

**BLUE MOON ZINC CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

The following management discussion and analysis of Blue Moon Zinc Corp. ("Blue Moon" or the "Company") is dated November 22, 2018, and provides an analysis of the Company's results of operations for the three and nine months ended September 30, 2018.

This discussion is intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to its potential future performance. The information should be read in conjunction with the Blue Moon unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, the Blue Moon audited consolidated financial statements for the year ended December 31, 2017, and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Blue Moon's accounting policies are described in note 3 of the aforementioned audited consolidated financial statements. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise indicated.

The operations of the Company are speculative due to the high-risk nature of the mining industry. Blue Moon faces risks that are generally applicable to its industry and others that are specific to its operations. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. Such risk factors could materially affect the value of the Company's assets, and future operating results of the Company and could cause actual results to differ materially from those described in the forward looking statements contained in this management discussion and analysis. *Reference is made to the discussion of forward-looking statements at the end of this document.*

## **DESCRIPTION OF THE BUSINESS**

Blue Moon is a Canadian-based publicly-traded mineral exploration and development company with a primary focus of advancing its Blue Moon zinc property in California, USA. The Company also holds the Yava zinc property in Nunavut. Blue Moon is listed on the TSX Venture Exchange under the symbol "MOON" and in the US under "BMOOF".

## **CORPORATE DEVELOPMENT**

### **Drill Program Update**

On August 29, 2018, the Company began its Phase I drill program on its 100%-owned Blue Moon zinc-rich Volcanic Massive Sulphide ("VMS") deposit in Mariposa County, California. This is the first drilling at the project in more than 25 years with new interpretations of the system providing strong potential for new discoveries to significantly expand the known zinc-copper-silver-gold resource.

The initial drilling (approximately 4,000 feet or 1,200 meters) will target northern and southern extensions of the upper Main and West lenses between a depth of 500 and 1,000 feet from surface. Assays are currently pending.

### **Buyback 10% NPI**

On January 18, 2018, the Company bought back a 10% Net Profit Interest ("NPI") on its wholly owned Blue Moon zinc project. The NPI was originally issued in 1987 pursuant to a transaction between Westmin Resources Limited (now Boliden) and Colony Pacific Exploration Ltd. (now Imperial Metals). The Company issued 3 million common shares and paid \$20,000 in cash to Northern Empire Resources Corp., the current

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

NPI holder, to repurchase the NPI. The Company believes the buyback is accretive to current shareholders and shows confidence in the Blue Moon deposit.

**Updated Mineral Resource Estimate**

On November 20, 2018, the Company announced its updated 43-101 resource estimate. The deposit comprises 7.8 million tons in the Inferred Mineral Resource category grading 8.07% zinc equivalent ("ZnEq"), at a 4.0% ZnEq cut-off grade. (see Property Overview and Development section below).

**Board changes**

On March 13, 2018, Peter A. Ball joined the board of directors of the Company. Mr. Ball has over 25 years of extensive experience and leadership as a mining professional. He is currently President and Chief Operating Officer with NV Gold Corporation. Mr. Ball has held various senior management roles with international mining companies in corporate finance, mine engineering, business development and marketing functions.

**PROPERTY OVERVIEW AND DEVELOPMENT****Blue Moon Property (California, USA)**

The Company's current focus is on the wholly owned Blue Moon zinc deposit. On November 20, 2018, the Company announced a Mineral Resource update for the Blue Moon zinc deposit. The deposit now comprises 7.8 million tons in the Inferred Mineral Resource category grading 8.07% zinc equivalent ("ZnEq"), at a 4.0% ZnEq cut-off grade.

