

**DEEP-SOUTH RESOURCES INC.**  
**(formerly Jet Gold Corp.)**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED MAY 31, 2018

REPORT DATE

July 25, 2018

This Management Discussion and Analysis (the “MD&A”) provides relevant information on the operations and financial condition of Deep-South Resources Inc. (formerly Jet Gold Corp.) (the “Company”) for the nine months ended May 31, 2018.

The Company’s activities are primarily directed towards the exploration and development of exploration and evaluation assets. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economical recoverable reserves and future profitable production, or proceeds from the disposition of these properties. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

The MD&A should be read in conjunction with the Company’s interim consolidated financial statements for the period ended May 31, 2018 and the audited consolidated financial statements for the year ended August 31, 2017, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company’s certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with other financial information included in these filings. The Board of Directors’ approves the financial statements and MD&A and ensures that management has discharged its financial responsibilities. The Board’s review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are reported in accordance with International Financial Reporting Standards (“IFRS”).

The Company is a reporting issuer in each of the Provinces of British Columbia and Alberta. Its head and principal office is located at 162 – 2906 West Broadway, Vancouver, British Columbia, V6K 2G8. The Company’s registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

## OVERALL PERFORMANCE

In order to better understand the Company's financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which have occurred to the date of this MD&A.

## MINERAL PROPERTY PROJECTS

	Lorn Property	Haib Property	Liberia Property	Total
	\$	\$	\$	\$
Balance, August 31, 2016	130,355	-	-	130,355
Geological	-	19,467	-	19,467
Acquisition (Note 5)	-	4,595,938	-	4,595,938
Write-down	(130,355)	-	-	(130,355)
<b>Balance, August 31, 2017</b>	<b>-</b>	<b>4,615,405</b>	<b>-</b>	<b>4,615,405</b>
Acquisition	-	-	23,400	23,400
Geological	-	146,389	-	146,389
<b>Balance, May 31, 2018</b>	<b>-</b>	<b>4,761,794</b>	<b>23,400</b>	<b>4,785,194</b>

### Haib Property

#### *Acquisition*

On August 30, 2016, Jet Gold Corp acquired 100% of the issued and outstanding shares of #1054137 BC Ltd., a private company incorporated in British Columbia, in exchange for 22,500,000 common shares in the Company (the "Transaction"). The Transaction has been accounted for in accordance with IFRS 2, Share Based Payments. The Transaction has been accounted for as a reverse takeover that does not constitute a business combination. For accounting purposes, these consolidated financial statements reflect a continuation of the financial position, operating results, and cash flows of the Company's legal subsidiary, #1054137 BC Ltd. After closing of the transaction, the name of the Company was changed to Deep-South Resources Inc.

In addition to above, the Company assumed the loan between Deep-South and Teck Namibia totaling approximately \$941,519. The loan was contracted to cover past exploration expenditures. The Company repaid \$500,000 of the loan through the issuance of 4,166,667 of its common shares during the year, and repaid \$389,117 of the debt through the issuance of a convertible debt note (Note 8) plus paid an additional \$59,402 in cash transaction costs.

On May 8, 2017, the Company acquired from Teck Namibia Ltd., a wholly owned subsidiary of Teck Resources Limited, the remaining 70% of Haib Minerals (Pty) Ltd. that it did not own (Note 6). in exchange for, among other things, 14,060,000 common shares of Deep-South. Haib Minerals holds the Exclusive Prospecting Licence 3140 ("EPL 3140"), which hosts the Haib copper project ("Haib" or "the Property") situated in the south of Namibia.

In addition to the Deep-South shares to be issued to Teck, Deep-South shall:

- pay \$400,000 to Teck in accordance with the following schedule: \$200,000 on the first anniversary of the agreement and \$200,000 the second anniversary of the agreement.
- Teck shall hold a pre-emptive right to participate in any financing of Deep-South as long as Teck holds over 5% of Deep-South's outstanding common shares;
- Teck shall be granted a 1.5% NSR. Deep-South shall have the option to buy back 1/3 of the NSR in consideration for \$ 2 million;
- If Deep-South sells or options the Property or a portion of the Property during the 36 months following closing, Teck shall receive 30% of the sale gross proceeds if the sales occurs during the first 24 months after the closing and shall receive 20% of the gross proceeds if the sale occurs between the 24th and 36th months after closing;
- Teck shall be entitled to a production bonus payment that will be declared at the time the company takes the decision to start mine development. Half of the bonus shall be paid upon the decision to start mine development and the second half shall be paid upon commencement of commercial production. The bonus value is scaled with the value of the Capital expenditures as follows:

*(All amounts C\$ millions)*

Development Expenditures	Cash Payment
\$0 - \$500	\$5.0
\$501 - \$600	\$6.7
\$601 - \$700	\$8.3
\$701 - \$800	\$10.0
\$801 - \$900	\$11.7
\$901 - \$1,000	\$13.3
\$1,001 and over	\$15.0

- Teck's shareholding will be topped-up post-closing (if necessary) so that Teck holds 35% of Deep-South's share capital based on the outstanding common shares as of the closing date.

