

# APOGEE OPPORTUNITIES INC.

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## Management's Discussion and Analysis

### For the year ended June 30, 2018

(In Canadian dollars unless otherwise noted)

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Date: August 8, 2018

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial position and results of operations for Apogee Opportunities Inc. and its subsidiaries (the "Company" or "Apogee Opportunities" or "Apogee") should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended June 30, 2018 and 2017.

The Company's audited consolidated financial statements were prepared in accordance with International Accounting Standards, as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on International Financial Reporting Standards ("IFRS") and International Reporting Interpretation Committee ("IFRIC") interpretations. The audited consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The reader should be aware that historical results are not necessarily indicative of future performance. All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. The Company's public filings can be viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Audit Committee of the Company has reviewed this MD&A and the audited consolidated financial statements for the years ended June 30, 2018 and 2017, and the Company's Board of Directors approved these documents prior to their release.

### Company Overview and Strategy

Apogee Opportunities Inc. was incorporated under the laws of the Province of British Columbia on May 25, 1987 to engage in mineral exploration and development. The Company was continued under the laws of the Province of Ontario on January 21, 2005. Apogee is listed on the NEO Exchange under the symbol "APE". The Company's head office is located at 65 Queen Street West, Suite 805, Toronto, Ontario M5H 2M5.

### Binding Letter of Intent for Business Combination

On May 9, 2018, Apogee announced entering into a binding letter of intent ("LOI") to complete a business combination transaction (the "Transaction" or "Business Combination") with ANM, Inc. (doing business as Halo Labs) ("Halo"). The closing of the Transaction is subject to the receipt of all necessary regulatory and third-party consents and approvals and is expected to close on or before September 30, 2018.

Halo is a leading manufacturer of cannabis oil and concentrates incorporated in the state of Oregon, United States. Halo is a science driven, integrated business that cultivates cannabis plants and utilizes its proprietary technology to process cannabis to extract oils and manufacture concentrates. Halo is well-positioned to benefit from the rapidly growing concentrates market and is seeking to actively expand its footprint in the United States and Canada, having already acquired the use of licenses and rented facilities in California and Nevada.

On the date of the announcement, the following Halo securities were issued and outstanding:

- (i) 20,347,484 common shares;
- (ii) 1,805,000 stock options; and
- (iii) 6,435,000 warrants; for a total of 28,587,484 Halo shares on a fully diluted basis,

not including:

- (x) 32,684,314 shares and 13,625,136 warrants, anticipated to be issued upon conversion of certain outstanding convertible debt obligations;
- (y) 6,643,895 restricted shares and 775,000 warrants, which have been committed but not yet issued; and
- (z) 4,726,027 shares and 9,452,054 warrants, planned to be issued in connection with the Pre-RTO Oregon Regulated Offering (assuming completion of the Transaction and excluding broker units or finder units).

It is anticipated that the Transaction will be completed by way of a merger between Halo and a wholly-owned subsidiary of Apogee incorporated under the laws of Delaware, Apogee Opportunities (USA) Inc. ("Apogee Subsidiary"), pursuant to which security holders of Halo and Apogee Subsidiary (other than the Company) will receive common shares of the Company on the basis of 1.35 Resulting Issuer shares for each existing common share and the merged entity shall be renamed "Halo Labs Inc." and will become a wholly-owned subsidiary of the Company (the

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“Resulting Issuer”). The terms of the Transaction will also provide that each issued and outstanding Halo warrant, option and restricted share will be exchanged for a warrant, option or restricted share, as applicable, of the Resulting Issuer on equivalent terms after having given effect to the Transaction.

Apogee will seek approval for a minimum of six board members, who will replace the existing board members (other than Mr. G. Scott Paterson, who will remain on the board) and be the directors of the Resulting Issuer upon the closing of the Transaction. The proposed directors are expected to be: G. Scott Paterson, Chairman, Kiran Sidhu, Chief Executive Officer and Director, Fred Leigh, Andreas Met, Peter McRae and Philip van den Berg.

Kiran Sidhu is the Chief Executive Officer of Halo. Mr. Sidhu graduated with honors in computer science from Brown University and has an MBA in Finance from the Wharton School of Business. Mr. Sidhu was a manager with Price Waterhouse’s strategic consulting group in Los Angeles and a senior associate with Merrill Lynch Capital Markets in mergers and acquisitions in New York. Mr. Sidhu served as CFO of On Stage Entertainment and oversaw its initial public offering on NASDAQ. Mr. Sidhu is currently a director and audit committee chairman of Namaste Technologies Inc., a technology company that provides cannabis-related products and services in 20 countries. Upon completion of the Transaction, Mr. Sidhu will be appointed Chief Executive Officer of the Resulting Issuer.

Fred Leigh has over 35 years of experience in the junior resource sector, including founding Siwash Holdings Ltd. Mr. Leigh is currently the CEO of the Company.

Andreas Met is the Chief Marketing Officer of Halo. Mr. Met graduated with an MBA in product and price marketing from the University of Wisconsin. Mr. Met was a Senior Merchant at Walmart where he managed the Household Chemicals desk. Prior to joining Halo, Mr. Met was the head of sales and marketing at Golden Leaf Holdings Ltd.

Peter McRae is a Chartered Accountant and Chartered Professional Accountant. He attended the University of Toronto’s Rotman School of Management in 2008 and graduated from the Directors Education Program of the Institute of Corporate Directors with an ICD.D designation. Peter is currently Chairman and a Director of Freedom International Brokerage Company. He was Freedom’s President and CEO from 1994 to 2015. Peter has over 30 years of experience in the financial services industry. His earlier career involved four years in Abu Dhabi as a Financial Administrator for an engineering firm before joining the investment dealer Wood Gundy, first in Toronto, and subsequently in New York. Peter has been a director of several public companies.

