

# **KINGSMEN RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

This discussion and analysis of financial position and results of operation is prepared as at November 28, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018 of Kingsmen Resources Ltd. (the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### **Forward-Looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### **Company Overview**

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "KNG" and on the OTCQB under the symbol "TUMIF". The Company is a junior mineral exploration company primarily engaged in the acquisition and exploration of precious metals on mineral properties. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The La Trini Project is on a care and maintenance status and minimal costs are being incurred as necessary to retain ownership. The Company has been actively conducting reviews and due diligence on prospective acquisitions and business opportunities.

### **Exploration Project**

#### ***La Trini, Mexico***

The La Trini mineral claims are located in the Hostotipaquillo mining district. The La Trini claims cover 880 acres, and the mineralization occurs over an area of 400m x 200m. Potential exists to extend the mineralized zone. Three separate drill programs have been undertaken on the project. Current resources, based on a NI43-101 compliant resource, are Indicated 1,661,359 t at 121.3 g/t Ag, 0.88 g/t Au, Inferred 192,880 t at 98.6 g/t Ag, 0.92 g/t Au, using a 30 g/t Ag cutoff. Presently the Company has no exploration work being conducted on the La Trini Project and has

minimized its presence in Mexico. The Company maintains the La Trini claims in good standing and is reviewing options to advance the development of the La Trini claims, which may include a farm-out or outright sale.

The Qualified Person for the Company's project is Mr. David Henstridge, a director of the Company, a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists.

### Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

Three Months Ended	Fiscal 2018			Fiscal 2017			Fiscal 2016	
	Sep. 30 2018 \$	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$	Sep. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$
<b>Operations:</b>								
Revenues	Nil							
Expenses	(75,526)	(81,468)	(50,089)	(18,572)	(24,665)	(31,696)	(47,735)	(39,499)
Other items	3,142	3,310	3,451	843	(1,045)	(346)	(94)	9,140
Net loss and comprehensive loss	(72,384)	(78,158)	(46,638)	(17,729)	(25,710)	(32,042)	(47,829)	(30,359)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
Dividends per share	Nil							
<b>Statement of Financial Position:</b>								
Working capital	633,809	706,193	784,351	243,336	261,065	286,775	318,817	366,646
Total assets	654,361	746,106	814,721	252,187	277,496	298,181	340,359	385,802
Total long-term liabilities	Nil							

### Results of Operations

#### *Three Months Ended September 30, 2018 Compared to Three Months Ended June 30, 2018*

During the three months ended September 30, 2018 ("Q3") the Company reported a net loss of \$72,384 compared to a net loss of \$78,158 for the three months ended June 30, 2018 ("Q2") a decrease in loss of \$5,774. The main fluctuations between Q3 and Q2 are as follows:

- (i) during Q2 the Company made application under the DTC eligibility review process in the USA. On June 5, 2018 the Company received approval allowing its common shares to be electronically transferred between U.S. brokerage accounts. The Company incurred \$26,244 for listing costs and sponsorship fees relating to the DTC application and listing on the OTCQB. Legal expenses of \$2,713 were incurred for the application process and listing;
- (ii) an increase of \$7,794 in general exploration expenses, from \$nil in Q2 to \$7,794 in Q3, primarily for mining concession payments on the La Trini claims;
- (iii) management fees of \$24,000 (Q2 - \$18,600) were incurred for Mr. Emerson's compensation in his capacity as President. Effective April 1, 2018, Mr. Emerson's fee increased to \$8,000 per month to reflect Mr. Emerson's increased time incurred on Company business in seeking business opportunities and conducting due diligence.

#### *Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017*

During the nine months ended September 30, 2018 (the "2018 period") the Company reported a loss of \$197,180 compared to a loss of \$105,581, for the nine months ended September 30, 2017 (the "2017 period"), an increase of \$91,599. Specific general and administrative expenses of note, during the 2018 period are as follows:

- (i) during the 2018 period the Company incurred made application under the DTC eligibility review process in the USA. On June 5, 2018 the Company received approval allowing its common shares to be electronically transferred between U.S. brokerage accounts. The Company incurred \$26,244 for listing costs and sponsorship fees relating to the application and listing on the OTCQB. Legal expenses of \$2,713 were incurred for the application process and listing;