**Updated Blue Moon Inferred Mineral Resources:**

Cutoff ZnEq %	Tons > Cutoff (tons)	Grade > Cutoff					ZnEq %	Contained Metal (Millions)				
		Zn %	Cu %	Ag oz/t	Au oz/t	Pb %		lbs Zn	lbs Cu	lbs Pb	ozs Ag	ozs Au
1	18,350,000	2.80	0.29	0.74	0.02	0.17	4.64	1,028	106	62	14	0.4
2	13,060,000	3.60	0.34	0.97	0.03	0.22	5.93	940	90	56	13	0.4
3	9,380,000	4.44	0.41	1.21	0.03	0.27	7.29	833	78	50	11	0.3
<b>4</b>	<b>7,790,000</b>	<b>4.95</b>	<b>0.46</b>	<b>1.33</b>	<b>0.04</b>	<b>0.29</b>	<b>8.07</b>	<b>771</b>	<b>71</b>	<b>46</b>	<b>10</b>	<b>0.3</b>
5	6,490,000	5.44	0.50	1.44	0.04	0.32	8.79	707	64	41	9	0.2
6	5,330,000	5.95	0.53	1.54	0.04	0.34	9.51	635	57	36	8	0.2
7	4,200,000	6.54	0.57	1.63	0.04	0.36	10.33	549	48	30	7	0.2
8	3,090,000	7.21	0.63	1.78	0.05	0.38	11.34	446	39	24	6	0.1

The Mineral Resource is based on 1,540 assay results from 82 diamond drill holes, totaling 111,250 feet (33,900 meters) of drilling. The deposit is a past producer with Hecla Mining Company mining 55,000 tons at 12.3% zinc during the second world war. It was during the 1980's that the project experienced extensive

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

drilling leading to Westmin Resources Inc. (now Boliden) taking the project towards a production decision before divesting all its North American assets to focus on Europe.

**Zinc Equivalents (ZnEq)**

The Mineral Resource has been stated in terms of ZnEq. The ZnEq formula and the underlying parameters used in its formulation are set out below.

Metal	Price (US\$)	Recovery (%)	Factor
Zinc	1.30/lb	95	24.70
Silver	17.00/oz	65	11.05
Copper	3.00/lb	93	55.80
Gold	1,250.00/oz	70	875.00
Lead	1.00/lb	95	19.00

The metal prices and the recoveries selected represent reasonable estimates of long term metal prices and potential recoveries of metal in concentrate. The Mineral Resource estimate is summarized above at a range of ZnEq cut-off grades. The equation to calculate ZnEq is as follows:

$$\text{ZnEq} = (\text{Zn}\% * 24.70 + \text{Cu}\% * 55.80 + \text{Pb}\% * 19.00 + \text{Ag}(\text{oz}/\text{t}) * 11.05 + \text{Au}(\text{oz}/\text{t}) * 875.00) / 24.70$$

The NI 43-101 report was produced by Gary Giroux, P.Eng. MASc and Lawrence O'Connor, who are Qualified Persons as defined by NI-43-101 and are responsible for the technical material related to the resource calculation. The technical report on the new resource estimate is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**General Exploration Expenses**

The Company's recent activities have focused on exploration and drilling of the Blue Moon zinc project. General exploration expenses for the periods presented were as follows:

For the nine months ended September 30,	2018	2017
	\$	\$
Claims costs	12,260	10,346
Camp operations	52,137	2,836
Drilling	488,536	-
Engineering studies	17,439	5,940
Permitting	69,477	36,051
Prospecting and geology	129,947	23,582
<b>TOTAL</b>	<b>769,796</b>	<b>78,755</b>

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

**Yava Property (Nunavut, Canada)**

The wholly-owned Yava Property consists of 1,280 hectares of mining leases covering approximately 10.7 kilometres of strike of the prospective Archean Hackett-Back River greenstone belt. The leases occur 24 km south of Glencore's Hackett River Deposit to 5 kilometres south of the Yava Main Zone massive sulphide occurrence. In the 1970s, former property owner Brascan (now named Brookfield Asset Management) drilled along 500 metres of strike length of the Yava Main Zone testing the mineralization to an 80 metre depth. Brascan estimated that the Yava Main Zone contained 1.3 million tons grading 3.42 opt silver, 4.96% zinc, 1.03% copper, 1.6% lead and 0.008 opt gold. The mineralization remains open on strike and at depth. This estimate predates NI 43-101 and constitutes a historical estimate under that policy. The assumptions and parameters used in the Brascan resource estimation have not been identified by Blue Moon and the Company is not treating this historical estimate as current Mineral Resources under NI 43-101. Historical estimates should not be relied upon.

