

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017**

(All amounts expressed in Canadian dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of Midasco Capital Corp. (the "Company") is for the year ended December 31, 2017 compared with the year ended December 31, 2016. Together with the audited financial statements and the accompanying notes for the year ended December 31, 2017, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the Canadian dollar. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to Note 2 and 3 of the aforementioned financial statements for disclosure of the Company's significant accounting policies.

This MD&A is dated as at February 13, 2018.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements that involve risks and uncertainties. The forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

Other risks facing the Company include the failure to transfer title to its mineral property in Colombia, competition which can either increase costs or reduce the number of attractive opportunities; reliance on third parties, including consultants; statutory and regulatory requirements and uncertainty of additional financing.

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

### **BACKGROUND**

The Company was incorporated in Ontario on May 16, 1991 under the name of "MH Resources Inc.". On May 9, 1995, the Company changed its name to Midasco Gold Corp. and on July 30, 2001 changed its name to Midasco Capital Corp. On March 17, 2008, the Company's incorporation was continued into the Province of British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol "MGC". The Company is engaged primarily in the acquisition, exploration and evaluation of mineral properties. In April 2014, the Board of Directors approved the reorganization of the Company by re-evaluating its current resource assets and pursuing new opportunities in other industry sectors, resulting in a proposed change of business as referenced below.

## **TERMINATION OF ACQUISITION OF SOFTAC SYSTEMS LTD. AND CHANGE OF BUSINESS**

On October 2, 2015, as amended January 11, 2016, the Company entered into a Letter of Intent (“LOI”) with SOFTAC Ltd. (“SOFTAC”) to complete a change of business through a business combination whereby the Company, subject to certain conditions and regulatory approval, would acquire all the issued and outstanding shares of SOFTAC. This LOI was terminated on May 9, 2016 as the Company and SOFTAC were unable to enter into a definitive agreement. The Company incurred \$54,140 in business investigation fees relating to this transaction for the year ended December 31, 2016.

The Company remains as a resource based company and voluntarily agreed to move to the NEX board of the TSX Venture Exchange until such time that it can meet the minimum listing requirements of the TSX-V Tier 2. The trading symbol of the company is MGC.H.

## **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2017, the Company had negative working capital of \$42,147 (2016 – \$99,011 deficit) and accumulated losses of \$15,686,325 (December 31, 2016 - \$15,605,689).

On April 27, 2017, the Company closed a private placement of 2,500,000 units at the price of \$0.055 per unit for gross proceeds of \$137,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.07 per share for a period of one year from the date of closing.

The financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2017, the Company had a net loss of \$80,636 (2016 –\$93,118). The continuation of the Company as a going concern is dependent on its ability to obtain necessary equity financing for general and administrative expenses and to develop its mineral property or acquire additional assets.

The Company’s cash resources are not sufficient to meet its working capital requirements for the next twelve months. Additional equity financing will be required to meet on-going operating expenses and review new investment opportunities.

There is no guarantee that management will be successful in securing future equity financings due to current market conditions.

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**OUTSTANDING SHARE DATA**

The following share capital data is current as of date of this MD&A:

	<b>Balance</b>
Shares issued and outstanding	10,220,632
Warrants	2,500,000
Fully Diluted	12,720,632

**RESULTS OF OPERATIONS**

*Three Months ended December 31, 2017*

The Company had net loss of \$51,832 for the three months ended December 31, 2017, compared to a net loss \$54,903 in the previous comparable quarter. The Company typically incurs consistent year end professional fee accruals, AGM costs, and other consulting charges during the fourth quarter.

*For the Year Ended December 31, 2017*

The Company had net loss of \$80,636 for the year ended December 31, 2017, compared to a net loss \$93,118 in the previous year. The Company incurred business investigation fees and travel and promotions costs during the prior year which did not occur again in the current year.

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**SELECTED QUARTERLY FINANCIAL INFORMATION**

	<b>Dec. 30</b>	<b>Sep. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>	<b>Dec. 31</b>	<b>Sep. 30</b>	<b>Jun. 30</b>	<b>Mar. 31</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial results:</b>								
Income (loss)	(51,832)	(20,772)	(20,399)	(8,405)	(54,903)	(6,301)	(27,462)	(4,878)
Basic earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

**SELECTED ANNUAL INFORMATION**

The following is a summary of the results of the financial operations of the Company for the year ended December 31, 2017, and for the years ended December 31, 2016 and December 31, 2015.

	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Net profit (loss)	(80,636)	(93,118)	35,612
Earnings (loss) per share (basic and diluted)	(0.01)	(0.01)	0.01
Working Capital (Deficiency)	(42,147)	(99,011)	(5,894)
Total Assets	85,353	7,152	48,578
Total Long-Term Financial Liabilities	-	-	-

**FINANCIAL INSTRUMENTS**

**Classification of financial instruments**

	<b>Ref.</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2017</b>	<b>2016</b>
		\$	\$
FVTPL financial asset	a	<b>85,353</b>	7,152
Other financial liabilities	b	<b>127,500</b>	106,163

a. Comprises cash, and sales tax receivable.

b. Comprises accounts payable, accrued liabilities and due to related parties.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

## **Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

### ***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. Liquidity risk has been assessed as high.

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any direct exposure to foreign exchange risk.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

### ***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **CHANGES IN ACCOUNTING POLICIES**

### **Accounting standards issued but not yet effective:**

IFRS 9 "Financial Instruments" is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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.

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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 is currently assessing the impact this new standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**RELATED PARTY TRANSACTIONS**

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

As at December 31, 2017, \$31,500 (2016 - \$8,855) is due to EINRA Capital Corp. a private company controlled by a director; this balance is including in Due to Related Parties. EINRA Capital Corp. charged \$22,500 in consulting, and \$9,000 administration charges to the Company for the year ended December 31, 2017 which is included in consulting expenses. In addition, the Company paid the director \$1,000 in consulting fees.

As at December 31, 2017, \$9,000 (2016 - \$NIL) is due to Midland Management Ltd., a private company controlled by a director for the consulting fees charged to the Company for the year ended December 31, 2017; this balance is including in Due to Related Parties. Midland Management Ltd charged \$14,000 (2016 - \$NIL) in professional fees, and \$500 (2016 - \$NIL) was charged as a consulting fee during the year ended December 31, 2017.

As at December 31, 2017, \$6,000 (2016 - \$NIL) is due to Burton Egger for the consulting fees charged to the Company for the year ended December 31, 2017.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**ADDITIONAL INFORMATION**

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