

**RED OAK MINING CORP.**  
**Management Discussion and Analysis**  
**For The Year Ended May 31, 2018**

**1.1 DATE OF REPORT** September 13, 2018

**1.2 OVERALL PERFORMANCE**

*General*

The following discussion and analysis, prepared as of September 13, 2018, should be read in conjunction with the audited financial statements for the twelve months ended May 31, 2018 and 2017 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Red Oak Mining Corp. ("The Company") is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta). The Company's registered office is located at Suite 1400 – 1111 West Georgia Street, Vancouver, BC, V6E 4M3.

Previously, The Company was involved in the development and acquisition of geophysical data for the oil & gas and resource exploration industry, using unmanned airborne vehicle ("UAV") technology through its wholly owned subsidiary Universal Wing Geophysics Corp., ("UWG"). On March 31, 2012, the Company closed the sale of 1,075,000 common shares (86%) of the Company's interest in UWG, the subsidiary that has operated the Company's Unmanned Air Vehicle Systems development business, to a private company. The Company has now returned to its Resource Exploration focus.

At present, the Company is looking for suitable project to acquire in future.

**Forward Looking Information**

Certain statements in this Management Discussion and Analysis constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically containing statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose" or similar words suggesting future outcomes or statements regarding, and outlook. Forward-looking statements or information in this Management Discussion and Analysis include, but are not limited to, statements regarding:

- Business objectives, plans and strategies;
- Exploration objectives, plans and strategies; and,
- Certain geological interpretations and expectations.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this Management Discussion and Analysis, assumptions have been made regarding, among other things:

- The ability of the Company to continue to fund its operations through financings, options and joint ventures;
- The ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities;
- The level of exploration activities and opportunities;
- The ability of the Company to retain access and develop its mineral claims; and
- Current and future mineral commodity prices.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- The ability of management to execute objectives, plans and strategies;
- Exploration, development and operational risks inherent in the mining industry;
- Market conditions;
- Risks and uncertainties inherent in geology and exploration for deposits;
- Potential delays and changes in plans;
- The Company's ability to retain land tenure;
- Uncertainties regarding financings and funding;
- General economic and business conditions;
- Possibility of governmental policy changes;
- Changes in First Nations policies;
- Other risks and uncertainties described within this document.

The forward-looking statements or information contained in this Management Discussion and Analysis are made as of the date hereof and the Company undertakes no obligation to update publically or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities law.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**On August 24, 2017**, the Company settled \$914,366 by issuing 12,191,550 shares at a price of \$0.075 per common share. All the shares is having hold period of 4 months.

**On July 13, 2018**, the Company entered into a letter of intent with CB Holding Group Corp. ("CBH"). CBH is a Nevada corporation, that will operate a vaporizer pen distribution and sale business through a wholly owned California subsidiary (the "California Subsidiary"), with an Exclusive Distribution Agreement in the State of California, and through a wholly owned Nevada subsidiary, (the "Nevada Subsidiary") with an Exclusive Distribution Agreement in the State of Nevada, allowing for the distribution and sale of vaporizers. The Company and CBH plan to enter into a definitive Share Exchange Agreement (the "Definitive Agreement") whereby all outstanding

securities of CBH will be exchanged for securities of the Company (the “Transaction”), which will constitute a reverse takeover by CBH and a change of business of the Corporation from mining to the production and sale of vaporizers for cannabis and CBD. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm’s length transaction.

On closing of the Transaction, it is anticipated that the Company will carry on with sale of CBH’s vaporizer pens. In connection with the completion of the Transaction, the Corporation intends to delist its securities from the TSX Venture Exchange (the “TSXV”) and seek listing of the same on the Canadian Securities Exchange (the “CSE”). Red Oak plans to change its name on closing of the Transaction.

The completion of the Transaction is subject to a number of conditions, including but not limited to, the execution of the Definitive Agreement, completion of satisfactory due diligence including the delivery and satisfactory review of the audited financial statements of CBH and the audited carve out financial statements from Caesarbrutus, completion of various financings, completion of the name change, approval of the listing of the Company’s securities on the CSE and approval to delist the same from the TSXV, and the approval of the Transaction by each of the TSXV, CSE and the board of directors and shareholders of each of the Company and CBH (if and as applicable). The LOI contains customary deal support provisions, including a break fee of US\$750,000 payable by CBH to Red Oak if the proposed Transaction is not completed in certain circumstances. In addition the LOI contains mutual customary exclusivity and non-solicitation covenants that expire October 30, 2018.