Jack McClintock, P. Eng, a qualified person as defined by NI 43-101, has reviewed the scientific and technical information that forms the basis for this MD&A. Mr. McClintock is not independent of the Company.

*All financial information presented below is expressed in Canadian dollars, unless otherwise indicated.*

**RESULTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018 \$	2017 \$	2018 \$	2017 \$
General exploration expenses	584,648	61,985	769,796	78,755
Amortization	-	-	-	772
Filing and regulatory	9,940	4,442	25,158	27,577
General administrative costs	5,067	4,983	13,047	14,058
Professional fees	3,504	9,730	6,772	51,663
Share-based payments	22,112	76,748	162,060	79,260
Shareholder communication and travel	12,696	100,484	75,713	112,255
Consulting fees	39,000	6,000	151,000	15,000
Foreign exchange loss (gain)	2,046	(600)	4,659	(540)
<b>LOSS AND COMPREHENSIVE LOSS</b>	<b>679,013</b>	<b>263,772</b>	<b>1,208,205</b>	<b>378,800</b>

**THREE MONTHS ENDED**

Blue Moon incurred a loss of \$679,000 (\$0.01 per common share) for the three months ended September 30, 2018, compared to a loss of \$264,000 (\$nil per common share) over the same period in 2017. The scale and nature of the Company's administrative activity have generally remained consistent throughout these periods, but a few items have led to significant differences in the comparative figures.

General exploration expenses increased by \$523,000 during the three months ended September 30, 2018, as compared to the same period in the prior year as the Company began its Phase I drill program on its Blue Moon zinc project.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

---

During the three months ended September 30, 2018, share based payments were \$55,000 lower than the same period in 2017 due to variations in the valuation and the timing of the associated amortization of previous stock option grants.

Shareholder communication and travel decreased by \$88,000 during the three months ended September 30, 2018, compared to the same period in 2017 when the Company announced an updated Mineral Resource.

Consulting fees increased by \$33,000 during the three months ended September 30, 2018 as compared to the three months ended September 30, 2017, as the Company accrued \$30,000 for services provided by an officer of the Company.

**NINE MONTHS ENDED**

Blue Moon incurred a loss of \$1.2 million (\$0.01 per common share) for the nine months ended September 30, 2018, compared to a loss of \$379,000 (\$nil per common share) over the same period in 2017. The scale and nature of the Company's administrative activity have generally remained consistent throughout these periods, but a few items have led to significant differences in the comparative figures.

General exploration expenses increased by \$691,000 during the nine months ended September 30, 2018, as compared to the same period in the prior year largely due to its Phase I drill program which began on August 29, 2018.

Professional fees decreased by \$45,000 during the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017. This decrease is largely due to non-recurring legal fees associated with the board and management changes which took place during the nine months ended September 30, 2017.

Share-based payments are recorded based on the amortization of the value assigned to stock option grants. As a result, share-based payments increased by \$83,000 during the nine months ended September 30, 2018, compared to the prior year.

Shareholder communication and travel decreased during the nine months ended September 30, 2018, as the Company decreased promotional activities due to market conditions.