Philip van den Berg graduated cum laude in economics from the University of Amsterdam. After graduating, Mr. van den Berg joined Pierson, Heldring & Pierson in the Netherlands as an investment analyst and subsequently became a director in Goldman Sachs’ European equities division. Mr. van den Berg was co-founder of Olympus Capital Management, one of the first European hedge funds (long short equity) and Taler Asset Management, a wealth management company based in Gibraltar. Mr. van den Berg is currently the Chief Financial Officer of Namaste.

## **Listing on the Aequitas NEO Exchange Inc.**

Apogee received final approval on June 15, 2018 to list its common shares on the Aequitas NEO Exchange Inc. (the “NEO Exchange”), in a halted state, in connection with the proposed business combination transaction between Apogee and Halo. The Apogee common shares were voluntarily delisted from the TSX Venture Exchange on June 20, 2018 and listed, in a halted state, on the NEO Exchange on June 21, 2018. The trading of the Apogee common shares will remain in a halted state until such time as the proposed Transaction has been completed and is subject to approval by and satisfaction of any conditions imposed by the NEO Exchange in connection with the proposed listing of the Resulting Issuer.

## **Offering of securities**

On June 29, 2018, Apogee closed an offering (the “Offering”) of subscription receipts of Apogee Subsidiary (each, a “Subscription Receipt”) and special units of the Company (each, a “Special Unit” and together with the Subscription Receipts, the “Offered Securities”). In aggregate, 32,212,735 Offered Securities were sold under the Offering at a subscription price of \$0.40 per Offered Security for gross proceeds of \$12,885,094, as follows:

- i. Apogee Subsidiary issued 18,164,000 Subscription Receipts (the “Brokered Subscription Receipts”), pursuant to a subscription receipt agreement among the Company, Apogee Subsidiary, Halo, and Cannacord Genuity Corp., Gravitas Securities Inc. and Clarus Securities Inc. (collectively, the “Agents”), and Odyssey Trust Corporation (“Odyssey”);
- ii. Apogee issued 9,848,250 Special Units (the “Brokered Special Units” and, together with the Brokered Subscription Receipts, the “Brokered Offered Securities”) pursuant to a special unit agreement among the Company, Halo, the Agents and Odyssey;

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- iii. Apogee Subsidiary issued 4,140,485 non-brokered Subscription Receipts (the “Non-Brokered Subscription Receipts”), pursuant to a subscription receipt agreement among the Company, Apogee Subsidiary, Halo and Odyssey; and
- iv. Apogee issued 60,000 non-brokered Special Units (the “Non-Brokered Special Units” and, together with the Non-Brokered Subscription Receipts, the “Non-Brokered Offered Securities” and, together with the Brokered Offered Securities, the Offered Securities), pursuant to special unit agreement among the Company, Halo and Odyssey.

Upon satisfaction of the Escrow Release Conditions and immediately prior to closing of the Transaction, each Offered Security issued will be automatically exchanged for a unit (an “Apogee Unit”) comprised of one common share of Apogee (or Apogee Subsidiary, as applicable) (“Apogee Underlying Share”) and one common share purchase warrant of Apogee (or Apogee Subsidiary, as applicable) (“Apogee Underlying Warrant”) for no additional consideration. Each Apogee Underlying Warrant will be exercisable into one Apogee Underlying Share until December 31, 2020 and will have an exercise price of \$0.80, subject to adjustment as provided in the warrant indenture (the “Warrant Indenture”) dated June 29, 2018 entered into among the Company, Apogee Subsidiary, Halo and Odyssey Trust Company, as warrant agent. In connection with the Transaction, the Apogee Units will be exchanged for units of the Resulting Issuer, having the same terms as the Apogee Units.

In consideration of the services provided by the Agents in connection with the Offering, the Company agreed to pay the Agents a cash commission equal to 7.5% of the aggregate gross proceeds of the Offering (excluding the Non-Brokered Offering) and issue the Agents compensation options (the “Agents’ Options”) equal to 7.5% of the Offered Securities sold under the Offering (excluding the non-brokered offerings). The Agents were also paid a corporate finance fee of \$50,000 as well as 1.5% in cash and 1.5% in Agent’s Options for Offered Securities sold in the non-brokered offerings. In addition, under the non-brokered offerings, certain finders (the “Finders”) were paid 6% in cash and 6% in finder options (the “Finders’ Options”), having the same terms as the Agents’ Options.

Provided the Escrow Release Conditions are satisfied, each Agents’ and Finders’ Option will be exercisable to purchase one Apogee Unit at the price of \$0.40 per Apogee Unit and, following completion of the Transaction, assuming such Agents’ or Finders’ Option was not previously exercised, each one Agents’ or Finders’ Option will automatically be exchanged for one agents’ or finders’ option of the Resulting Issuer, which shall be exercisable to purchase one unit of the Resulting Issuer on the same terms as the Apogee Units at a price of \$0.40 per unit until December 31, 2020.

The gross proceeds of the Offering, less 50% of the cash commissions and corporate finance fees of the Agents and certain expenses of the Agents that were paid to the Agents on closing of the Offering (the “Escrowed Proceeds”), were deposited in escrow with Odyssey in an interest-bearing account. The Escrowed Proceeds and any interest or other income earned thereon (the “Escrowed Funds”) will be released from escrow upon the satisfaction of the “Escrow Release Conditions”, which are:

- i. completion of the transaction;
- ii. the Resulting Issuer shares and the common shares underlying the Resulting Issuer warrants being approved for listing on a “designated stock exchange” within the meaning of the *Income Tax Act* (Canada);
- iii. the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the Transaction;
- iv. the Company, Apogee Subsidiary, Halo and the Resulting Issuer shall not be in breach or default of any of their respective covenants or obligations under the security agreements or the agency agreement, as applicable, except (in the case of the Agency Agreement only) for those breaches or defaults that have been waived by the Agents, and all conditions set out in the agency agreement shall have been fulfilled; and
- v. the Company, Apogee Subsidiary and the Agents having delivered a joint notice to Odyssey confirming that all Escrow Release Conditions have been met or waived.