### **43-101 Technical Report**

On January 16, 2018, the Company released its independent 43-101 resource estimate of the Haib copper project in Namibia ("43-101").

Highlights of the 43-101, prepared for the Company by P & E Walker Consultancy and Obsidian Consulting Services, both of South Africa, in accordance with the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves:

- Indicated resources total 457 million tonnes at a grade of 0.31% copper, containing 2.8 billion pounds of copper at a 0.25% Cu cut-off;
- Inferred resources total 342 million tonnes at a grade of 0.29% copper, containing 2 billion pound of copper at a 0.25% Cu cut-off;

This mineral resource has been defined by diamond core drilling covering a total surface area of approximately 2.6 square kilometres. The mineral resource classification is closely related to data

proximity. Topographic elevations within the mineral resource area vary from 320m to 640m above mean sea level and average 480m above mean sea level. Indicated resources are constrained between topography and 75m above mean sea level. Inferred resources are laterally constrained by the last line of drill holes and extend vertically from topography to between 75m and -350m above mean sea level

Mineralization is open near surface and at depth to at least 800 metres deep. The mineral resource estimate is based on the results from approximately 66,500 metres of drilling in 196 holes. The most recent drilling data comes from Teck Resources drilling programs totalling 14,500 metres (2010 & 2014) and from re-assaying a part of the 164 historical drill cores which are well preserved on site. Indicated Resources are defined by a drill grid of 150 metres by 150 metres, while Inferred Resources are defined by a drill grid of 300 metres x 150 metres.

Table-1: In situ classified mineral resources of the Haib Project at a 0.25% Cu cut-off grade:

<b>Resource Class</b>	<b>Volume (xMillion m<sup>3</sup>)</b>	<b>Density</b>	<b>xMillion Tonnes</b>	<b>Cu(%)</b>
Measured	-	-	-	-
Indicated	163.2	2.8	456.9	0.31
<b>M+I</b>	<b>163.2</b>	<b>2.8</b>	<b>456.9</b>	<b>0.31</b>
Inferred	122.3	2.8	342.4	0.29

Notes:

1. Dean Richards of Obsidian Consulting Services, a Member of the Geological Society of South Africa and Professional Natural Scientist (Pr. Sci. Nat) with the South African Council for Natural Scientific Professions (SACNASP), estimated the Mineral Resources under the supervision of Peter Walker of P & E Walker Consultancy, both of whom are the Qualified Persons for the Mineral Resource Estimates. The effective date of the estimate is January 15, 2018. Mineral Resources are estimated using the CIM Definition Standards for Mineral Resources and Reserves (2014).
2. Reported Mineral Resources contain no allowances for hanging wall or footwall contact boundary loss and dilution. No mining recovery has been applied.
3. Rounding as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