## **Significant Acquisitions and Dispositions**

### **Oil and Gas Properties**

#### **Provost Project, Alberta**

In February 2003, the Company acquired a 100% interest in an oil well (16-28) and an 18% interest in a shut-in gas well (02/13-17) located in the Provost area of Alberta. The property encompasses 1,220 acres in the Provost area and the well initially produced 12 barrels of oil and associated liquids per day when acquired. This property was abandoned in 2007. During the year ended May 31, 2009, the Company recognized reclamation costs of \$34,400 associated with environmental remediation for this property which amount has been added to the capitalized cost of the mineral property and recognized as a site restoration liability.

During the year ended May 31, 2010, the Company abandoned the oil well and determined that it would be required to perform additional reclamation work. Management’s best estimate of the cost for the associated reclamation work is \$16,000. A reclamation obligation was recorded. The Company deposited \$16,000 with the Alberta Energy Resources Conservation Board (“AECB”), which amount is shown as restricted cash on the statement of financial position. The bond represents the Company’s best estimate of the fair value of reclamation costs associated with the Company’s property. The \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities.

No reclamation work was done during the year ended May 31, 2018. Subsequent to the year

ending May 31, 2018, the Company has started reclamation work on the well.

**Provost 16-28 Oil Well:** *This well was abandoned in October 2009.*

**Provost 02/13-17 Gas Well:** This gas well was acquired in 2003. A 62.5 hr flow test was completed in August 2007. The well began producing in December 2007. It produced until the end of February 2009 at which point the well was shut-in by the operator due to low gas rates, low gas prices and increasing operating costs. *The Company retains an 18% working interest in this gas well.*

### 1.3 SELECTED CONSOLIDATED FINANCIAL INFORMATION

|                                  | May 31, 2018 | May 31, 2017 | May 31, 2016 |
|----------------------------------|--------------|--------------|--------------|
| Total revenues                   | \$-          | \$-          | \$-          |
| Loss before other items          | \$299,593    | \$107,343    | \$101,320    |
| Net loss                         | \$299,387    | \$97,923     | \$101,185    |
| Loss per share basic and diluted | \$0.02       | \$0.05       | \$0.05       |
| Total assets                     | \$75,485     | \$19,098     | \$20,763     |

### 1.4 RESULTS OF OPERATIONS

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company has recorded a net loss of \$299,387 (\$0.02) per share and had a cumulative deficit of \$33,909,714 for the year ended May 31, 2018 as compared to a cumulative deficit of \$33,610,327 for the year ended May 31, 2017.

#### ***Twelve Months Ended May 31, 2018 Compared to Twelve Months Ended May 31, 2017***

Total expenses were \$299,593, an increase of \$192,250 as compared to \$107,343. This was mainly due to increase in stock options expenses of \$126,152 and consulting fees of \$60,033.

Consulting fees were increased by \$60,033 as a result of re-structuring the Company.

The filing and share transfer agent fees were increased by \$12,838 as result of private placements, shares issued for debt and share consolidation.

Interest charges were decreased by \$34,686 as a result of re-payment of loan.

The legal fees were increased by \$15,848 as result of private placements, shares issued for debt and share consolidation.

Office expenses were decreased by \$694.

The stock options expense was \$126,152. The Company granted 1,700,000 options at \$0.10 per option.

The travel expenses were increased by \$13,244 due to ongoing travel for new business acquisition purpose.

## 1.5 SUMMARY OF QUARTERLY RESULTS

The following table presents certain selected financial information on a quarterly basis:

| Period ended      | Revenue<br>\$ | Net loss<br>\$ | Net loss per share<br>\$ |
|-------------------|---------------|----------------|--------------------------|
| May 31, 2018      | -             | (49,907)       | (0.00)                   |
| February 28, 2018 | -             | (156,006)      | (0.01)                   |
| November 30, 2017 | -             | (25,134)       | (0.00)                   |
| August 31, 2017   | -             | (68,340)       | (0.02)                   |
| May 31, 2017      | -             | (46,070)       | (0.02)                   |
| February 28, 2017 | -             | (15,790)       | (0.00)                   |
| November 30, 2016 | -             | (19,642)       | (0.00)                   |
| August 31, 2016   | -             | (16,421)       | (0.00)                   |

Due to stock options expense of \$126,152, the net loss for the period was \$156,006.

## 1.6 LIQUIDITY

At May 31, 2018 the Company had a working capital deficiency of \$64,304 (May 31, 2017 - \$1,129,123) and had not yet achieved profitable operations, has accumulated losses of \$33,909,714 (May 31, 2017 - \$33,610,327) since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing including support from related parties to meet its ongoing levels of corporate overhead, and discharge its liabilities as they come due. The Company is also depending on the continued patience of its related and third party creditors with respect to outstanding amounts. At this time the Company is managing its financial resources to minimize expenditures while it determines its future direction. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business.

