



# MINERAL HILL INDUSTRIES LTD.

## Management Discussion and Analysis

For the nine months ended  
September 30, 2018

**Management's discussion and analysis of financial results  
For the nine months ended September 30, 2018  
Containing information up to and including November 12, 2018**

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The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Mineral Hill Industries Ltd. (the "Company" or "MHI") and the financial performance for the nine months ended September 30, 2018. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as at, and for the nine months ended September 30, 2018 and 2017. Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee. The majority of the audit committee is comprised of independent directors who review and, prior to its publication, approve, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

All amounts are in Canadian dollars unless otherwise noted and prepared in accordance with International Financial Reporting Standards ("IFRS").

### **Current market conditions**

Certain global financial conditions and uncertainties are still having a negative impact on the economic environment in which the Company operates. As a direct result, access to public financing for resource development companies has been significantly limited, especially for junior exploration companies. If the current conditions continue, the Company's ability to operate may be adversely impacted and the trading price of the Company's shares could continue to be under a downward pressure.

### **Overview**

The Company is a reporting issuer in Alberta and British Columbia and its common shares are trading on the TSX Venture Exchange under the symbol "MHI" and are also co-listed on the Frankfurt quotation platform in Germany and OTC Markets in the USA.

Up to the end of 2014, MHI was actively engaged in the acquisition and exploration of natural resources within the mineral segment. During the years from 2014 to 2016 the Company experienced extreme difficulties in raising sufficient funds for mining exploration due to the economic climate within that sector but was kept in good standing through the financial support of its directors. In 2015, the Company, therefore, switched its main focus from mining exploration to advanced natural gas and oil projects. The Company completed its negotiations on an energy project and on some backup targets within the energy sector.

In November 2014, the Company was approached by a company claiming to own an extremely viable green energy technology. In conclusion of its due diligence process during the last quarter of 2015, the Company determined that an involvement with the target company was not in the best interest of shareholders and the Company formally terminated the LOI with the target company on November 26, 2015 and started to investigate its alternative opportunities for the exploration of natural resources within the oil & natural gas industry as well as the possibility to combine its future interest in proprietary waste-to-energy converting technologies.

As at November 12, 2018, the Company has 18,409,188 common shares outstanding.

### **Highlights of Events**

The following are highlights of events occurring during the nine months ended September 30, 2018 and subsequent thereto:

During Q4 of 2015, the Company started to investigate alternative projects within the natural gas and oil industry segment as well as waste-to-energy converting technologies to increase shareholders' value. On March 1, 2016 the Company executed a definitive Share Purchase Agreement ("SPA") with twelve (12) shareholders of CPS Energy Resources Limited ("CPS"), representing 45% of the shareholdings in CPS (the "Shareholders-45%"). CPS is a private off-shore

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natural gas and oil company which was assigned the rights to 80.75% of a "Production Sharing Contract" covering the exploration, development and production licenses over designated areas (the "OPL-236-Project").

Subsequent to receiving the acceptance of the proposed Fundamental Acquisition from the TSXV on April 29, 2016, the Company, conditional upon completing the contracted private placement funding committed by the Shareholders-45%, entered into an agreement with a non-related mining exploration company to transfer its LI-Claims to this mining company in order to focus on the development of its natural oil and gas projects. MHI retained a 1% NSR on any metal produced, the NSR can be purchased for a combined total of \$400,000.

On May 24, 2016 the Company announced the details of a private placement ("PP-1605") but unfortunately experienced several delays of its closing caused partly by the "Brexit" situation in Europe, leading to ongoing extensions of the PP-1605 closing and consequently to a default by the contracted party and the termination of the SPA due to non-compliance of the SPA agreement by the CPS-Shareholders.

On February 15, 2018, the Company was able to execute a binding Letter of Intent ("LOI") for an acquisition agreement, with seven companies holding oil & gas leases in Oklahoma, USA including all entities which are holding any interest in the complete Leasehold Estate ("Seller"). On April 11, 2018 Company received conditional acceptance of the acquisition by the TSXV and on April 24, 2018 executed the Definitive Acquisition Agreement ("DA-Agr") with the seven lease-hold owners including any entities holding an interest in the Sellers leases.