**Table 2. Haib Copper Indicated Mineral Resources, Sensitivity Cases.**

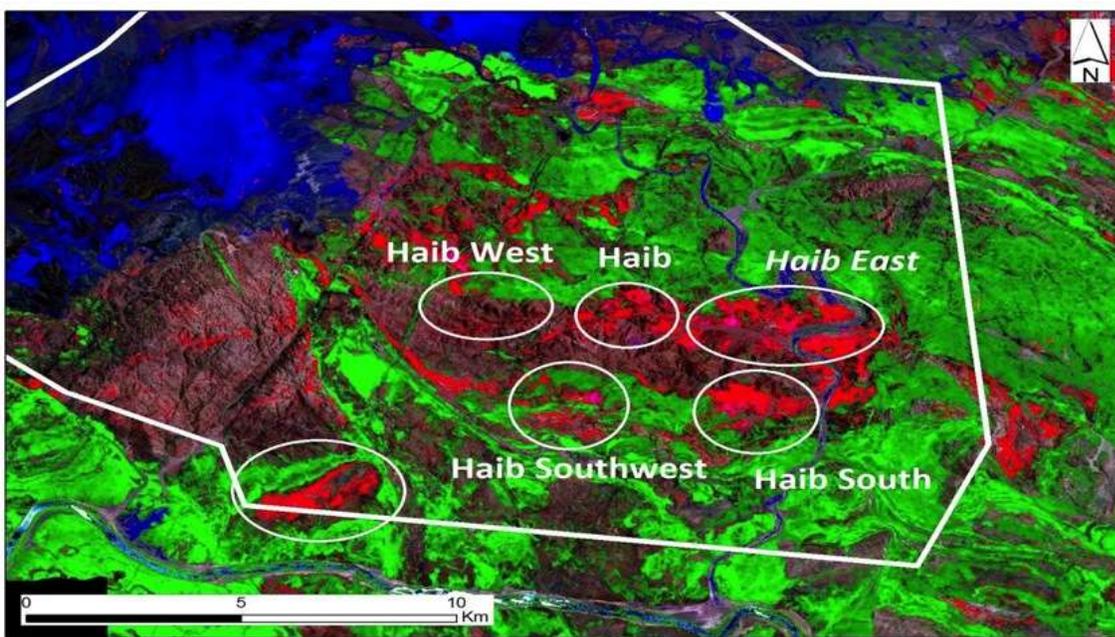
<b>%Cu Cut-off</b>	<b>Volume (xMillion m<sup>3</sup>)</b>	<b>Density</b>	<b>xMillion Tonnes</b>	<b>Cu(%)</b>
0.20%	323.2	2.8	904.8	0.27
0.25%	163.2	2.8	456.9	0.31
0.30%	78.5	2.8	219.8	0.36

Table 3. Haib Copper Inferred Mineral Resources, Sensitivity Cases.

%Cu Cut-off	Volume (xMillion m <sup>3</sup> )	Density	xMillion Tonnes	Cu(%)
0.20%	245.1	2.8	686.2	0.26
0.25%	122.3	2.8	342.4	0.29
0.30%	39.2	2.8	109.8	0.34

The Haib Copper exploration license provides potential for resource expansion, since there is known, but poorly drilled and assayed, mineralisation beyond the drill grid boundaries and below the main mineralised body (which covers some 2 square kilometres of surface area), where a few drillholes from 75m above mean sea level to -350m above mean sea level (i.e. a thickness of 425m) have shown that mineralisation is present. The deepest drillhole did not pass out of mineralised material. In addition (see map below), there are 5 satellite mineralised target areas surrounding the main Haib porphyry body which still require further evaluation.

Map 1 – The location of the Haib porphyry deposit and satellite targets within the exclusive prospecting license area.



Mr. Peter Walker of P & E Walker Consultancy is the main Qualified Person for the 43-101 resource estimation report, which has an effective date of January 15, 2018. A technical report is filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.deepsouthresources.com](http://www.deepsouthresources.com).

## **Quality Control and Assurance and data verification**

The independent qualified persons for the Haib Copper Mineral Resource estimate are Mr. Peter Walker of P & E Walker Consultancy and Mr. Dean Richards of Obsidian Consulting Services.

Obsidian Consulting Services conducted a review of the QA/QC programme implemented by Teck using the certificates of analysis received from Acme Labs and provided by Teck. This review compared the results of field duplicates, blanks as well as the various standards utilised with respect to Cu and Mo.

The design of Teck's drilling programme, quality assurance / quality control programme and the interpretation of results were under the control of Teck's geological staff. The QA/QC programme is consistent with industry best practices. Drill core is logged and cut onsite, with half-core samples prepared at Analytical Laboratory Services, Windhoek, Namibia. Prepared samples are shipped to Acme Analytical Laboratories, Vancouver, Canada for appropriate base metal assaying and gold fire assaying techniques. All analytical batches contain appropriate blind standards, duplicates and blanks inserted at regular intervals to independently assess analytical accuracy and precision.

Mr. Walker and Mr. Richards reviewed the sample chain-of-custody, quality-assurance and quality-control (QA/QC) procedures, and the accreditations of analytical laboratories used by Teck. The QPs are of the opinion that the procedures and QA/QC are acceptable to support Mineral Resource estimation. Mr. Walker also audited the assay database, core logging and geological interpretations and found no material issues with the data as a result of these audits.

In the opinion of the QPs, the data verification programs undertaken on the geological and assay data collected from the Haib Copper support the geological interpretations and the analytical and database quality, and the data collected, can support Mineral Resource estimation.

