

RED OAK MINING CORP.
Management's Discussion and Analysis
For The Quarter Ended August 31, 2020

1.1 DATE OF REPORT October 30, 2020

1.2 OVERALL PERFORMANCE

General

The following discussion and analysis, prepared as of October 30, 2020, should be read in conjunction with the audited financial statements for the twelve months ended May 31, 2020 and 2019 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 and record office is located at Miller Thomson LLP, Pacific Centre 400-725 Granville St., Vancouver BC, V7Y 1G5.

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.

On January 10, 2019, Mr. James Ferreira resigned as a Director of the Company.

On December 14, 2018, Mr. Binny Jassal resigned as a Chief Financial Officer and Director of the Company and David Thornley-Hall was appointed interim CFO.

On June 25, 2019, David Thornley-Hall resigned as interim Chief Financial Officer and Lucy Zhang was appointed interim CFO.

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 expired October 30, 2018.

On December 21, 2018 the letter of intent was terminated. As per the mutual release agreement signed by both CBH and the Company, CBH is to compensate the Company with \$82,000 in cash and 500,000 in common shares of CBH.

As at August 31, 2020, the Company does not consider the \$82,000 cash collectible. The 500,000 common shares of CBH, a private company without a quoted market price in an active market, were received by the Company during the year and has fair value of \$nil.

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.

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. This estimate has been updated during the quarter ended August 31, 2020 to \$32,000 based on quotations obtained by third party consultants and an additional reclamation obligation amount was recorded. The Company previously 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 \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities.

During the quarter ended August 31, 2020, the Company has started reclamation work and has spent \$nil (May 31, 2020 - \$nil).

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. In October 2019, the Company signed a Notice of Assignment with Tamarack Acquisition Corp (the “Assignee) to transfer 100% working interest in the shut-in gas well (02/13-17) located in the Provost area of Alberta for a total proceeds of \$27,000.

1.3 SELECTED CONSOLIDATED FINANCIAL INFORMATION

	May 31, 2020	May 31, 2019	May 31, 2018
Total revenues	\$-	\$-	\$-
Loss before other items	297,928	391,396	\$299,593
Net loss	270,365	391,071	\$299,387
Loss per share basic and diluted	\$0.02	\$0.02	\$0.02
Total assets	\$229,283	\$56,432	\$75,485

1.4 RESULTS OF OPERATIONS

These interim 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 \$17,383 (\$0.00) per share and had a cumulative deficit of \$34,588,533 for the period ended August 31, 2020 as compared to a cumulative deficit of \$34,571,150 for the year ended May 31, 2020.

Three Months Ended August 31, 2020 Compared to Three Months Ended August 31, 2019

The Company recorded a net loss for the period ended August 31, 2020 of \$(17,383) (\$0.00) per share) as compared to \$(9,917) (\$0.00) per share) for the period ended on August 31, 2019.

Total expenses were \$17,406, a decrease of \$7,399 as compared to \$10,007. This was mainly due to increased consulting fees and filing and trust agent fees.

Accounting and audit fees were reduced by \$10,000.

Consulting fees were increased by \$18,000.

The filing and share transfer agent fees were increased by \$11,422.

The legal fees were decreased by \$15,941.

Office expenses were increased by \$3,630.

The travel expenses were increased by \$178.

1.5 SUMMARY OF QUARTERLY RESULTS

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

Periods ended	Revenue \$	Net loss \$	Net loss per share \$
August 31, 2020	-	(17,383)	(0.00)
May 31, 2020	-	(86,746)	(0.01)
February 29, 2020	-	(126,437)	(0.01)
November 30, 2019	-	(47,265)	(0.00)
August 31, 2019	-	(9,917)	(0.00)
May 31, 2019	-	(177,719)	(0.04)
February 28, 2019	-	(13,362)	(0.00)
November 30, 2018	-	(90,297)	(0.00)

Due to the cost cutting measures putting in place by the management, the net loss for the period ended August 31, 2020 was \$17,383.

1.6 LIQUIDITY

At August 31, 2020 the Company had a working capital deficiency of \$27,615 (May 31, 2020 - \$35,209) and had not yet achieved profitable operations, has accumulated losses of \$34,588,533 (May 31, 2020 - \$34,571,150) 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 period ended August 31, 2020, the Company had \$64,046 cash out flow from operations compared to \$56,286 in the previous year. During the current period, accounts receivable decreased by \$2,735, and accounts payable and accrued liabilities decreased by \$49,398.

Investing Activities

During the period ended August 31, 2020, the Company received \$21 in investing activities compared to \$90 in the same quarter last year.

Financing Activities

During the period ended August 31, 2020, due to related parties increased by \$2,610 (August 31, 2019 –\$51,180) and received \$25,000 share subscription (August 31, 2019 - \$nil).