In the event that the Escrow Release Conditions are not satisfied by September 30, 2018, each Offered Security will be exchangeable, upon satisfaction of the Escrow Release Conditions, for 1.1 Apogee units (equal to an additional 10% of the Offering); and in the event that the Escrow Release Conditions are not satisfied by October 31, 2018, each Offered Security will be exchangeable, upon satisfaction of the Escrow Release Conditions, for 1.2 Apogee units (cumulatively equal to an additional 20% of the Offering).

In the event that the Escrow Release Conditions are not satisfied at or before the 5:00 p.m. (Toronto time) on December 20, 2018 (the “Escrow Release Deadline”) or, if prior to the Escrow Release Deadline one of the following occurs: (A) the termination of the definitive agreements in respect of the Transaction, (B) the Company advising Odyssey and the Agents that the Transaction will not be completed, or (C) the Company making an announcement to the public that the Transaction will not be completed (any such event being a “Termination Event”), then Odyssey will return to each holder of Offered Securities an amount equal to the aggregate offering price of the Offered Securities

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held by such holder plus an amount equal to the holder's *pro rata* portion of any interest or other income earned on the Escrowed Proceeds (less applicable withholding tax, if any).

In the event that a Termination Event occurs, (i) the 50% of the Agents' commissions and corporate finance fees and the Finders' Fees that have been included in the Escrowed Funds shall not become payable; (ii) Apogee will be required to refund \$566,220, plus interest, to Odyssey; and (iii) the 2,163,925 Agents' Options and 252,029 Finders' Options shall automatically terminate.

Upon completion of the Transaction, the net proceeds from the Offering will be used: (a) to fund expansion of the resulting issuer's business operations in California and Nevada; (b) to purchase capital equipment; (c) for leasehold improvements; (d) for the payment of certain liabilities; and (e) for general working capital.

All securities of the Company issued pursuant to the Offering are subject to a hold period ending on October 30, 2018. All securities of Apogee Subsidiary issued pursuant to the Offering are subject to a hold period ending on the later of: (a) October 30, 2018; or (b) the date that Apogee Subsidiary becomes a reporting issuer pursuant to applicable securities laws.

The Company is currently working on the documentation to implement the Transaction, which is expected to close prior to September 30, 2018. There can be no assurance that the Transaction will be completed as proposed or at all.

## **Exploration and Development Projects**

### **Cachinal Silver Project, Chile**

The Company holds an 80% participation interest in the Cachinal property located in northern Chile.

The Cachinal property is located in Region II, Chile, and is an advanced silver property with a NI 43-101 resource estimate dated March 4, 2008, comprising 18.41 million ounces of silver in the indicated resource category and an additional 3.02 million ounces of silver in the inferred resource category. The Cachinal deposit is a low-sulfidation epithermal system which has had past production of 32 million ounces of silver.

On June 25, 2018, the Company announced entering into a definitive agreement with Aftermath Silver Ltd. ("Aftermath"), whereby Aftermath agreed to acquire Apogee's holdings in the Cachinal De La Sierra Silver-Gold Project through the purchase by Aftermath of all of Apogee's shares in the Chilean holding company Minera Cachinal S.A., representing approximately 80% ownership in such entity. Aftermath has agreed to pay Apogee \$1,500,000 cash and assume certain of Apogee's liabilities with respect to the project. The transaction remains subject to the receipt of all necessary regulatory approvals and is expected to close following the Company's Transaction with Halo.

## **Selected Annual Financial Information**

The table below provides a summary of selected annual financial information for the years ended June 30, 2018, 2017 and 2016:

	June 30, 2018	June 30, 2017	June 30, 2016
Cash (used in) operations	\$ (515,280)	\$ (290,490)	\$ (296,084)
Net income/(loss) from operations	(1,280,532)	(449,376)	366,585
Per share- basic and diluted	(0.14)	(0.05)	0.05
Total Assets	13,449,396	1,606,817	1,577,967
Working Capital	684,075	1,403,917	1,411,532

## **Selected Quarterly Financial Information**

	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16
Net (loss)	\$ (290,265)	\$ (132,439)	\$ (78,191)	\$ (779,637)	\$ (97,300)	\$ (177,149)	\$ (111,903)	\$ (63,026)
Per share- basic and diluted	(0.03)	(0.01)	(0.01)	(0.09)	(0.01)	(0.02)	(0.01)	(0.01)
Total Assets	13,449,396	1,359,069	1,827,301	1,808,711	1,606,817	1,922,648	2,696,574	1,919,205
Cash flow from/(used in) operating activities	(233,289)	(94,746)	(91,903)	(95,342)	(86,544)	1,272	(88,097)	(117,121)
Cash flow from investing activities	-	-	-	791,970	38,839	57,080	57,609	135,333

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## Results of Operations

The following is a discussion of the results of operations of the Company for the three and twelve months ended June 30, 2018 and 2017.