Under the terms of the DA-Agr, the Company will acquire all working and overriding royalty interests of a Leasehold Estate, located in the state of Oklahoma, covering wells and oil leases (the "OKL-Project"). The purchase price for the acquisition is US\$3,000,000 to be fulfilled through scheduled cash payments over a period of three years and will be secured through a mortgage carried by the seller as mortgagee, bearing an annual interest rate of 5% which has to be paid in monthly instalments as an Overriding Royalty. The parties to the DA-Agr agreed that the minimum monthly interest payment shall be US\$10,000; or a payment equal to an Overriding Royalty Payment of 50% from each monthly production income, whichever is greater, and these payments began one month after the approval date of the TSX-V on June 25, 2018 and have continued every month since then.

The Company advanced US\$110,000 for the initial development cost and the up to date minimum monthly interest payments for the OKL-Project, as agreed under the terms of the DA-Agr, which were provided by its controlling shareholder Merfin Management Limited ("Merfin"), in order to keep the company in good standing under the terms of the DA-Agr and to increase production of certain producing wells within the Leasehold Estate. Under the DA-Agr. It is further agreed that the Seller will continue to operate the OKL-Project and report to the Company consistently on the development of the OKL-Project until the Company has completed payments of US\$1,500,000 within the first 15 months after the TSX-V approval. The 5% interest payments will continue on the unpaid balance of the purchase price. The remaining balance of US\$1,500,000 of the Acquisition price will be due on or before the third anniversary date of the approval date of the TSXV.

Under the terms of the Da-Agr the Seller will continue to operate, administer, and report the development progress of the Leasehold Estate for the next 15 months until a Premium-Payment of USD 1,500,000 including all interest payments within that time frame have been made. The Seller will then transfer the full operations of the Leasehold Estate and will initiate the transfer of all revenue derived from the Leasehold Estate to the full control and administration of the Company. The Seller also granted an option to the Company to request the transfer of the Seller's wholly owned operating company established and fully licensed to operate in Oklahoma.

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***Overall Performance***

**Financing**

Due to insufficient funds to perform a meaningful exploration program on its lithium properties, the Company decided in fiscal 2014 to impair the properties and record it as impairment of assets. During the month of April, 2016, the Board of Directors approved the transfer of 100% legal and beneficial interest in its lithium claims that had been impaired in fiscal 2014 to a mining exploration company in return for a 1% NSR royalty. The mining exploration company has the right to purchase the Company's 1% NSR on the properties for \$400,000 at any time.

On April 21, 2016, the Company announced the execution of the final Share Purchase Agreement ("SPA") with twelve shareholders ("Shareholders-SPA") of CPS Energy Resources Plc ("CPS") representing 45% ("Shareholders-45%") of the outstanding shareholdings of CPS, subject to TSXV approval. Subsequent to receiving the conditional approval from the TSXV, the Company negotiated the Right of First Refusal (the "ROFR") to acquire, subsequent to the final approval by the TSXV, an additional 8% of the shares of CPS from two additional CPS shareholders ("Shareholders-8%") and agreed that the terms of the SPA would apply.

On April 5, 2016 the TSX-V granted Merfin Management Limited 127,557 bonus shares in recognition for providing loan amounts in fiscal 2015 and 2014 totaling \$89,290.

Subsequently, in April of 2016, Merfin Management Limited provided additional financial support totaling \$8,349 for auditing and filing costs.

On July 14, 2016 and July 18, 2016, two Directors of the Company exercised 100,000 and 7,500 options at \$0.15 per unit in the Company's share capital in order to provide additional working capital.

On March 2, 2017, the Company announced that it had received fully executed subscription agreements for 900,128 and 3,000,425 units in its Private Placement. A finder's fee of \$3,855 will be paid by the Company in connection with the Private Placement. As at August 11, 2017 the Company has received a total amount of \$127,586.

On December 7, 2017 the Company announced that subscription agreements, arranged by CPS shareholders, for a private placement that constituted part of the SPA were not executed due to non-performance. Some subscriptions for share received in advance by the Company were reclassified in Accounts payable.