- (ii) management fees of \$51,100 (2017 - \$25,550), were incurred for Mr. Emerson's compensation in his capacity as President. Effective April 1, 2018, Mr. Emerson's fee increased to \$8,000 per month to reflect Mr. Emerson's increased time incurred on Company business in seeking business opportunities and conducting due diligence;
- (iii) travel and related expenses in the 2018 period increased \$17,801, from \$276 in the 2017 period to \$18,077 as a result of increased travel and associated costs incurred by the Company's President and consultants to seek business opportunities for the Company and conduct due diligence;
- (iv) \$30,900 (2017 - \$18,000) for professional fees increased by \$12,900 in the 2018 period. During the 2018 period the Company paid a total of \$12,900 to an independent consultant to prepare business plan proposals, marketing and graphic services. Specifics of officer and director compensation amounts did not vary and are disclosed in detail in "Related Party Disclosure".
- (v) \$20,300 (2017 - \$10,800) was incurred for accounting and administrative services provided by Chase Management Ltd. ("Chase") a private corporation owned by Mr. DeMare, the CFO of the Company, and \$3,059 (2017 - \$3,126) for services provided by an arms-length accountant for the Company's Mexican operations. The \$9,500 increase in fees billed by Chase is primarily attributed to increased business activities and the completed private placement;
- (vi) an increase of \$2,026 in general exploration expenses, from \$9,611 during the 2017 period to \$11,637 in the 2018 period, primarily for mining concession payments on the La Trini claims; and
- (vii) during the 2018 period the Company recorded a foreign exchange gain of \$750 compared to a foreign exchange loss of \$3,623 during the 2017 period. The increase in foreign exchange gain for the 2018 period arose from the depreciation of the Canadian Dollar compared to the US Dollar.

During the 2018 period the Company reported interest income of \$9,153 compared to \$2,138 during the 2017 period. The increase was generated from higher levels of cash held on deposit in interest-bearing accounts combined with higher rates of interest obtained in the 2018 period.

During the 2018 period the Company completed a non-brokered private placement of 8,000,000 units for gross proceeds of \$600,000.

No equity financings were conducted by the Company during the 2017 period.

### **Financial Condition / Capital Resources**

As at September 30, 2018 the Company had working capital in the amount of \$633,809. Management believes that the Company has adequate resources to maintain its current levels of overhead and ongoing corporate expenses, continue ongoing due diligence on potential business acquisitions and to maintain the La Trini claims for the next twelve months. The Company is actively reviewing business opportunities. The Company recognizes that it will be required to obtain additional financing should the Company complete an acquisition or resume exploration activities. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

### **Contractual Commitments**

The Company has no contractual commitments.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company does not have any proposed transactions.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include plant and equipment lives, estimating the fair values

of financial instruments, impairment of long-lived assets and reclamation and rehabilitation provisions. Actual results may differ from those estimates. See also Note 3 of the audited consolidated financial statements for the year ended December 31, 2017.

### Changes in Accounting Principles

Effective January 1, 2018 the Company adopted IFRS 9 - *Financial Instruments* (“IFRS 9”) using the modified retrospective approach. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company’s financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

See “Accounting Standards and Interpretations Issued but Not Yet Effective” in Note 3 of the audited consolidated financial statements for the year ended December 31, 2017.

### Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the 2018 and 2017 periods.

#### (a) Key Management Personnel Disclosures

During the 2018 and 2017 periods the following amounts were incurred with respect to Mr. Emerson, the Chief Executive Officer (“CEO”) and Mr. Nick DeMare, the Chief Financial Officer (“CFO”) of the Company:

	2018 \$	2017 \$
Management fees - Mr. Emerson	51,100	25,500
Professional fees - Mr. DeMare	4,500	4,500
	<u>55,600</u>	<u>30,050</u>

As at September 30, 2018 \$8,400 (December 31, 2017 - \$5,194) remained unpaid.

#### (b) Other Related Party Disclosures

(i) During the 2018 and 2017 periods the following amounts were incurred with respect to non-management directors of the Company, Messrs. David Henstridge, Harvey Lim and Rod Johnston as follows:

	2018 \$	2017 \$
Professional fees - Mr. Henstridge	4,500	4,500
Professional fees - Mr. Lim	4,500	4,500
Professional fees - Mr. Johnston	4,500	4,500
	<u>13,500</u>	<u>13,500</u>

As at September 30, 2018, \$4,500 (December 31, 2017 - \$nil) remained unpaid.

(ii) During the 2018 period the Company incurred a total of \$20,300 (2017 - \$10,800) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at September 30, 2018, \$4,100 (December 31, 2017 - \$1,714) remained unpaid.

- (iii) During the 2018 period the Company completed a non-brokered private placement of 8,000,000 units at \$0.075 per unit for \$600,000. Direct family members of Mr. Emerson, CEO, and Mr. Lim, a Director, purchased a total of 313,332 units for \$23,500 of this private placement.

### **Risks and Uncertainties**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should consider investing in the Company's common shares.

The Company's mineral property is located in Mexico and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 28, 2018, there were 16,894,376 common shares issued and outstanding and 4,000,000 warrants outstanding at an exercise price of \$0.10 per share.