	Note	For the three months ended June 30,		For the year ended June 30,	
		2018	2017	2018	2017
<b>Expenses</b>					
Consulting and management fees	14	\$ 39,235	\$ 30,436	\$ 133,619	\$ 114,977
Professional fees		195,010	10,250	216,510	37,500
Shareholder communications		450	150	1,231	18,812
Office and general expenses		9,939	8,659	40,477	17,426
Transfer agent and filing fees		30,677	7,142	37,760	17,841
Exploration and evaluation expenditures	9	30,774	11,533	133,189	123,877
<b>Loss before the undernoted</b>		<b>(306,085)</b>	<b>(68,170)</b>	<b>(562,786)</b>	<b>(330,433)</b>
Loss from sale of available for sale investments	8	-	(53,823)	(721,880)	(143,183)
Gain from sale of held for trading investments		-	20,512	-	20,512
Interest income		455	-	1,260	-
Foreign exchange gain		15,365	4,181	2,874	3,728
<b>Net loss for the period</b>		<b>(290,265)</b>	<b>(97,300)</b>	<b>(1,280,532)</b>	<b>(449,376)</b>
Loss for the year attributable to:					
Owners of Apogee Opportunities Inc.		(286,527)	(73,028)	(1,253,373)	(425,104)
Non-controlling interest		(3,738)	(24,272)	(27,159)	(24,272)
		(290,265)	(97,300)	(1,280,532)	(449,376)
<b>Other comprehensive gain</b>		<b>(191,771)</b>	<b>(193,938)</b>	<b>560,690</b>	<b>441,761</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (482,036)</b>	<b>\$ (291,238)</b>	<b>\$ (719,842)</b>	<b>\$ (7,615)</b>
Basic and diluted loss per share		\$ (0.03)	\$ (0.01)	\$ (0.14)	\$ (0.05)
Weighted average number of common shares outstanding - basic and diluted		8,975,607	8,975,607	8,975,607	8,975,607

During the three months ended June 30, 2018, the Company incurred a net loss of \$290,265, or \$0.03 per share, compared to a net loss of \$97,300, or \$0.01 per share, in the same period of the prior fiscal year. The change is mainly a result of increased professional, transfer agent and filing fees in 2018 related to the business combination transaction, and losses realized from the sale of investments to fund operations in 2017.

## Cash Flows for the three months ended June 30, 2018

	For the three months ended June 30,	
	2018	2017
Net cash (used in) operating activities	\$ (233,289)	\$ (86,544)
Net cash provided by investing activities	-	38,839
<b>Increase in cash and cash equivalents</b>	<b>\$ (233,289)</b>	<b>\$ (47,705)</b>

### Operating Activities

Cash of \$233,289 used in operating activities during the three months ended June 30, 2018 was higher than the \$86,544 used in operating activities during the three months ended June 30, 2017, due primarily to an increase in professional, transfer agent and filing fees related to the business combination transaction.

### Investing Activities

There was no cash provided by investing activities during the three months ended June 30, 2018. The \$38,839 provided during the three months ended June 30, 2017 resulted from the sale of Prophecy Development Corp. common shares.

### Financing Activities

There was no cash provided from financing activities during the three months ended June 30, 2018 or 2017.

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## Cash Flows for the year ended June 30, 2018

	For the years ended June 30,	
	2018	2017
Net cash (used in) operating activities	\$ (515,280)	\$ (290,490)
Net cash provided by investing activities	791,970	288,861
Increase in cash and cash equivalents	\$ 276,690	\$ (1,629)

### *Operating Activities*

Cash of \$515,280 used in operating activities during the year ended June 30, 2018 was higher than the \$290,490 used in operating activities during the year ended June 30, 2017, due primarily to the increased professional, transfer agent and filing fees in the fourth fiscal quarter.

### *Investing Activities*

Cash of \$791,970 provided by investing activities during the year ended June 30, 2018 was higher than the \$288,861 provided during the year ended June 30, 2017 as a result of an increase in the number of Prophecy Development Corp. shares sold. This is partially reflected in the higher cash on hand at June 30, 2018.

### *Financing Activities*

There was no cash provided from financing activities during the year ended June, 2018 or 2017.

## Exploration and Evaluation Expenditures

	For the three months ended		For the years ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Claims maintenance	\$ 663	\$ 644	\$ 48,926	\$ 49,135
Legal and professional fees	9,381	1,139	17,679	31,880
Administration	20,730	9,750	66,584	42,862
<b>Total exploration and evaluation costs</b>	<b>\$ 30,774</b>	<b>\$ 11,533</b>	<b>\$ 133,189</b>	<b>\$ 123,877</b>

Exploration and evaluation expenditures are incurred in connection with the Company's Cachinal property. Expenses of an administrative nature were general overhead expenses.

## Working Capital

As at June 30, 2018, the Company had a working capital surplus of \$684,075 (June 30, 2017: \$1,403,917), which included a cash balance of \$299,375 (June 30, 2017: \$22,685). The Company maintains most of its cash in Canadian dollars at a large reputable Canadian commercial bank in high quality short-term deposits or cash. The Company uses working capital to pay overhead and administration expenses and to fund exploration expenditures in Chile.

	June 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 299,375	\$ 22,685
Restricted cash	12,318,874	-
Receivables	170,192	5,017
Prepaid expenses	39,725	4,725
Available-for-sale investments	621,230	1,574,390
Current liabilities	12,765,321	202,900
<b>Working Capital</b>	<b>684,075</b>	<b>1,403,917</b>

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## **Liquidity and Capital Resources**

The Company does not have any operating assets that generate revenue and spends its funds on its corporate, general and administrative obligations and to pursue and evaluate domestic and international opportunities. The Company incurred a net loss of \$1,280,532 in the year ended June 30, 2018 (2017: \$449,376) and used net cash of \$515,280 in its operating activities (2017: \$290,490). The Company believes that it has sufficient working capital for its short-term corporate obligations, but the raising of additional capital through equity or debt financing, likely within the Canadian public markets, will be required for future acquisitions, operations and work programs. There are no assurances that the Company will be successful in raising additional funds or that other forms of equity capital or debt financing will be available to the Company in the future or on satisfactory terms. Any additional equity financing may be on terms that are dilutive, or potentially dilutive, to the Company's shareholders and debt financing, if available, may involve restrictive covenants with respect to the Company's ability to pay dividends, raise additional capital or execute various other financial and operational plans.