On August 14, 2017, an employee of the Company exercised 30,000 options at \$0.14 per unit in the Company's share capital to provide additional working capital.

On September 28, 2017, a Director of the Company exercised 50,000 options at \$0.14 per unit in the Company's share capital to provide additional working capital.

On December 28, 2017 the Company received notice to exercise 218,000 options into common shares at a price of \$0.14 per share. The Company recognized the amounts received as shares to be issued at December 31, 2017. The shares were issued subsequent to December 31, 2017.

On February 27, 2018 the Company made the initial payment of US\$25,000 followed by a second payment of US\$85,000 on March 28, 2018 as part of the US\$110,000 committed under the LOI executed on February 15, 2018, as initial development funds to increase production of certain producing wells within the OKL-Project identified under the DA-Agr..

During the nine months ended September 30, 2018, the Company received advances in the amount of \$228,501 from Merfin Management Limited ("Merfin") which were recorded in accounts payable.

On October 17, 2018 the Company announced that it had received TSX Venture Exchange (the "TSX-V") approval for its submitted request dated September 25, 2018 to issue 6,468,910 common

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shares to Merfin Management Limited ("Merfin") and 585,975 common shares to Infogen Research Limited ("Infogen") respectively to eliminate the long outstanding insider-loans provided until September 30, 2018. The shares will have no warrants attached and the cost of \$0.155 per share was calculated based on the weighted average trading price for the previous two months.

Merfin and Infogen agreed to a voluntary holding period of four month from the issuance date.

As at September 30, 2018, Merfin, a holding company, of which Dieter Peter is President, provided accumulated cash advances of \$1,002,681 that were used for property payments, general working capital in order to keep the Company in good standing and meet its administrative obligations including the required fees to regulatory bodies as well as consulting fees from 2013 to January 2014 and accrued interest for the aforementioned. The loan from Infogen amounted to \$90,826 for providing consulting services from 2013 to February 2014. Since 2013 and 2014 Mr. Peter and Mr. von Kursell respectively provided unpaid services for their responsibilities in their capacities as Officers and Directors of the Company which was always disclosed in its financial statements.

The Company's independent Directors, acting in good faith, having approved all previous loans, have determined that the issuance of common shares in the capital of the Company is preferable to large and long outstanding insider loans and reasonable in the current circumstances of the Company. The issuance of shares has no impact on or is creating a new control person. Both Merfin and Infogen are showing faith in the future of the Company and investors can be assured that any future funds raised will not be used to pay off those long-term outstanding insider loans.

**Results of operations**

**Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017**

Net loss and comprehensive loss for the nine months ended September 30, 2018 was \$196,995 (loss per share - \$0.02) compared to \$257,459 (loss per share - \$0.02) for the corresponding period in 2017. Being at the development stage, the Company did not generate any revenue from operations. The decrease in loss of \$60,464 was mainly attributable to:

1. a decrease of \$31,310 in investor relations from \$33,294 in 2017 to \$1,984 in 2018;
2. a decrease of \$14,081 in office expenses from \$15,799 in 2017 to \$1,718 in 2018 mainly due to savings by using shared office space;
3. a decrease of \$61,143 in share based compensation from \$105,012 in 2017 to \$43,869 in 2018 due options having vested;
4. An increase of \$58,047 in bank charges and interest from \$63,843 in 2017 to \$121,890 in 2018 due to accrued interest for outstanding loans to related parties and mortgage interest payment for the Oklahoma Leasehold Estate.