During the nine months ended September 30, 2018 consulting fees increased by \$136,000 compared to the nine months ended September 30, 2017, as the Company accrued \$120,000 for services provided by an officer of the Company. The Company also engaged additional consultants to assist with various Company objectives.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

**LIQUIDITY AND CAPITAL RESOURCES**

For the nine months ended September 30,	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
Operating activities	(645,704)	(470,646)
Financing activities	587,934	733,750
Investing activities	(21,975)	-
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>(79,745)</b>	<b>263,104</b>
Cash and cash equivalents – beginning	308,701	113,814
<b>CASH AND CASH EQUIVALENTS</b>	<b>228,956</b>	<b>376,918</b>

Blue Moon had \$229,000 in cash as at September 30, 2018, compared to \$309,000 in cash as at December 31, 2017. As at September 30, 2018, the Company had a working capital deficit of \$292,000.

The Company will continue to require additional funding to maintain its ongoing exploration and development programs, property maintenance payments and operations. Its principal source of funds is the issuance of common shares. Blue Moon's common shares are publicly traded. As such, the price of its common shares is susceptible to factors beyond management's control including, but not limited to, fluctuations in commodity prices and foreign exchange rates and changes in the general market outlook. Should Blue Moon require funds during a time when the price of its common shares is depressed, the Company may be required to accept significant dilution to maintain enough liquidity to continue operations or may be unable to raise sufficient capital to meet its obligations.

**Operating Activities**

The main components of cash flows used for operating activities are discussed in the Results of Operations section, above.

**Financing Activities**

During the nine months ended September 30, 2018, the Company completed a non-brokered private placement for gross proceeds of \$520,000. During the nine months ended September 30, 2017, the Company completed a non-brokered private placement for gross proceeds of \$600,000.

The Company received \$80,000 from the exercise of stock options during the nine months ended September 30, 2018. The Company received \$20,000 from the exercise of stock options during the nine months ended September 30, 2017.

During the nine months ended September 30, 2017 the Company received \$125,000 from the exercise of warrants. No warrants were exercised during the nine months ended September 30, 2018.

On November 8, 2018, the Company received a \$250,000 short term loan from a related party. The loan, together with interest at a rate of 10% per annum, is payable on or before May 1, 2019.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

---

**Investing Activities**

On January 18, 2018, the Company agreed to buyback a 10% Net Profit Interest ("NPI") on the Company's wholly owned Blue Moon zinc project. The NPI holder was paid \$20,000 in cash and issued 3,000,000 common shares. The Company also incurred closings costs of \$1,975.

**SUMMARY OF QUARTERLY RESULTS**

The following table sets forth selected unaudited quarterly financial information derived from financial information for each of the eight most recent quarters.

<b>As at and for the quarter ended</b>	<b>30-Sep-18</b>	<b>30-Jun-18</b>	<b>31-Mar-18</b>	<b>31-Dec-17</b>
Loss and comprehensive loss	679,013	184,410	344,782	360,933
Loss per share – basic and diluted	0.01	-	-	-
Cash and cash equivalents	228,956	556,735	666,066	308,701
Total assets	900,481	1,215,903	1,321,587	676,574

  

<b>As at and for the quarter ended</b>	<b>30-Sep-17</b>	<b>30-Jun-17</b>	<b>31-Mar-17</b>	<b>31-Dec-16</b>
Loss and comprehensive loss	263,772	48,971	66,057	63,610
Loss per share – basic and diluted	-	-	-	-
Cash and cash equivalents	376,918	578,947	13,600	113,814
Total assets	833,425	1,022,170	374,448	475,900

Mineral exploration and development is typically a seasonal business, and accordingly, the Company's administrative expenses and cash requirements will fluctuate depending upon the season. The Company's primary source of funding is through the issuance of common shares. When capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing on favourable terms, the Company's activity levels and the size and scope of planned exploration and development programs will also increase.

During the three months ended September 30, 2018, the Company incurred significant general exploration expenses as it began its Phase I drill program. The increase in expenditures resulted in a decrease to cash and cash equivalents and total assets.

During the quarters ended September 30, 2017, December 31, 2017 and March 31, 2018 the Company had higher expenditures for general exploration and market awareness as the Company began advancing the Blue Moon project and raising capital.