As at June 30, 2018, the Company had no long-term debt and no agreements with respect to borrowings had been entered into by the Company.

## **Commitments and Contingencies**

### **Environment**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **Minority shareholder claim**

In November 2016, the Company's 20% minority shareholder in its Minera Cachinal S.A. subsidiary formally requested reimbursement of US\$429,788 (approximately \$566,000) for property-related costs it asserts were made on behalf of the Company. Assuming the transaction for the sale of Mineral Cachinal S.A. to Aftermath closes, Aftermath has agreed to assume any such liability finally determined and no provision related to this claim has been recorded in these consolidated financial statements.

## **Compensation of Key Management, Directors and Officers**

The remuneration of directors and other members of key management personnel during the period were as follows:

	<b>Three months ended June 30,</b>		<b>Years ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Consulting fees	\$ 28,500	\$ 13,500	\$ 91,500	\$ 54,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the Company's board of directors having regard to the performance of individuals and market trends. More detailed information regarding the compensation of officers and directors of the Company is disclosed in the management information circular and such information is incorporated by reference herein. The management information circular is available under the profile of the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Critical management judgements and accounting estimation uncertainties**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported and disclosure in the consolidated financial statements and related notes. Although these estimates are based on management's information regarding the amount, event or actions, actual results may differ from those estimates and these differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

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The areas which require management to make significant judgments, estimates and assumptions in preparing the consolidated financial statements include, but are not limited to:

Critical judgement in applying accounting policies:

- *Control of subsidiaries*

The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10- Consolidated Financial Statements and has determined it controls each of its subsidiaries.

- *Determination of functional currency*

Based on the primary indicators in IAS 21- The Effects of Change in Foreign Exchange Rates- the Canadian dollar has been determined as the functional currency of the Company and its subsidiaries, as the Canadian dollar is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated and because the activities of the foreign operations are carried out as extensions of the reporting entity rather than being carried out with a significant degree of autonomy. Effects of changes in foreign exchange rates are recorded as foreign exchange gains/(losses) on the consolidated statement of operations. If the functional currency of the Chilean entity had been the Chilean peso, the effect of changes in foreign exchange rates would have been reflected as other comprehensive income and carried as a cumulative translation adjustment within accumulated other comprehensive income in the equity section of the consolidated statement of financial position.

- *Assets' carrying values and impairment charges*

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Management exercises its judgment in determining when such events or changes in circumstances have arisen and where such circumstances evidence a significant or prolonged decline of fair value on assets indicating impairment.

Key sources of estimation uncertainty:

- *Impairment of available-for-sale investments*

Financial assets such as amounts receivable and investments classified as available-for-sale are tested for impairment at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence, that can be estimated reliably, indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Fair values, impairment and sensitivity analyses related to marketable securities are disclosed in Note 12.

- *Estimation of decommissioning and restoration costs and the timing of expenditures*

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, based on constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- *Taxes, income taxes and deferred taxes*

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- *Share-based payments and equity reserves*

Management records share-based payments at fair value over the vesting period. The fair value of the market-based and/or performance-based share awards are determined at the date of grant using the Black-Scholes options pricing model. Assumptions are made and judgment used in applying the valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors, corporate performance and the risk-free rate. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. Similar calculations are made in order to value warrants.

# APOGEE OPPORTUNITIES INC.

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## **Recent accounting pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2- Share-based Payments (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of IFRS 2 to have a significant impact on its consolidated financial statements.

IFRS 9- Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of IFRS 9 to have a significant impact on its consolidated financial statements.

IFRS16- Leases (“IFRS 16”) was issued by the IASB on January 13, 2016 and will replace existing lease guidance in IFRS and related interpretations. IFRS 16 requires companies to bring most leases on-balance sheet. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet considered the potential impact of the adoption of IFRS 16.

IFRIC 22- Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of IFRIC 22 to have a significant impact on its consolidated financial statements.

IFRIC 23- Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

During fiscal 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7 and IAS 12. These new standards and changes did not have any material impact on the Company’s consolidated financial statements.

# APOGEE OPPORTUNITIES INC.

## **Financial instruments**

Financial assets and financial liabilities as at June 30, 2018 and 2017 were as follows:

<b>June 30, 2018</b>	Available-for-sale investments	Cash, loans and receivables, other financial liabilities	Total
<b><u>Financial assets:</u></b>			
Cash	\$ -	\$ 299,375	\$ 299,375
Investments	621,230	-	621,230
Restricted cash	-	12,318,874	12,318,874
<b><u>Financial liabilities:</u></b>			
Accounts payable and accrued liabilities	-	(446,447)	(446,447)
Offered securities liability	-	(12,318,874)	(12,318,874)

  

<b>June 30, 2017</b>	Available for sale investments	Cash, loans and receivables, other financial liabilities	Total
<b><u>Financial assets:</u></b>			
Cash	\$ -	\$ 22,685	\$ 22,685
Investments	1,574,390	-	1,574,390
<b><u>Financial liabilities:</u></b>			
Accounts payable and accrued liabilities	-	(202,900)	(202,900)

At June 30, 2018, the Company's financial instruments that are carried at fair value, consisting of investments of \$621,230, have been classified as Level 1 within the fair value hierarchy (June 30, 2017 - \$1,574,390).