**Selected annual information**

Summary of Annual Results	December 31 2017	December 31 2016	December 31 2015
	\$	\$	\$
<b>Net revenue</b>	-	-	-
<b>Loss from operations</b>			
- in total	(358,524)	(322,184)	(484,882)
- on a per-share basis	(0.03)	(0.03)	(0.04)
- on a diluted per-share basis	(0.03)	(0.03)	(0.04)
<b>Net loss</b>			
- in total	(358,479)	(299,549)	(484,882)

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- on a per-share basis	(0.03)	(0.03)	(0.04)
- on a diluted per-share basis	(0.03)	(0.03)	(0.04)
<b>Total Assets</b>	45,278	41,174	34,159
<b>Total long-term financial Liabilities</b>	-	-	-
<b>Cash dividends declared per share</b>	-	-	-

**Selected Quarterly Information**

Three months ended	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Total assets	179,158	180,349	182,224	45,278	38,367	33,555	35,489	41,174
Exploration and evaluation assets	141,818	141,818	141,818	-	-	-	-	-
Working capital	(1,753,920)	(1,508,280)	(1,452,272)	(1,279,215)	(1,231,164)	(1,193,894)	(1,144,644)	(1,130,328)
Shareholders' equity	(1,425,215)	(1,359,513)	(1,303,419)	(1,272,088)	(1,223,983)	(1,186,606)	(1,137,211)	(1,122,736)
Revenue	Nil							
Net loss	(67,879)	(68,903)	(60,213)	(101,020)	(58,566)	(95,561)	(103,332)	(86,889)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)

**Third quarter results**

During the quarter ended September 30, 2018, the Company incurred a loss of \$67,879 compared to a loss of \$58,566 for the comparative period.

Significant movements for the three month period ended September 30, 2018 were an increase of \$41,056 in bank charges and interest from \$22,018 in 2017 to \$ 63,074 in 2018; a decrease of \$5,706 in office expenses from \$5,891 in 2017 to 185 in 2018; a decrease of \$2,500 in professional fees from \$2,500 in 2017 to \$Nil in 2018; a decrease of 2,811 from \$4,989 in 2017 to \$\$2,178 in 2018.

**Liquidity**

The Company's working capital and deficit positions at September 30, 2018 and December 31, 2017 were as follows:

	September 30 2018	December 31 2017
Working capital (deficit)	\$ (1,753,920)	\$ (1,279,215)
Deficit	\$ (18,974,211)	\$ (18,777,216)

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms.

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The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, the Company's production and exploration success. The global securities markets as well as in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

**Capital Resources**

At September 30, 2018, there were 11,354,303 (2017: 11,36,303) common shares outstanding without par value, and a consolidated deficit of \$(18,974,211) (September 30, 2017: \$(18,617,630)), resulting in a shareholder's equity of (\$1,425,214) (September 30, 2017: \$(1,223,983)).

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

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations and Deficit included in its condensed interim consolidated financial statements for the nine months ended September 30, 2018 which are available on SEDAR at '[www.SEDAR.com](http://www.SEDAR.com)'.

**Related Party Transactions**

During the nine months ended September 30, 2018, the Company entered into the following transactions with related parties.

***Key management personnel compensation***

The remuneration of key management personnel consisted only of stock based compensation, which during the nine months ended September 30, 2018 and 2017 was as follows:

	Note	September 30, 2018 (unaudited)	September 30, 2017 (unaudited)
Stock based compensation	(i)	\$ 23,070	\$ 44,636

- (i) Stock based payments are the fair value of options granted to the Chief Executive Officer, the Chief Financial Officer and Corporate Secretary, which vest partly on grant date and partly on the first and second anniversaries of the grant date.

***Other related party transactions***

During the nine months ended September 30, 2018:

- (i) the Company charged, as a recovery of office expenses, office rent and utilities, Nass Valley Gateway Ltd. and The Elleet Network Corp., companies related by common directors and officers, a total amount of \$4,796 (2017: \$13,288).
- (ii) the following were receivable from companies which are related by common directors:

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	<b>September 30 2018 (unaudited)</b>	December 31 2017 (audited)
Gitxa'tin MHind World Link	\$ 156	\$ 156
Nass Energy Inc.	135	135
Nass Valley Gateway Ltd	-	347
The Eelleet Network Corp.	964	8,427
	<b>\$ 1,255</b>	<b>\$ 9,065</b>

(iii) the following were also included to related parties in accounts payable:

	<b>September 30 2018</b>	December 31 2017
Andrew von Kursell, Director	\$ 9,360	\$ 9,360
Dieter Peter, Director	8,552	8,552
Nass Valley Gateway Ltd	44,254	43,466
	<b>\$ 62,166</b>	<b>\$ 61,378</b>

***Advances received from related party***

As at September 30, 2018, the Company had received advances totaling \$1,002,681 (2017: \$921,251) from Merfin Management Limited ("Merfin"). Merfin is a private company controlled by the Chief Executive Officer. The promissory notes bear interest at 8.5% per annum. As at September 30, 2018 an amount of \$340,189 (2017: \$258,757) was accrued as interest. The loan is due on the date of completion of a financing of a minimum of \$1,000,000. During the nine months ended September 30, 2018, the Company received advances in the amount of \$228,501.