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 advantageous to the Company. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

### ***Cash Flow from Operations***

During the year ended May 31, 2018, the Company had (184,903) cash out flow from operations compared to \$(66,103) in the previous year. During the year accounts receivable increased by \$1,261, and accounts payable and accrued liabilities decreased by \$10,408.

### ***Investing Activities***

During the year ended May 31, 2018, the Company spent \$207 in investing activities compared to \$130 in the previous year.

### ***Financing Activities***

During the year ended February 28, 2018, the Company raised \$332,833 through private placements and exercised of warrants, shares issued costs were \$8,939. Due to related parties decreased by \$57,364 and the loan payable decreased by \$26,500.

Since incorporation, the Company's capital resources have been limited. In addition to having to rely upon cash generated from operations, the Company has had to rely upon the sale of equity and debt securities for cash required for administration and development programs, among other things. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next year, it is unlikely that significant cash will be generated from operations over this period. Since the Company is unlikely to have significant cash flow, the Company will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any commitments for material capital expenditures over either the near or long term and none are presently contemplated over normal operating requirements.

The Company's working capital and liquidity fluctuate in proportion to its ongoing equity financing activities, as the Company does not generate significant cash flow from its operations. The Company requires a certain amount of liquid capital in order to sustain its operations, to meet various obligations as specified under the Company's resource property acquisition agreements. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in the properties covered by the agreements. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments. Continued operations are therefore dependent upon ongoing equity financing activities.

### ***Dividend Record and Policy***

The Company has not declared any dividends since incorporation and does not intend to declare dividends in the foreseeable future. If the Company generates earnings in future, it expects that they will be retained to finance future growth and, where appropriate, retire debt.

## **1.7 CAPITAL RESOURCES**

The Company does not have significant revenue from its business and has relied on equity financings to meet its cash requirements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future.

On August 24, 2017, the Company completed a private placement of 3,433,333 units at a price of \$0.075 per unit for gross proceeds of \$257,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 for a period of one year. The Company paid \$8,940 cash finder's fees.

During the year ended May 31, 2018, the Company raised \$75,333 pursuant to exercise of 753,333 warrants at \$0.10.

Subsequent to the year-end May 31, 2018 the Company raised \$200,333 pursuant to exercise of 2,003,333 warrants at \$0.10.

## **1.8 OFF-BALANCE SHEET ARRANGEMENTS**

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

## **1.9 RELATED PARTY TRANSACTIONS**

### **Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the year ended May 31, 2018, the Company entered into the following transactions with the related parties:

- (a) Incurred accounting fees of \$36,000 (May 31, 2017 - \$36,000) with BJ Financial Accounting Inc. (a company controlled by the CFO and director of the Company).
- (b) Incurred consulting fees of \$15,000 (May 31, 2017 - \$nil) with nKwazi Resource Management and Tehma Venture (a company controlled by the director of the Company).
- (c) Incurred interest expense of \$nil (May 31, 2017 - \$13,463) on loans from Western Potash Corp (a company related by a common former director) and Arctic Star Exploration Corp. (a company related by a CFO).
- (d) Incurred stock-based compensation of \$68,642 (May 31, 2017 - \$nil) to directors of the Company.

- (e) As at May 31, 2018, \$78,600 (May 31, 2017 - \$225,964) was owing to companies controlled by directors and officers of the Company.

#### **1.10 FOURTH QUARTER ANALYSIS**

The total expenses during the quarter ended May 31, 2018 were \$49,991.

During the fourth quarter, the Company spent \$19,000 in accounting and audit fee, \$20 in bank charges, 8,033 in consulting fees, \$2,172 in filing and trust, \$6,929 in legal fees, \$593 in office and administration costs, and \$13,244 in travel.

#### **1.11 PROPOSED TRANSACTIONS**

N/A

#### **1.12 CRITICAL ACCOUNTING ESTIMATES**

Critical Accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact the Company's financial statements. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

##### *Judgments*

##### **Going concern assumption**

The continued use of the going concern assumption is based on the Company's judgments regarding the availability, timing, and costs of obtaining financing. The use of the going concern assumption is also based on the Company's judgments regarding the continued support and patience of related parties and third party creditors. In applying the going concern assumption, the Company has not taken into account the uncertainty surrounding the timing of receipt of the restricted cash and the uncertainty surrounding the timing of payments of accounts and loans payable in determining the fair values of its financial instruments.