The carrying value of cash, restricted cash, amounts receivable, accounts payable, accrued liabilities and offered securities liability reflected in the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

## **Financial Risk Factors**

The Company is exposed to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments, such as forward exchange contracts, to hedge certain exposures.

### **Fair value hierarchy**

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels:

- Level 1 – Quoted prices (unadjusted) 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 or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

### **Credit risk**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets. With respect to credit risk arising from financial assets of the Company, which comprise cash, receivables and investments, the Company's exposure to credit risk arises from default of

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counterparties, with a maximum exposure equal to the carrying amount of these instruments. Cash balances are held with high credit quality financial institutions. The credit risk of the Company is not considered material.

## **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through sales of investments and future equity or debt issuances.

The Company manages its liquidity risk by forecasting the cash flows required for operations and anticipating any investing and financing activities. Management and the board of directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2018, the Company had current assets totalling \$1,130,522, excluding restricted cash (June 30, 2017: \$1,606,817) to settle current liabilities, excluding the offered securities liability, of \$446,447 (June 30, 2017: \$202,900).

## **Market risk and sensitivity**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments.

### **a) Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers interest rate risk to be minimal as investments are short term, the Company does not carry interest-bearing debt, and expects future financings will be primarily secured from private placements.

Since cash has varying terms and rates, sensitivity to a plus or minus 1% change in rates could affect its net loss by approximately \$3,000 based on the cash balance at June 30, 2018.

### **b) Foreign Exchange Risk:**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operating, exploration and administrative expenses in Chile on a cash call basis in United States dollars, which are then converted to Chilean pesos. Currently, the Company does not hedge its foreign exchange risk.

### **c) Commodity Price Risk:**

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, specifically lead, zinc and silver. As the Company does not have producing assets, management believes this risk is minimal.

### **d) Equity Price Risk**

The Company is exposed to market risk from changes in the fair value of its investments. At June 30, 2018, the quoted market price for the Company's investment in Prophecy shares was \$2.30 per share (June 30, 2017: \$3.13 per share) and a 10% change in the market value of the Company's marketable securities would result in a gain/loss of approximately \$62,000 based on the fair value of the available for sale investments at June 30, 2018.

## **Capital Management**

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support its investment decisions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and evaluation and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

There were no significant changes in the Company's approach to capital management during the years ended June 30, 2018 and 2017. The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body.

## **Off-Balance-Sheet Arrangements**

As of the date of this MD&A, to the best of management's knowledge, the Company does not have any off-balance-sheet arrangements that have or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## **Risks and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business, currently the acquisition, financing, exploration and evaluation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

## **Strategic Transactions**

The Company is actively pursuing strategic transactions and has recently announced the sale of the Company's 80% ownership of Minera Cachinal S.A., and the entering into a binding LOI to complete a business combination transaction with Halo. Readers are cautioned that there can be no assurance that such transactions will be completed as they are subject to various risks and uncertainties, many of which are beyond the Company's ability to control or predict. Such risks involve whether both parties satisfy all conditions set out in definitive agreements, whether all required approvals, including shareholder and Exchange approval, are received, that all third-party consents, court, regulatory and other governmental approvals will be obtained, and that all other conditions to the completion of transactions will be satisfied or waived.

## **Ultimate Realized Value of the Prophecy Common Shares**

Given the materiality of the investment in Prophecy Development Corp. ("Prophecy") common shares, the financial condition of the Company is in part dependent upon the market value of the securities that comprise the Prophecy common shares and the value ultimately realized by the Company when the shares are disposed of. The market value of the Prophecy common shares can be reflective of the actual or anticipated operating and business results of Prophecy and / or the general market conditions that affect Prophecy's sector. Various factors affecting Prophecy and its sector could have a negative impact on the value of the Prophecy common shares and thereby have an adverse effect on the financial condition of the Company.

## **Liquidity Concerns and Future Financings**

To remain solvent, the Company will require additional funds. The Company has limited financial resources and sources of operating cash flow and there can be no assurance that the Company will be successful in obtaining required financing as and when needed or that the terms of such financing will be favourable. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

While the Company's financial statements have been prepared on the going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business, failure to secure additional funding may cast doubt about the validity of that assumption.

## **Business Combination with Halo**

### *Risks Related to the United States Statutory and Regulatory Framework*

Halo's United States cannabis operations are illegal under United States federal law and the enforcement of relevant laws is a significant risk. Under the Federal CSA, cannabis is classified as a Schedule I drug. Even in those states in which the use of cannabis has been legalized under state law, its production, manufacture, processing, possession,

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distribution, sale and use remains a federal crime. Since United States federal law criminalizing cannabis pre-empts state laws that legalize it, strict enforcement of United States federal law regarding cannabis would result in Halo's inability to proceed with its business plan. There can be no assurance that the United States federal government will not seek to prosecute cases involving cannabis-related businesses, including the business of Halo. Companies and individuals involved with or in the cannabis business, including investors, may be exposed to criminal liability, and any real or personal property used in connection with the business could be subject to seizure and forfeiture to the United States federal government or its agencies.

As a result of the conflicting views between state legislatures and the United States federal government regarding the legality of cannabis, cannabis-related businesses in the United States are subject to inconsistent legislation, regulation and enforcement. Unless and until the United States Congress amends the Federal CSA with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that United States federal authorities may enforce current United States federal law, which would adversely affect Halo.

*Halo's business is highly regulated and evolving rapidly.*

Halo operates in a new industry that is highly regulated and evolving rapidly. As such, new risks may emerge, and Halo management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Halo will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations or increased compliance costs, or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Halo.