The NI 43-101 Technical Report in respect of the current Mineral Resource estimates has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Deep-South web site at [www.deepsouthresources.com](http://www.deepsouthresources.com).

### ***Qualified Persons for the 43-101 Mineral Resource Estimation report***

Peter Walker B.Sc. (Hons.) MBA Pr.Sci.Nat. of P & E Walker Consultancy is the main author of the 43-101 resource estimation report and is responsible for the technical part of this press release, and is the designated Qualified Person under the terms of National Instrument 43-101.

Mr. Dean Richards Pr.Sci.Nat. , MGSSA – BSc. (Hons.) Geology, of Obsidian Consulting Services is the contributing author of the 43-101 resource estimation report and is a Qualified Person under the Terms of the National Instrument 43-101.

### ***Preliminary Economic Assessment (PEA)***

On February 26, 2018, the Company released its independent Preliminary Economic Assessment (PEA) on the Haib Copper project. The PEA was completed by Mineral Engineering and Technical Services of Australia (“METS”) on its Haib Copper project in Namibia.

## Highlights of PEA

Four recovery options were considered for economic evaluation. The best economic outcome is derived by using option 3 which combines an initial ore sorter upgrade with subsequent heap leaching of the upgraded material. All financial metrics are based on the recent 43-101 indicated resource estimation of 456.9 MT @ 0.31% Cu. The salient features of this option are as follows:

Table 1: Option 3 financial metrics

Financial Metric	\$3.00/lb Cu Price	\$3.30/lb Cu Price	\$3.60/lb Cu Price
CAPEX	US\$191.8M	US\$191.8M	US\$191.8M
Total Operating Expense <sup>1</sup>	US\$1.41/lb CuEq	US\$1.42/lb CuEq	US\$1.43/lb CuEq
NPV <sub>7.5%, pre-tax</sub>	US\$716.2M (CA\$895.3M)	US\$883.1M (CA\$1,103.9M)	US\$1,049.3M (CA\$1,311.6.1M)
IRR <sub>pre-tax</sub>	30.4%	34.9%	39.2%
Payback Period <sub>pre-tax</sub>	4.2 years	3.6 years	3.3 years
NPV <sub>7.5%, post-tax</sub>	US\$463.1M (CA\$578.9M)	US\$567.4M (CA\$709.3M)	US\$671.3M (CA\$839.1M)
IRR <sub>post-tax</sub>	23.0%	26.1%	29.1%
Payback Period <sub>post-tax</sub>	5.7 years	4.9 years	4.4 years
Throughput (Mtpa)	8.5	8.5	8.5
Annual production lbs / CuEq	47 million	47 million	47 million
Strip ratio	2:1	2:1	2:1
LOM	55 years	55 years	55 years

<sup>1</sup>Variable due to change in absolute royalty payment due to increased revenue

The PEA focuses on the potential of heap leaching treatment. Several opportunities are identified in the PEA that could significantly enhance the economic return outlined in the report, including more assays of the molybdenum to be included in future resources estimation, sorting technologies enhancing the recovery processing performance and reduced power costs. The PEA recommends these opportunities be pursued and to proceed with a pre-feasibility study (“PFS”).

"By going with heap leach treatment and sorting technologies, we have been able to provide low capital cost and operating costs and, equally as important, reduce the environmental footprint of the project," said Pierre Léveillé, President & CEO of Deep-South. "The PEA proposes a robust economic return that we expect to enhance during the PFS stage."

Four recovery options were considered for economic evaluation:

Option 1: Ore sorter upgrading, dense media upgrading, flotation and heap leaching of the tails.

Option 2: Two-stage dense media upgrading, flotation and heap leaching of the tails.

Option 3: Ore sorter upgrading and heap leaching of the upgraded material.

Option 4: Whole ore heap leaching.

Table 2: Economic summary for the 4 recovery options

Financial Metric	Option 1	Option 2	Option 3	Option 4
Throughput (Mtpa)	8.5			
Copper Recovery (%)	77.1	82.1	73.2	80.0
CAPEX (\$M)	US\$221.2	US\$250.1	US\$191.8	US\$220.3
Total Operating Expense (\$/lb CuEq)	US\$1.46	US\$1.47	US\$1.41	US\$1.37
NPV <sub>7.5%, pre-tax</sub> (\$M)	US\$645.1 (CA\$817.6)	US\$662.6 (CA\$828.3)	US\$716.2 (CA\$895.3)	US\$794.1 (CA\$992.6)
IRR <sub>pre-tax</sub> (%)	25.9%	24.4%	30.4%	29.7%
Payback Period <sub>pre-tax</sub>	5.0 years	5.3 years	4.2 years	4.3 years
NPV <sub>7.5%, post-tax</sub> (\$M)	US\$421.0 (CA\$526.3)	US\$434.3 (CA\$542.9)	US\$463.1 (CA\$578.9)	US\$514.1 (CA\$642.6)
IRR <sub>post-tax</sub> (%)	20.0%	19.0%	23.0%	22.6%
Payback Period <sub>post-tax</sub>	6.7 years	7.1 years	5.7 years	5.8 years