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.

During the period ended August 31, 2020, the Company had no financing activity.

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 period ended August 31, 2020, the Company entered into the following transactions with the related parties:

- (a) Incurred consulting fees of \$18,000 (August 31, 2019 - \$7,500) with Tehama Capital Corp. (companies controlled by the director, President and CEO of the Company).
- (b) As at August 31, 2020, \$72,775 (August 31, 2019 - \$204,900) was owing to companies controlled by directors and officers of the Company.

1.10 PROPOSED TRANSACTIONS

- (a) In October 2020, the Company entered in a non-binding letter of intent ("LOI") with Impact Silver Corp. ("Impact Silver") for an arm's length transaction whereby the Company may earn a 100% interest in the Nuevo Taxco Silver-Gold Project (the "Property") located approximately 80 km south west of

Mexico City and west of the municipality of Tetipac within the Pregones Silver- Gold District. Under terms of the agreement (subject to regulatory approval), the Company may earn 100% interest in the approximately 1,100 hectare property by completing exploration expenditures of \$1,400,000, making cash payments of \$300,000 and issuing 3,500,000 common shares to IPT over a 3-year period. Details of the option agreement are outlined below.

Under the Agreement, the Company may earn a 100% interest in the Property by making certain staged cash payments, issuing common shares in the capital of the Company to Impact Silver and making exploration expenditures over a 3-year period as follows: (i) \$1,000 in cash was paid upon execution of the Letter of Intent in respect of the Transaction; (ii) \$49,000 in cash and 500,000 common shares upon TSXV approval of the Transaction and closing of the Financing (the “Closing Date”); (iii) \$200,000 in exploration expenditures on or before September 30th, 2021; (iv) \$100,000 in cash, 1,000,000 common shares and \$400,000 in exploration expenditures on or before September 30, 2022; and (v) \$150,000 in cash, 2,000,000 common shares and \$800,000 in exploration expenditures on or before September 30, 2023.

The Transaction is intended to constitute a Fundamental Acquisition, as that term is defined in the policies of the TSX Venture Exchange (the “TSXV”). On completion of the Transaction, it is intended that the Company will graduate its listing from the NEX board of the TSXV to become a Tier 2 Mining issuer on the TSXV.

The Company has agreed to pay an arm’s length party an finder’s fee with regards to the property acquisition equal to 10% of the value consideration for year one of the Agreement to be satisfied in common shares of the Company at the same price per share as the Transaction, being approximately 100,000 common shares.

In conjunction with the Agreement with Impact, the Company will arrange a non-brokered private placement at a price of CAD\$0.10 per unit for proceeds up to CAD\$950,000.00. Each Unit will consist of one share and one share purchase warrant at a price of \$0.20, exercisable for a period of two years from issuance.

(b) In October, 2020, the previously announced Letter of Intent with Metrock Resources Corp., originally announced on June 4th, 2020 has been amicably terminated and the concurrent financing announced in the same press release has been terminated.

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 Recently Adopted

IFRS 9 - Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at

amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Asset retirement obligation	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the

associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss).

New standards and interpretations

IFRS 16 – Leases

This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

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) 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.

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
August 31, 2020				
Cash	\$ 162,844	\$ -	\$ -	\$ 162,844
Restricted cash	18,284	-	-	18,284
	\$ 181,128	\$ -	\$ -	\$ 181,128

May 31, 2020

Cash	\$ 199,301	\$ -	\$ -	\$ 199,301
Restricted cash	18,261	-	-	18,261
	<u>\$ 217,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,562</u>

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 August 31, 2020, 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 August 31, 2020 the Company has a working capital deficiency of \$27,615 (May 31, 2020 - \$35,209). 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 REQUIRMENTS

Financial And Disclosure Controls And Procedures

During the period ended August 31, 2020, 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 period ended August 31, 2020 (together the "Quarter 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.

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 October 30, 2020, the Company had a total of 15,829,556 (May 31, 2019 – 15,829,556) common shares issued and outstanding.

As of October 30, 2020, the Company had nil (May 31, 2020: nil) warrants outstanding.

As of October 30, 2020, the Company had nil (May 31, 2020: nil) stock options outstanding.

Additional Disclosure for Venture Issuers without Significant Revenue

Schedule of General and Administrative costs for the periods ended August 31, 2020 and 2019.

For the Periods Ended August 31	2020	2019
Expenses		

Accounting and audit	\$ (10,000)	\$ -
Bank charges	128	18
Consulting fees	25,500	7,500
Filing and share transfer fees	13,581	2,159
Legal fees	(15,941)	-
Office and administration	3,960	330
Travel	178	-
	<hr/>	
	17,406	10,007
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