*Heightened scrutiny by Canadian regulatory authorities.*

Halo's existing investments and operations in the United States, and any future investments and operations, may become the subject of heightened scrutiny by regulators, stock exchanges, third party service providers, financial institutions, depositories and other authorities in Canada and the United States. As a result, Halo may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on its ability to operate in the United States, Canada and other jurisdictions.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and the Canadian Depository for Securities ("CDS") as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the stock exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented after the closing of the Transaction at a time when the Resulting Issuer's common shares are listed on a Canadian stock exchange, it would have a material adverse effect on the ability of holders of the Resulting Issuer's common shares to make and settle trades. In particular, the Resulting Issuer's common shares would become highly illiquid until an alternative was implemented, and investors would have no ability to effect a trade of the Resulting Issuer's common shares through the facilities of the applicable stock exchange.

*Banking regulations in the cannabis industry may create significant challenges to Halo's operations.*

Because banks in the United States often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions, Halo faces unique and significant challenges in operating its business. Canadian banks are likewise hesitant to deal with cannabis companies due to the uncertain legal and regulatory framework of the industry. Therefore, after closing of the Transaction, the Company may face a potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit.

*Halo's investments in the United States may be subject to applicable United States anti-money laundering laws and regulations.*

Under United States federal law, it may be a violation of money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance under the Federal CSA. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to businesses with operations or a

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connection to cannabis. Therefore, investments held in United States banks are subject to seizure by the United States federal government.

If any of Halo's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime. After closing of the Transaction, this could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends and could affect other distributions, including Halo's ability to transfer such funds into Canada.

### *There can be no certainty that the Business Combination will be completed*

Completion of the Business Combination is subject to a number of conditions, certain of which may be outside the control of Apogee, including, without limitation, the requisite approvals of the Apogee shareholders. There can be no assurance, nor can Apogee provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the Business Combination will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer.

If the Business Combination is not completed, the value of the Apogee common shares may decline to the extent that the current value reflects a market assumption that the Business Combination will be completed. In addition, Apogee and Halo will each remain liable for significant consulting, accounting and legal costs relating to the Business Combination and will not realize anticipated benefits of the Business Combination. If the Business Combination is not completed and the Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party that will agree to equivalent or more attractive terms than those negotiated with Halo.

### **Share Price Fluctuations**

The market price of securities of many companies, particularly early stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or the prospects of such companies. There can be no assurance that an active trading market in the Company's securities will be established and sustained. Factors such as commodity prices, government regulations, interest rates, share price movements of peer companies and competitors, as well as overall market conditions, may have a significant impact on the market price of the securities of the Company.

### **Nature of Mining, Mineral Exploration and Development Projects**

The Company's current primary investment is its interest in the exploration properties of its subsidiary, Minera Cachinal S.A. Exploration, development and mining operations generally involve a high degree of risk and few properties that are explored, are ultimately developed into producing mines. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not overcome. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including environmental hazards, power outages, labour disruptions, fire, flooding, landslides, cave ins, explosions, unusual or unexpected geological formations and other conditions such as formation pressures, the inability to obtain suitable machinery, equipment or labour, and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in work stoppages, damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Mineral exploration is highly speculative in nature. Substantial expenditures are required to establish proven and probable mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore, or that the funds required for development can be obtained on a timely basis. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. The economics of developing mineral properties are affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

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## **No Revenues**

To date, the Company has recorded no revenues from operations. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing the Company's investments. The Company expects to continue to incur losses for the foreseeable future. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of management in all aspects of the development and implementation of the Company's business activities.

## **Licenses and Permits, Laws and Regulations**

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety, environmental and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operate mining facilities.

## **Title to Properties**

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. It is possible that the Company's mineral properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

## **Mineral Commodity Prices**

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

## **Political Risks**

The exploration and development activities of the Company are subject to risks normally associated with the conduct of business in South America and in particular, risks associated with business in Chile. Risks may include, among others highlighted herein, problems relating to labour disputes, delays in the approval of or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation, exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation of earnings, infrastructure limitations and increased financing costs. Exploration, development, production and closure activities in many countries are potentially subject to heightened political and social risks that are beyond the Company's control. These risks include the possible unilateral cancellation or forced re-negotiation of contracts, unfavorable changes in laws and regulations relating to foreign investment, royalty and tax increases, claims by governmental entities or indigenous communities, expropriation or nationalization of property and other risks arising out of foreign sovereignty over areas in which operations are conducted. The right to export silver and other minerals may depend on obtaining certain licenses or quotas, which could be delayed or denied at the discretion of the relevant regulatory authorities. In addition, the Company's rights under local law may be less secure in countries where judicial systems are susceptible to manipulation and intimidation by government agencies, non-governmental organizations or civic groups. There is no guarantee that the mine property could not be recovered or nationalized at any time.

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The Company's success depends on developing and maintaining productive relationships with the communities (including indigenous peoples) and other stakeholders in its operating locations. The Company believes its operations can provide valuable benefits to surrounding communities, in terms of direct employment, training and skills development and other community benefits associated with payment of taxes. In addition, the Company seeks to maintain its partnerships and relationships with local communities and stakeholders. Notwithstanding the Company's ongoing efforts, local communities and stakeholders can become dissatisfied with its activities, which may result in civil unrest, protests, direct action or campaigns against it. Any such occurrences could materially and adversely affect the Company's financial condition, results of operations and cash flows.

## **Uninsured Risks**

The Company maintains insurance to cover normal business risks. The Company may, however, become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, land movements, earth works, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could result in significant liabilities to the Company and increase projected costs.

## **Competition**

The Company competes with many other companies that have substantially greater financial resources and technical facilities than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its investments. The Company's inability to compete with other companies for these resources would have a material adverse effect on the Company's results of operation and business.