On April 5, 2016 the TSX granted Merfin 127,557 bonus shares valued at \$17,859 in recognition of providing loan amounts in fiscal 2014 and 2015 totaling \$89,290.

As at September 30, 2018, the Company had advances totaling \$90,826 (2017: \$83,450) due to Infogen Research Limited ("Infogen"). The promissory notes bear interest at 8.5% per annum. As at September 30, 2018, an amount of \$32,625 (2017: \$25,249) was accrued as interest. There is no specific maturity date.

The Company agreed to pay the lenders the bonus permitted by TSX Venture Exchange policies and the terms of the agreements. The bonus shall be paid in cash, shares, warrants or a combination at the election of the lenders.

**Off Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

**Directors and Officers**

Dieter Peter	President, CEO and Director
Andrew H. von Kursell	Director, Chair of Audit Committee, Interim Chief Financial Officer
Rafael Pinedo	Director, member of Audit Committee
Grant A Hendrickson	Director
Eric Peter-Kaiser	Director
Milo Filgas	Director, member of Audit Committee

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**Outstanding Share Data as at November 12, 2018**

	Number outstanding	Exercise Price	Expiry Date
Common shares	18,409,188		
<b>Common shares issuable on exercise:</b>			
Share options	312,500	0.14	December 17, 2018
Share options	741,000	0.30	December 16, 2019
Share options	569,500	0.30	October 30, 2020

As at September 30, 2018, the Company had no outstanding warrants to purchase common shares of the Company.

**Environmental Liabilities**

Mineral Hill recognizes the overall concerns and potential environmental effects the development of oil and gas project might have and is determined not only to improve the inherited extraction and processing methods but also to apply in future the unique, patented waste-to-clean-energy ("EnviroX") technology of its subsidiary Global Environomic Systems Corp in order to convert toxic emission free, oil sludge into bio-oil and other marketable "green" end-products. The Company may also consider to custom convert for oil producing neighbors in order to create additional jobs, income and clean energy.

**Future Developments**

The Company has incorporated a subsidiary in Oklahoma as possible future operating company and holder of its assets within the USA and has also been approached to incorporate additional oil & gas production projects in Oklahoma. The Company is evaluating those opportunities to be conceivable acquisitions subsequent to closing of its announced initial equity financing not only as additional income projects but also in respect to the advancements of an effective operating team for its Oklahoma assets.

The Company's primary objective is to further develop its projects within the Anadarko Basin STACK play but also at the same time evaluate further the need to divest non-core assets and last but not least applying its EnviroX technology by establishing the first converting plant in the US based on its double pyrolysis process in order to convert any kind of oil sludge into clean energy.

**Risks and Uncertainties**

The Company has been engaged in the exploration of mineral deposits in the past and will be focusing on the exploration of oil and natural gas subsequent to receiving the final approval from the TSXV on the Company's proposed substantial acquisition. The Company's financial success will be dependent upon the confirmation of the proposed acquisition and its reported resources. The acquisition and the related activities involve significant risks which, even with careful evaluation, experience and knowledge may not be eliminated.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of commodities;
- The demand of commodities can be dependent on global consumption;
- An increase in competition to acquire exploration or production properties throughout the world;
- No assurance about the economic viability. Investment gains are highly speculative;
- No assurance that the by the company proposed financing will be completed as proposed;

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- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;
- Exploration and access to the projects can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipment;
- Additional expenditures will be required to establish resources or reserves on exploration properties, if indeed resources or reserves exist on the properties;
- The rights to the resource properties must be maintained in accordance with various regulations and agreements;
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly including renewal of permits from Provincial and State territories.