##### *Estimates*

##### **Provision for environmental rehabilitation**

Provisions for environmental rehabilitation are based on the Company's best estimate of the probable outflow to complete reclamation work. The final costs of the currently recognized environmental rehabilitation provision may be higher or lower than currently provided for.

### **1.13 CHANGES IN ACCOUNTING POLICIES**

#### **New standards and interpretations**

##### **Effective for annual periods beginning on or after June 1, 2018**

##### **IFRS 9 – Financial Instruments**

Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018. Implementation of IFRS 9 is not expected to have a material impact in the Company's financial instruments.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Exploration and evaluation assets**

##### **Mineral properties and exploration and evaluation expenditures**

Acquisition costs of exploration and evaluation assets together with direct exploration and evaluation expenditures thereon are deferred in the accounts at cost. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

##### **(b) Earnings (loss) per share**

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**(c) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**(d) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

**(e) Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties

surrounding the obligation.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

**(f) Financial instruments**

i) Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and restricted cash are included in this category of financial assets.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties and loans payable.

**(g) Agent warrants and warrants**

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

### 3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

#### (a) Fair value of financial instruments

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

|                     | Level 1          | Level 2            | Level 3     | Total              |
|---------------------|------------------|--------------------|-------------|--------------------|
| <b>May 31, 2018</b> |                  |                    |             |                    |
| Cash                | \$ 56,337        | \$ -               | \$ -        | \$ 56,337          |
| Restricted cash     | 17,607           | -                  | -           | 17,607             |
| Loans payable       | -                | -                  | -           | -                  |
|                     | <b>\$ 73,944</b> | <b>\$ -</b>        | <b>\$ -</b> | <b>\$ 73,944</b>   |
| <b>May 31, 2017</b> |                  |                    |             |                    |
| Cash                | \$ 1,417         | \$ -               | \$ -        | \$ 1,417           |
| Restricted cash     | 17,400           | -                  | -           | 17,400             |
| Loans payable       | -                | (64,000)           | -           | (64,000)           |
|                     | <b>\$ 18,817</b> | <b>\$ (64,000)</b> | <b>\$ -</b> | <b>\$ (45,183)</b> |

The fair value of cash and restricted cash are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value of loans payable are determined based on Level 2 inputs and estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at May 31, 2018, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate the fair values because they are due on demand.

#### (b) Risk management

Credit Risk

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash is placed with major Canadian financial institutions.

#### Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the relatively short-term maturity of its monetary assets and liabilities.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not have operating cash flow and therefore has relied primarily on equity financings and loans from related parties to meet its capital requirements. As at May 31, 2018 the Company has a working capital deficiency of \$64,304 (May 31, 2017 - \$1,129,123). The Company will need to obtain additional financing to meet the obligations as they come due.

#### Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of resource commodities.

### **1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

It is management's opinion that the fair value of the Company's cash, accounts receivable, due to related parties, and accounts payable, and accrued liabilities approximate their carrying value because they are due on demand.

The maximum credit risks exposure for all financial assets is the carrying value of those assets.

The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

### **1.15 OTHER MD&A REQUIREMENTS**

#### **Financial And Disclosure Controls And Procedures**

During the year ended May 31, 2018, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's interim financial statements for the year ended May 31, 2018 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Outstanding Share Data**

The Company's authorized share capital consists of unlimited common shares without par value. The Company has only one kind and class of shares and there are no unusual rights or restrictions attached to that class.

As on September 13, 2018, the Company had a total of 20,417,578 (May 31, 2018 – 18,414,245) common shares issued and outstanding.

As of September 13, 2018, the Company had nil (May 31, 2018: 2,680,000) warrants outstanding.

As of September 13, 2018, the Company had 1,700,000 (May 31, 2018: 1,700,000) stock options outstanding.

**Additional Disclosure for Venture Issuers without Significant Revenue**

**Schedule of General and Administrative costs for the years ended May 31, 2018 and 2017.**

| <b>For the Years Ended May 31</b> | <b>2018</b>       | <b>2017</b>       |
|-----------------------------------|-------------------|-------------------|
| <b>Expenses</b>                   |                   |                   |
| Accounting and audit              | \$ 46,670         | \$ 45,920         |
| Bank charges                      | 264               | 239               |
| Consulting fees                   | 60,033            | -                 |
| Filing and share transfer fees    | 22,025            | 9,187             |
| Interest                          | 1,357             | 36,043            |
| Legal fees                        | 28,584            | 12,736            |
| Office and administration         | 1,264             | 1,958             |
| Shareholders' information         | -                 | 1,260             |
| Stock-based compensation          | 126,152           | -                 |
| Travel                            | 13,244            | -                 |
|                                   | <b>\$ 299,593</b> | <b>\$ 107,343</b> |