## **Dependence on Outside Parties**

The Company has relied upon consultants, engineers and others and intends to rely on these parties for exploration development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, and to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

## **Foreign Exchange**

The Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. As the Company supports its operation through financing in Canadian dollars, a decline in the US dollar would result in a decrease in the real value of the Company's future revenues, and adversely affect its financial performance.

## **Dependence on Key Personnel**

The Company is dependent on the personal efforts and commitment of a relatively small number of key personnel. The Company currently does not have key person insurance on these individuals. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees required for the conduct of the Company's activities may have a material adverse effect on the Company's business or future operations.

## **Conflicts of Interest**

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms regarding such participation.

## **Litigation**

Legal proceedings, with or without merit, may arise from time to time in the course of the Company's business. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The process of defending such claims could take away from management time and effort and the resolution of any legal

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proceeding to which the Company or one or more of its subsidiaries may become subject, could have a material effect on the Company's financial position and results of operations.

## **Subsequent Events**

### **Offering of Securities**

In connection with the proposed Transaction, the Company previously completed a brokered private placement of subscription receipts and special units, a non-brokered private placement of special units and a first tranche of a non-brokered private placement of subscription receipts (the "Non-Brokered Subscription Receipts") of Apogee Subsidiary (the "First Tranche").

On August 2, 2018, Apogee Subsidiary closed a second tranche (the "Second Tranche") of 4,201,885 Non-Brokered Subscription Receipts pursuant to a subscription receipt agreement dated as of August 1, 2018 among the Company, Apogee Subsidiary and Odyssey, at a price of \$0.40 per Non-Brokered Subscription Receipt, for aggregate gross proceeds of approximately \$1,261,400.00 and USD\$324,999.95.

Agents were paid fees of 1.5% in cash and 1.5% in Agent's Options. In addition, Finders were paid 6% in cash and 6% in Finders' Options.

### **Halo closing Pre-RTO Oregon Regulated Offering**

Halo is undertaking an offering of convertible promissory notes and warrants for up to approximately US\$10,000,000 (the "Halo Oregon Offering"), which will close in multiple tranches upon approval of the subscribers by the Oregon Liquor Control Commission, with the final closing to occur prior to the consummation of the Transaction. The funds raised from the Halo Oregon Offering are being directly funded to Halo.

The Halo Oregon Offering consists of convertible promissory notes ("Halo Pre-RTO Notes") bearing 10% simple interest that, upon satisfaction of the Escrow Release Conditions, will automatically convert into units (the "Halo Pre-RTO Units") consisting of 0.7407 Halo common shares and 0.7407 Halo warrants at a conversion price per of \$0.40 per Halo Pre-RTO Unit. Upon completion of the Transaction, each whole Halo common share and whole Halo warrant will be exchanged into 1.35 Resulting Issuer common shares and 1.35 Resulting Issuer warrants, with each whole Resulting Issuer warrant exercisable into one Resulting Issuer common share at a price of \$0.80. The Halo warrants will have substantially the same terms as the Apogee warrants issuable on the conversion of the Special Units, including the acceleration right.

If the Halo Pre-RTO Notes have not yet converted as described above, the principal and accrued interest on the notes will be due and payable on the earlier of (a) December 28, 2018, or (b) a change of control of Halo.

In addition, the Halo Oregon Offering includes a warrant (each, an "Additional Warrant") entitling the holder to acquire an additional 0.7407 Halo common shares for each \$0.40 of principal under the Halo Pre-RTO Notes purchased by holders in the Halo Oregon Offering. Upon the closing of the Transaction, each Additional Warrant will be exchanged into one warrant of the Resulting Issuer entitling the holder thereof to purchase one Resulting Issuer common share at a price of \$0.50 with each such warrant exercisable until May 30, 2020. The Additional Warrants will otherwise have substantially the same terms as the Apogee warrants issuable on the conversion of the Special Units, including the acceleration right.

Pursuant to the terms of the Halo Oregon Offering, Halo has agreed to pay to eligible finders a cash commission of up to 9% of the gross proceeds raised in the Halo Oregon Offering or a combination of up to 6.0% cash compensation and agent compensation units equal to up to 6.0% of the Halo Units and Additional Warrants issued through the Halo Oregon Offering (with such compensation units to be issued upon conversion of the Halo Pre-RTO Notes).

## **Outstanding Share Data**

As of the date of this MD&A, 8,975,607 common shares of the Company were outstanding.

In addition, 1,123,077 warrants are outstanding with an exercise price of \$3.25 and an expiry date of February 10, 2019. If exercised, 1,123,077 common shares would be issued for proceeds of \$3,650,000.

# APOGEE OPPORTUNITIES INC.

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## FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information often includes, but is not limited to, statements and assumptions with respect to the Company's proposed acquisitions, dispositions and strategy; the development potential and timetable of the Company's properties and projects; the Company's ability to raise required funds; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; the business combination with Halo Labs and any necessary regulatory and shareholder approvals; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can often, but not always, be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "may", "will", "continue", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "seek", "project", "predict", "potential", "targeting", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "should", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration are based on previous industry experience and regional political and economic stability. Capital and operating cost estimates are based on research of the Company or its consultants, recent estimates of costs and other factors that are set out herein. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the ability to complete the business combination with Halo; the ability to obtain requisite shareholder and regulatory approvals and the satisfaction of other conditions to the business combination on the proposed terms and schedule; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of Halo Labs; reliance on the expertise and judgment of senior management of Halo and the resulting issuer post closing of the transaction; risks inherent in an agricultural business; risks related to co-investment with parties with different interests to Halo or the resulting issuer; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to financing activities including leverage; risks relating to the management of growth; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labour; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effecting service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; the limited market for securities of the Resulting Issuer; unexpected events and delays during exploration and development; acquisition risks; regulatory risks; revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update its forward-looking information, whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.