Options 3 & 4 have shown better economic figures, despite option 3 having a relatively low copper recovery compared to the other options as the use of ore sorting technology has the benefit of reducing the downstream capital requirements. Those two options will be the object of further testwork and a Pre-Feasibility Study (“PFS”).

**Option 3 is the case presented in this press release.**

#### Economic Opportunity

METS believes a ramp up to 20 Mtpa as the project is nearing positive cash flow will increase the financial viability. METS have developed a scenario which focuses on option 3 – the best economic option in terms of IRR – in assessing the impact of increasing the scale of the project. The assessment looks at beginning the project at 20 Mtpa, however it is recommended to stage the expansion over a number of years (e.g. start at 8.5 Mtpa, increase to 10 Mtpa and then increase to 20 Mtpa for instance). The following table outlines the key economic outcomes for the larger throughput scenario (using the base case figures – e.g. \$3.00/lb copper price).

Table 3: Option 3 at an increased 20 Mtpa throughput

<b>Financial Metric</b>	<b>8.5 Mtpa Scenario (\$3.00/lb Cu)</b>	<b>20 Mtpa Scenario (\$3.00/lb Cu)</b>
CAPEX	US\$191.8M	US\$320.5M
NPV <sub>7.5%, post-tax</sub>	US\$463.1 (CA\$578.9)	US\$854.9M (CA\$1,061.9M)
IRR <sub>post-tax</sub>	23.0%	28.6%
Payback Period <sub>post-tax</sub>	5.7 years	4.5 years
LOM	55 years	24 years

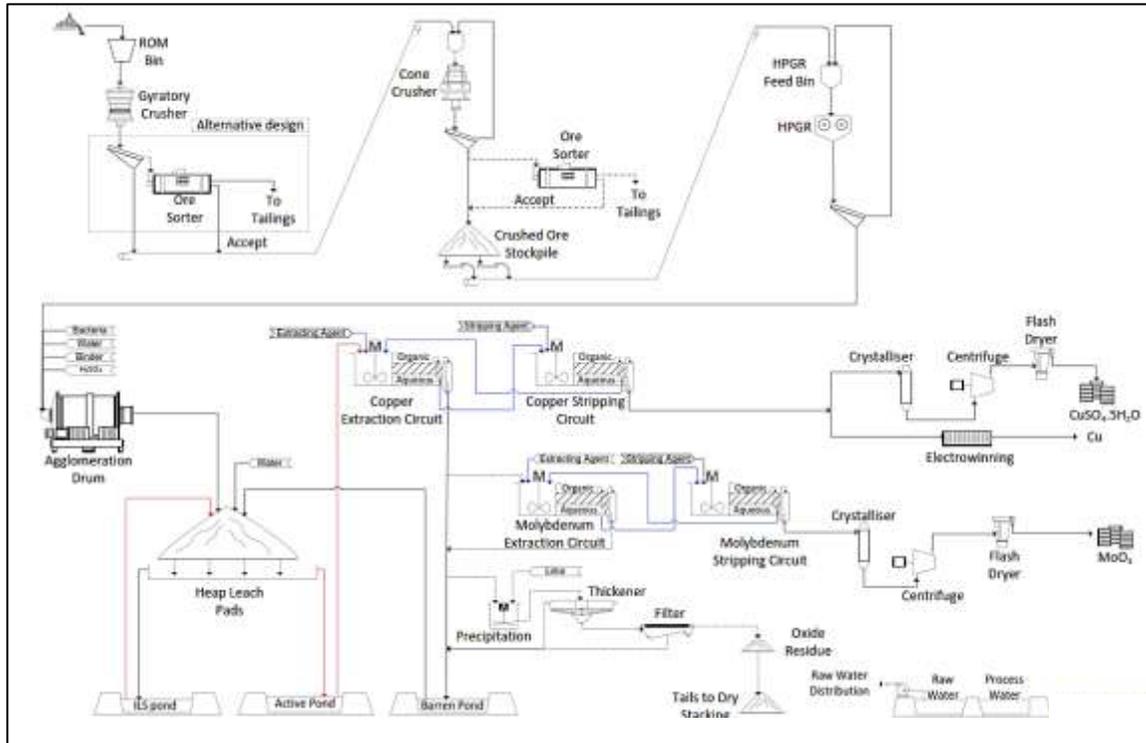
A throughput optimisation study should be performed once a final process design has been selected.