**Exploration, Development, and Production Risks**

The Company's acquisition of leasehold interests of oil and natural gas prospects, the drilling, ownership and operation of oil and natural gas wells, and the ownership of non-operating interests in oil and natural gas properties is highly speculative. There is no certainty that prospects will continue to produce or produce oil or natural gas or commercial quantities of oil or natural gas. Additionally, the amount of time it will take to recover any oil or gas is unpredictable. Oil and natural gas operations involve many risks that even an experienced and knowledgeable operating team may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves.

Without the continual addition of new reserves, any existing reserves the Company may have at any time, and the production there from, will decline over time as such existing reserves are decline. A future increase in the Company's reserves will depend not only on its ability to explore and develop properties it may have from time to time, but also on its ability to select and acquire suitable producing properties and prospects. No assurance can be given that the Company will be able to continue to locate properties for suitable acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company' management may experience that changing markets, terms of acquisitions and participation or pricing conditions make such acquisitions or participations uneconomic.

There is no assurance commercial quantities of oil and natural gas will be discovered or acquired by the Company. Further, completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Delays and added expenses may also be caused by poor weather conditions affecting, among other things, the ability to lay pipelines or otherwise transport or market hydrocarbons. In addition, ground water, impenetrable substances, various clays and lack of porosity and permeability may hinder or restrict production or even make production impractical or impossible. While diligent field operations and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

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### **Operational Dependence**

An unrelated party may operate the producing wells and their associated costs could adversely affect the Company's financial performance. The Company's financial return depends on several factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise, the approval of other participants, and the selection of technology and risk management practices.

### **Environmental**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal laws, local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that its acquired assets are in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material adverse effect on the Company's business, financial condition, results of operations and prospects. Given the evolving nature of the debate related to climate change and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

### **Financial Instruments**

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties and, in the future, possibly corporate bonds and other financial instruments. Unless otherwise noted, it is management's opinion that the Company is presently not exposed to significant interest, currency or credit risks arising from these financial instruments generated from none arms-length parties.

### **Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and contributions from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and marketable securities with high-credit quality financial institutions.

Amounts due to and from related parties are discussed in Note 8 of the financial statements.

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### **Currency risk**

The Company will operate primarily in US dollars and as such might be affected by the fluctuations of the Canadian dollar with the US dollar.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied solely upon equity financings and loans from insiders to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its projects, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada and globally have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

### **Interest rate risk**

The Company normally invests in short-term interest bearing financial instruments. There is a risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

### **Critical Accounting Estimates**

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

(i) *Stock Based Compensation*

The Company uses the Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officers, directors and consultants and the pricing of share purchase warrants. These estimates are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 9(c) in the financial statements.

(ii) *Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

### **Changes in Accounting Policies**

The Company did not adopt any new or amended accounting standards during the nine months ended September 30, 2018 which had a significant impact on the Financial Statements.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

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**IFRS 9 financial instruments**

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

**Forward-Looking Statements**

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address the Company's expectations, should be considered forward-looking statements. Certain forward looking information should also be considered future-oriented financial information ("FOFI") as that term is defined in NI 51-102. The purpose of disclosing FOFI is to provide a general overview of management's expectations regarding the anticipated results of operations and capital expenditures. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. These forward-looking statements are set forth principally under the heading "Property Overview" and elsewhere in Management's Discussion and Analysis and may include statements regarding perceived merit of properties; mineral reserve and resource estimates; capital expenditures; feasibility study results; exploration results at the Company's property; budgets; work programs; timelines; strategic plans; market price of precious and base metals; or other statements that are not statement of fact. The material factors or assumptions used to develop forward-looking statements include prevailing and projected market prices and foreign exchange rates, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions and as more specifically disclosed throughout this document. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and its subsidiaries may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

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

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uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed on the Company's other information released by the Company and filed with the applicable regulatory agencies.

The reader should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at November 12, 2018.

*"Dieter Peter"*

On behalf of the Board  
Dieter Peter  
Chief Executive Officer  
November 12, 2018