During the three months ended March 31, 2018 total assets increased significantly as the Company completed a private placement for \$520,000 and agreed to buyback the NPI on the Company's Blue Moon zinc project by issuing 3,000,000 common shares with a fair value of \$270,000 and paying \$20,000 in cash.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

**RELATED PARTY TRANSACTIONS****Management compensation**

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the periods presented was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consulting fees - CEO	30,000	-	90,000	(9,000)
Consulting fees - CFO	6,000	6,000	18,000	24,000
Share-based payments	14,438	37,738	58,146	39,379
<b>MANAGEMENT COMPENSATION</b>	<b>50,438</b>	<b>43,738</b>	<b>166,146</b>	<b>54,379</b>

As at September 30, 2018, due to related parties included \$120,000 (December 31, 2017 - \$30,000) due to an officer of the Company and accounts payable and accrued liabilities included \$20,000 due to a former officer of the Company. Amounts due to current and former related parties are unsecured, non-interest bearing and have no specific terms of repayment.

During the nine months ended September 30, 2017, the Company successfully negotiated a \$17,000 reduction of amounts previously owing to an officer of the Company. This amount was offset to consulting fees.

**OUTSTANDING SHARE DATA**

As at the date of this report, the Company has 102,950,707 common shares outstanding. The Company also has 4,300,000 stock options outstanding with exercise price ranging from \$0.07 - \$0.11 and 5,200,000 warrants with an exercise price of \$0.15 per share.

**CONTRACTUAL OBLIGATIONS**

The Company has no off-balance sheet arrangements, no capital lease agreements, no contractual obligations.

Neither the Company nor any of its subsidiaries has any externally imposed capital requirements.

**FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity and credit risks from the use of financial instruments. Financial instruments consist of cash, restricted cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

---

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer Liquidity and Capital Resources for more information regarding the Company's liquidity risk.

**Credit risk**

The Company is exposed to credit risk on its bank accounts, restricted cash and accounts receivable. To reduce credit risk, substantially all cash is on deposit at Canadian chartered banks. Accounts receivable consist of Canadian excise taxes receivable and other amounts due from government agencies. Restricted cash are deposits held by the Bureau of Land Management in Nevada. Accordingly, the Company considers its exposure to credit risk minimal.

**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 commodity and equity prices.

## Interest rate risk

The Company has cash balances which are not subject to significant risks in fluctuating 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. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

## Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, restricted cash, accounts receivable and accounts payable and accrued liabilities that are denominated in US dollars.

## 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 earnings, or ability to obtain equity financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company's marketable securities are subject to price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of zinc, copper, lead, silver, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## Sensitivity Analysis

The Company through a subsidiary operates in the United States and is exposed to exchange risk from changes in the US dollar. At September 30, 2018, a 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.

**Blue Moon Zinc Corp.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

---

**FORWARD-LOOKING STATEMENTS**

This Management Discussion and Analysis contains certain forward-looking statements concerning anticipated developments in Blue Moon's operations in future periods. Statements that are not historical fact are forward looking information as that term is defined in National Instrument 51-102 ("NI 51-102") of the Canadian Securities Administrators. Certain forward looking information should also be considered future-oriented financial information ("FOFI") as that term is defined in NI 51-102. The purpose of disclosing FOFI is to provide a general overview of management's expectations regarding the anticipated results of operations and capital expenditures. Forward-looking statements and information (referred to herein together as "forward-looking statements") are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The material factors or assumptions used to develop forward-looking statements include prevailing and projected market prices and foreign exchange rates, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions and as more specifically disclosed throughout this document. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Blue Moon and its subsidiaries may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

Blue Moon's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and Blue Moon does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from Blue Moon's expectations include, but are not limited to, uncertainties involved in fluctuations in zinc and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and First Nations in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; and uncertainty as to timely availability of permits and other governmental approvals.