### **Recovery Method**

For the recovery of copper from the Haib deposit, heap leaching was considered for all options. The primary reasons for the selection of heap leaching is the low grade nature of the deposit and the vast scale of the orebody. Previous work conducted on the Haib project suggests that a conventional crush-grind-float and sale of copper concentrate is not economically feasible due to the low grade and hardness of the ore – requiring a significant amount of energy for grinding. The low costs associated with heap leaching compared to a whole ore flotation circuit is believed to improve the viability of the project. Heap leaching is traditionally performed on oxide material, although there has been increasing development in the application to acid insoluble sulfides.

Previous sighter amenability testwork, carried out by Mintek, METS and SGS South Africa, suggests the Haib material can extract high amounts of copper, up to 95.2% via a bacterial assisted leaching, although additional testwork is required to determine the optimal operating parameters. Given these results there is no reason to suggest the chalcopyrite in the Haib deposit will not be amenable to bacterial assisted heap leaching. The system design proposed will use 3 crushers and an ore sorting system (either on the primary crushed product or the secondary crushed product depending on the technology selected) that will provide higher grade ore to the heaps. The primary crusher will reduce the rock to 127 mm (gyratory crusher), the secondary crusher to 32 mm (cone crusher) and the tertiary crusher to 5 mm (HPGR). The process is designed for a 90% availability, processing over 23,000 tonnes of ore per day (at the 8.5 Mtpa scenario) at a strip ratio of waste:ore of 2:1.

Haib Copper flow sheet diagram:



Molybdenum recovery has been considered for the flowsheet design, although no operating expense, capital expense or revenue has been considered for the economic analysis. The economics of the molybdenum will be assessed once it is included in the indicated resource.

An indicated resource of 456.9 Mt at 0.31% copper at an annual throughput of 8.5 Mtpa would correspond to a 55 year project life. Due to the long project life, it is suggested to start at 8.5 Mtpa and operate at this throughput for approximately 3 years and then execute staged expansions to eventually ramp up to 20 Mtpa, ultimately shortening the project life. As the resource expands and the inferred resource progresses towards measured, then additional expansion to possibly 40+ Mtpa should be assessed. All flowsheets, mass balances, design criteria and equipment lists are based on an 8.5 Mtpa throughput; although financial components have been scaled to provide estimates for the higher throughput scenario.

The PEA technical report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Deep-South website at [www.deepsouthresources.com](http://www.deepsouthresources.com).

*Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates are based on Indicated Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. However, there is no certainty that these indicated mineral resources will be converted to measured categories through further drilling, or into mineral reserves, once economic considerations are applied. There is no certainty that the preliminary economic assessment will be realized.*

### **Qualified Persons for the PEA**

Damian E.G. Connelly, BSc (Applied Science), FAusIMM, CP (Met), Director of Mineral Engineering Technical Services is the main author of the Preliminary Economic Assessment report and is responsible

for the technical part of this press release and is the designated Qualified Person under the terms of National Instrument 43-101.

Peter Walker B.Sc. (Hons.) MBA Pr.Sci.Nat. of P & E Walker Consultancy is the main author of the 43-101 resource estimation report, and is a Qualified Person under the terms of National Instrument 43-101.

Mr. Dean Richards Pr.Sci.Nat. , MGSSA – BSc. (Hons.) Geology, of Obsidian Consulting Services is the contributing author of the 43-101 resource estimation report and is a Qualified Person under the Terms of the National Instrument 43-101.

### Liberia Property

On December 14, 2017, the Company signed a letter of agreement to acquire from Sparrowhawk Gold Ltd., 90% of the St. John project, neighbouring the Koyoka gold mine in the northeast of Liberia. On April 16, 2018, the Company completed the acquisition (Note 4) and acquired 90% of the common shares of Jarjlokpo, which holds the Reconnaissance Licence forming the St. John project, in consideration for a cash payment of USD \$20,000 (not paid) and the issuance of 250,000 common shares (issued) of the Company.

