

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Management's Discussion and Analysis of Financial Condition and Results of Operations Annual Report – November 30, 2017

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The following discussion is management's assessment and analysis of the results and financial condition of DLV Resources Ltd. (formerly DV Resources Ltd.) (the "Company"), and should be read in conjunction with the accompanying audited financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is March 28, 2018.

### **Description of Business**

The Company is a publicly listed company incorporated under the Business Corporations Act of Ontario on December 21, 1979. The Company is listed on the TSX Venture Exchange ("TSX.V") under the symbol "DLV.H". The head office, principal address and records office of the Company are located at 1 King Street West, Toronto, Ontario, M5H 1A1. In November 2017, the Company changed its name from DV Resources Ltd. to DLV Resources Ltd.

In October 2017, the Company's acquisition agreement with DeepGreen Resources Inc. ("DeepGreen"), originally entered into in June 2017, was allowed to lapse by both parties due to certain conditions precedent not being met within the allotted time frame.

In February 2018, the Company closed a non-brokered private placement for gross proceeds of \$3,200,000.

### **Overall Performance and Results of Operations**

Total assets decreased to \$50,787 at November 30, 2017, from \$88,073 at November 30, 2016. The most significant assets at November 30, 2017, were cash of \$4,212 (November 30, 2016: \$61,895) and amounts receivable of \$21,462 (November 30, 2016: \$1,065). The decrease in cash during the year ended November 30, 2017, was the result of \$57,683 used in operating activities.

#### ***Three months ended November 30, 2017 and 2016***

The Company recorded a loss of \$209,774 for the three months ended November 30, 2017 (2016: \$6,377).

Expenses incurred during the three months ended November 30, 2017, were as follows:

- Consulting and management of \$30,000 (2016: \$600): Consisted mainly of corporate administration fees, which increased when compared to prior year as a result of higher activity in the current period.
- Office and administration of \$3,162 (2016: \$277): Consisted almost entirely of general office expenses, which increased when compared to prior year as a result of higher activity in the current period.
- Professional fees of \$142,969 (2016: \$3,943): Consisted of audit and legal fees. The increase is due to legal fees related to the lapsed DeepGreen transaction.
- Regulatory and filing of \$33,644 (2016: \$1,557): Consisted of transfer agent and listing fees, which increased when compared to prior year as a result of higher activity in the current period.

#### ***Years ended November 30, 2017 and 2016***

The Company recorded a loss of \$512,491 for the year ended November 30, 2017 (2016: \$56,162).

Expenses incurred during the year ended November 30, 2017, were as follows:

- Consulting and management of \$106,811 (2016: \$16,705): Consisted mainly of corporate administration fees, which increased when compared to prior year as a result of higher activity in the current period.

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- Office and administration of \$12,005 (2016: \$1,127): Consisted almost entirely of general office expenses, which increased when compared to prior year as a result of higher activity in the current period.
- Professional fees of \$339,969 (2016: \$27,581): Consisted of audit and legal fees. The increase is due to legal fees related to the lapsed DeepGreen transaction.
- Regulatory and filing of \$53,706 (2016: \$10,749): Consisted of transfer agent and listing fees, which increased when compared to prior year as a result of higher activity in the current period.

### Liquidity and Capital Resources

As at November 30, 2017, the Company had a working capital deficit of \$486,487. Subsequent to November 30, 2017, the Company closed a non-brokered private placement for gross proceeds of \$3,200,000. The Company has sufficient resources to settle outstanding liabilities and fund its operations for the next twelve months. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company.

The Company has no bank debt or banking credit facilities in place.

### Selected Annual Information

	November 30, 2017	November 30, 2016	November 30, 2016
Total assets	\$ 50,787	\$ 88,073	\$ 163,625
Loss for the year	\$ (512,491)	\$ (56,162)	\$ (65,948)
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)	\$ (0.00)

### Summary of Quarterly Results

The following tables summarize the Company's financial information for the last eight quarters in accordance with IFRS:

	Q4 2017	Q3 2017	Q2 2017	Q1 2016
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the period	(209,774)	(239,463)	(55,376)	(7,878)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.00)

	Q4 2016	Q3 2016	Q2 2016	Q1 2015
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the period	(6,377)	(11,112)	(26,373)	(12,300)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

### British Columbia Property

The Company owns a mineral property located in the Skeena Mining Division in North Western British Columbia.

As at November 30, 2017, and November 30, 2016, the carrying value of this property was \$25,113, consisting of deferred exploration and evaluation costs.

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## **Outstanding Share Data**

As at the date of this report, there were 34,000,328 common shares issued and outstanding.

In February 2018, the Company issued 40,000,000 units at a price of \$0.08 per unit for gross proceeds of \$3,200,000. Each unit consists of one common share of the Company and one warrant, with each warrant being exercisable into one common share of the Company at a price of \$0.11 until February 26, 2019.

## **Related Party Transactions**

During the nine months ended November 30, 2017, the Company paid or accrued \$7,663 (2016: \$22,805) to related parties as follows:

- \$3,709 in management consulting fees (2016: \$2,610) to a company controlled by the Company's former CFO.
- \$9,176 in legal fees (2016: \$13,195) to a law firm where a former Company director and officer is a partner.
- \$nil in management consulting fees (2016: \$7,000) to a company controlled by the Company's former CEO.

## **Critical Accounting Policies and Estimates**

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's financial statements as at and for the year ended November 30, 2017. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

## **New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

## **Risks and Uncertainties**

The Company currently has no revenues from operations. If the Company does acquire a mineral property, substantial capital would be required to put the property into commercial production. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

The Company is engaged in the acquisition of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

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## Financial Instruments and Other Instruments

### *Financial Risk Management and Fair Value Measurement*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and trade and other payables. Cash is classified as loans and receivables. Trade and other payables are classified as other financial liabilities.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

### *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

#### Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. Subsequent to November 30, 2017, the Company closed a non-brokered private placement for gross proceeds of \$3,200,000.

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

The only significant market risk to which the Company is exposed is interest rate risk. The Company's cash earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates as a result of the short-term nature of these instruments. The Company's future earned interest is exposed to short-term rates.

#### Foreign Currency Risk

The Company is not exposed to currency risk as all transactions are denominated in Canadian dollars.

#### Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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## **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **Outlook**

The Company is currently seeking opportunities in the natural resource industry.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).