 2019 are for routine business operations including the annual audit and quarterly accounting services. Also, approximately \$21,700 of professional fees incurred in 2020 relate to the Transaction.
- The Company incurred \$8,100 (2019 - \$7,200) of rent for office space. The Company has not entered into a long term lease and can leave the space without penalty at any time.
- The Company incurred \$6,173 (2019 - \$5,747) of transfer agent fees.

Fourth Quarter Operations

For the three months ended June 30, 2020 (Q4/2020), the Company incurred a loss of \$18,201 compared to a loss of \$9,481 for the three months ended June 30, 2019 (Q4/2019). Other expenses incurred and significant discrepancies between Q4/2020 and Q4/2019 are as follows:

- The Company incurred \$14,216 (Q4/2019 - \$6,714) of professional fees during Q4/2020. Professional fees are higher in Q4/2020 because of the Transaction.
- The Company incurred \$2,250 (Q4/2019 - \$1,800) of rent for office space. The Company has not entered into a long-term lease and can leave the space without penalty at any time.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position at June 30, 2020 was \$177,768 compared to \$239,071 at June 30, 2019.

The Company's financial position improved subsequent to June 30, 2020 as a result of the completion of the Qualifying Transaction. On September 28, 2020 and September 29, 2020, in connection with the Qualifying Transaction, Xplore Private Co completed a non-brokered private placement, raising gross proceeds in the amount of \$858,000 (the "Xplore Private Placement") through the issuance of 8,580,000 units of the Company (each a "Unit") at a price of \$0.10 per Unit. Each Unit was comprised of one Xplore Common Share and one Xplore Common Share purchase warrant (post-Amalgamation, each such warrant exercisable for one Resulting Issuer Share and referred to herein as a "Resulting Issuer Warrant") exercisable at a price of \$0.15 per

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Resulting Issuer Share for a period of two years from the date of issue. The expiry date of the Resulting Issuer Warrants may be accelerated at the option of the Resulting Issuer if at any time prior to expiration the closing price of the Resulting Issuer Shares on the TSXV exceeds \$0.30 for ten consecutive trading days.

Financial Instruments

Refer to notes 3 and 10 of the June 30, 2020 consolidated financial statements.

Off-Balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

Selected Annual Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's audited consolidated financial statements. All dollar amounts are in Canadian dollars.

	Year ended June 30, 2020	Year ended June 30, 2019	Year ended June 30, 2018
Financial Results			
Net loss	\$ (61,303)	\$ (33,694)	\$ (94,424)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.05)
Financial Position			
Working capital	\$ 177,768	\$ 239,071	\$ 272,765
Total assets	\$ 204,884	\$ 247,147	\$ 280,806

During Fiscal 2020, the Company was working on the completion of a Qualifying Transaction. The \$61,303 of losses incurred relate to general and administrative expenditures incurred to operate the business in order to meet its reporting requirements and to maintain its listing on the TSX-V as well as additional professional fees incurred for the Qualifying Transaction.

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During Fiscal 2019, the Company was searching for a suitable Qualifying Transaction. The \$33,694 of losses incurred relate to general and administrative expenditures incurred to operate the business in order to meet its reporting requirements and to maintain its listing on the TSX-V.

During Fiscal 2018, the Company completed its IPO and began trading on the TSX-V. The majority of the \$94,424 loss incurred was for the recognition of \$66,918 of share-based payments pursuant to the grant of 500,000 stock options to directors and officers. The remaining \$27,506 of losses incurred relate to general and administrative expenditures incurred to operate the business in order to meet its reporting requirements and to maintain its listing on the TSX-V.

Selected Quarterly Information

The following table presents selected financial information for each of the last eight fiscal quarters:

Fiscal Quarter Ended	Expenses -		Net Loss Loss per Share		Working
	G&A				Capital
June 30, 2020	\$ 18,201	\$ (18,201)	\$ (0.01)	\$	177,768
March 31, 2020	\$ 17,930	\$ (17,930)	\$ -	\$	195,969
December 31, 2019	\$ 21,194	\$ (21,194)	\$ (0.01)	\$	213,899
September 30, 2019	\$ 3,978	\$ (3,978)	\$ -	\$	235,093
June 30, 2019	\$ 9,481	\$ (9,481)	\$ (0.01)	\$	239,071
March 31, 2019	\$ 9,233	\$ (9,233)	\$ -	\$	248,552
December 31, 2018	\$ 12,379	\$ (12,379)	\$ -	\$	257,785
September 30, 2018	\$ 2,601	\$ (2,601)	\$ -	\$	270,164

The Company is classified as a Capital Pool Company as defined in the TSX-V Policy 2.4. Until such time as the Company can complete a Qualifying Transaction, the Company operates on a care and maintenance budget whereby its expenditures consist of audit fees, legal fees, transfer agent fees, filing and listing fees, and small amounts of office and miscellaneous expenditures. Expenditures/loss incurred for the quarters ended September 30, 2018 through September 30, 2019 are reflective of this care and maintenance budget.

Expenditures/loss incurred for the quarters ended December 31, 2019 through June 30, 2020 are reflective of the work incurred to complete the Qualifying Transaction.

Related Party Transactions

There were no related party transactions that occurred during the year ended June 30, 2020.

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Outstanding Share Data

As at October 23, 2020, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	31,680,000	n/a	n/a
Stock options	500,000	\$ 0.21	November 23, 2022
Warrants	7,585,000	\$ 0.15	September 28, 2022
Warrants	1,250,000	\$ 0.15	September 29, 2022
Fully Diluted	41,015,000		

Directors and Officers

Wesley C. Hanson	Director and CEO
Charles Edgeworth	Director and CFO
Robert Brain	Director and Corporate Secretary
Tim McGuire	Director
Jamie Hyland	Director
David Patterson	Director