Furthermore, the Company must incur payments of USD \$20,000 cash and 250,000 shares, USD \$35,000 cash and 250,000 shares, and USD \$50,000 cash and 250,000 shares on the first, second and third anniversaries of the closing date of the agreement, respectively.

Sparrowhawk shall be entitled to a production bonus of USD \$1 million to be paid 60 days after the day of commercial production commencement, and receive a 1.5% net smelter royalty calculated on 100% of production from the property. Sparrowhawk shall not contribute to the exploration and development expenditures.

### Suricate Sarl (Pending Acquisition)

An August 15, 2017 the company signed an agreement with Suricate Sarl (“Suricate”) to acquire a 75% indirect beneficial interest in a joint venture project located in Mauritania (the “INAL project”). Suricate holds two (2) prospecting licenses in the Aoueuat Greenstone Belt of Northwest Mauritania that will be transferred to the joint venture. The Company will acquire its 75% interest indirectly through the receipt of shares of a holding company that will hold the joint venture interest, and the prospecting licenses. The has completed a satisfactory due diligence and the closing date is pending until reception of the official grant of the prospecting Licenses by the Ministere du Petrole de L’Energie et des Mines.

Upon closing of the agreement, an initial payment will be issued to Suricate in the form of USD \$20,000 cash and 500,000 shares of the Company. In addition, the Company must incur cash payments of \$300,000 USD (\$100,000 each year on the anniversary of closing for three years) and issue 750,000 shares (250,000 each year on anniversary of closing for three years). Suricate will be entitled to a USD \$1 million production bonus on the commencement of commercial production. The Company will finance all of the exploration expenditures up to a production decision, at which time Suricate will contribute its share of the eventual mine development.

On June 25, 2018, the Company announced it will not pursue the agreement with Suricate Sarl.

## SUMMARY OF ANNUAL RESULTS & RESULTS OF OPERATION

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2017. Due to the Transaction discussed, and for accounting purposes, the following summary numbers represent that of the financial position, operating results, and cash flows of the Company's legal subsidiary, #1054137 BC Ltd. of the last three completed financial years to the year ended August 31.

<b>Financial Year Ended</b>	<b>2017</b>	2016	2015
Total revenue	\$Nil	\$Nil	\$Nil
Net loss	(394,449)	(1,810,038)	(34,478)
Net loss per share – basic and diluted	(\$0.01)	(\$0.28)	(\$0.01)
Total assets	4,635,925	1,279,035	883,537
Total long term financial liabilities	\$Nil	\$Nil	\$Nil
Cash dividends declared – per share	\$Nil	\$Nil	\$Nil

During the year ended August 31, 2017, the Company focused its time and resources closing its the Transaction. In light of this, and compared to the prior comparable quarter, there is no meaningful comparison to be made.

## SUMMARY OF QUARTERLY RESULTS & RESULTS OF OPERATION

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. Due to the Transaction discussed, and for accounting purposes, the following summary numbers represent the continuation of the financial position, operating results, and cash flows of the Company's legal subsidiary, #1054137 BC Ltd. The following is a summary of selected financial data for the Company for its eight completed financial quarters ending August 31, 2017.

Quarter Ended	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017	Feb. 28, 2017	Nov. 30, 2016	Aug. 31, 2016
Amounts in 000's								
Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(404.4)	(221.8)	(106.6)	(145.7)	(66.9)	(157.4)	(1,789.99)	(6,683)
Net loss per share – basic and diluted	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.14)	(0.00)

During the three months ended May 31, 2018, the Company incurred a net loss of \$404,437 compared to \$145,675 in the prior comparable period. The Company incurred higher investor relations, office, consulting and professional costs in line with the increased mineral acquisition activity.

During the nine months ended May 31, 2018, the Company incurred a net loss of \$511,120 compared to \$380,251 in the prior comparable period. The Company incurred higher investor relations, office, consulting and professional costs in line with the increased mineral acquisition activity.

## LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2018, the Company has working capital deficit of \$662,142 (August 31, 2017 – \$310,578). The Company has limited financial resources and has financed its operations primarily through the sale of its common shares. For the foreseeable future, the Company will need to rely on the sale of such securities for sufficient working capital and to finance its mineral property acquisition and exploration activities, and /or enter into joint venture agreements with third parties. As the Company does not generate any revenue from operations, the long-term profitability of the Company will be directly related to the success of its mineral property acquisition and exploration activities.

On September 28, 2016 the Company closed a private placement of 1,052,500 units at a price of \$0.14 per unit for gross proceeds of \$147,350. Each unit is comprised of one common share and one half common share purchase warrant which can be exercised for a period of 2 years at an exercise price of \$0.34 per common share. The Company paid finder's fees of \$1,344 and issued 9,600 compensation warrants as part of this private placement. \$1,545 was also paid in direct legal costs to this private placement.

On December 14, 2016, 50,000 warrants were exercised for 50,000 common shares in the Company at a price of \$0.15 per share.

On May 8, 2017, the Company closed a non-brokered private placement of \$206,140. The non-brokered private placement comprised 937,000 units (the "Units") of the Company, at a subscription price of \$0.22 per Unit. Each Unit comprise of one (1) common share and one (1) common share purchase warrant ("Warrant") of the Company. Each full Warrant entitles the holder thereof to purchase one (1) common share at an exercise price of \$0.30 during a period of thirty-six (36) months from the date of closing of the placement. Each security issued pursuant to the placement has a mandatory four (4) months holding period from the date of closing of the placement.

On October 31, 2017, the Company closed a private placement for gross proceeds of \$195,140. The private placement consisted of 887,000 units at a price of \$0.22 per share. Each unit consists of one common share and one half of one common share purchase warrant of the Company. Each full Warrant entitle the holder to purchase one common share at an exercise price of \$0.30 for a period of thirty-six months from the date of closing of the placement.

On December 8, 2017, the Company closed a private placement for gross proceeds of \$227,700. The private placement consisted of 1,035,000 units at a price of \$0.22 per share. Each unit consists of one common share and one half of one common share purchase warrant of the Company. Each full Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 for a period of thirty-six months from the date of closing of the placement.

During the period ended May 31, 2018, the Company issued 438,500 shares upon the exercise of the same number of warrants for gross proceeds of \$103,075.

There is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business of the Company has not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its Fiscal 2016 operating overhead through private placements and its exploration expenditures through flow-through private placements.

## SHARE CAPITAL

The authorized share capital is unlimited common shares without par value. As of the date of this MD&A the Company has issued and outstanding common shares as follows.

(a) Authorized and issued shares are as follows:

Class	Par Value	Authorized	Issued
Class A Preferred	No par value	Unlimited	0
Common	No par value	Unlimited	54,740,857

(b) As at the date of the MD&A the Company has 925,000 incentive stock options.

(c) As at the date of the MD&A the Company has 4,696,878 outstanding share purchase warrants.

## INVESTOR RELATIONS

On January 23, 2017, the Company announced that it has hired Paradox Public Relations Inc. to provide investor relations services. Paradox will focus on the development and expansion of the company's communications with the investment community through a comprehensive investor relations program. Under the terms of the agreement, the Company will pay Paradox \$5,000 per month for a term of 24 months and may be cancelled by either party by giving 30 days notice. The company will grant Paradox incentive options to acquire 350,000 common shares in the share capital of the company at a price of \$ 0.25 per share for a period of two years, vesting quarterly over 12 months.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

The Company has no proposed transactions.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

### **Financial risk factors**

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

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is primarily associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As of May 31, 2018, the Company had a cash balance of \$16,725 (2017 - \$6,624) to settle current liabilities of \$683,671 (2017 - \$531,098).

### *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 other price risk. The Company is not exposed to significant market risk.

### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

## CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. 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 stage. As such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There was no change to the Company's capital management approach during the period ending May 31, 2018.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements 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 revenues and expenses during the year. Significant areas requiring the use of management estimates include the determination of environmental and asset retirement obligations, rates for amortization, the impairment of exploration and evaluation

assets, the assumptions used in the determination of the fair value of stock-based compensation and the recoverability of deferred tax assets. While management believes the estimates used are reasonable, actual results could differ from the estimates and could impact future results of operations and cash flows.

#### RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the directors and officers of the Company. Compensation and expenses paid to key management for the periods ended August were as follows:

	<u>May 31,</u> <u>2018</u>	<u>May 31,</u> <u>2017</u>
	\$	\$
Consulting fees	<b>94,500</b>	68,821
Share-based compensation	-	-

Included in accounts payable and accrued liabilities is \$59,141 (2017 - \$15,081) owed to companies controlled by directors or officers as at May 31, 2018.

#### NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2018 period end, and the August 31, 2017 year end. The Company does not expect the adoption of these new standards to have a material impact on the Company's financial statements.

#### FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and belief, and are subject to risk, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

#### APPROVAL

The Board of Directors of Deep-South Resources Inc. has approved the disclosures in this MD&A. Additional information on the Company available through the following source: [www.sedar.com](http://www.sedar.com).