

**FILING STATEMENT**  
**OF**  
**MG CAPITAL CORPORATION**

**With respect to the Proposed Acquisition of**  
**DLP Resources Inc.**

**October 31, 2019**

Neither the TSX Venture Exchange Inc. (the “**Exchange**”) nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.

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## **SCHEDULES**

Schedule "A"– Financial Statements of the Company for the year ended December 31, 2018 (audited) and for the six month period ended June 30, 2019 (unaudited)

Schedule "B"– MD&A of the Company for the year ended December 31, 2018 and for the six month period ended June 30, 2019

Schedule "C"– Financial Statements of DLP for the period from incorporation on June 7, 2019 to July 31, 2019 (audited)

Schedule "D"– MD&A of DLP for the period from incorporation on June 7, 2019 to July 31, 2019

Schedule "E"– Pro Forma Financial Statements of the Resulting Issuer

## **CERTIFICATES**

CERTIFICATE OF THE COMPANY

CERTIFICATE OF DLP RESOURCES INC.

## GLOSSARY OF TERMS

“**ABCA**” means the *Business Corporations Act (Alberta)*, RSA, 2000, c. B-9, as may be amended or re-enacted from time to time, including all regulations promulgated thereunder.

“**Acceleration Right**” means the right of DLP to accelerate the expiry date of the DLP Warrants to 30 days from the date notice of such acceleration is delivered to warrant holders if the closing price of the Resulting Issuer's common shares on the TSX Venture Exchange, or any other stock exchange on which the Resulting Issuer's common shares are then listed, is at a price equal to or greater than \$0.25 for a period of 20 consecutive trading days.

“**Acquisition**” means the acquisition by the Company of all of the issued and outstanding DLP Shares by way of “three cornered” amalgamation as contemplated by the Amalgamation Agreement, which will constitute the Company's Qualifying Transaction in accordance with the CPC Policy.

“**Affiliate**” means a Person that is affiliated with another Person as described below.

A Person is an “Affiliate” of another Person if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Person is a subsidiary of another Person if the Person is controlled by that other Person.

A Person is “controlled” by another Person if:

- (a) voting securities of the Person are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Person.

A Person beneficially owns securities that are beneficially owned by:

- (a) Person controlled by that first Person, or
- (b) an Affiliate of that Person or an Affiliate of any Person controlled by that Person.

“**Aldridge Properties**” means the Aldridge 1 Property and Aldridge 2 Property, each of which is 100% owned by DLP, subject only to the NSR Royalty.

“**Aldridge 1 Property**” means the exploration stage property comprised of the following claims located in British Columbia: JR 1, JR 2, JR 3 and RJ1 through RJ6.

“**Aldridge 2 Property**” means the exploration stage property comprised of the following claims located in British Columbia: JR 4 through JR 8.

“**Amalco**” means the corporation amalgamated under the BCBCA, to be named “DLP Resources Inc.”, which will result from the Amalgamation.

“**Amalgamation**” means the amalgamation of the MG Subco and DLP under the provisions of the BCBCA, and the issuance by the Company of Company Shares and Replacement Warrants to the former DLP Securityholders for the purposes of effecting the Acquisition.

**“Amalgamation Agreement”** means the amalgamation agreement among the Company, MG Subco and DLP dated September 26, 2019 with respect to the Amalgamation, a copy of which is filed on SEDAR at [www.sedar.com](http://www.sedar.com) under the profile of the Company.

**“Associate”** when used to indicate a relationship with a Person, means:

- (a) an Issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling it to more than 10% of the voting rights attached to outstanding securities of the Issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a Person who is an individual
  - (i) that Person’s spouse or child, or
- (ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the Rule Book of the TSX Venture Exchange with respect to that Member firm, Member corporation or holding company.

**“BCBCA”** means the *Business Corporations Act* (British Columbia), SBC 2002, c 57, as may be amended or re-enacted from time to time, including all regulations promulgated thereunder.

**“Board”** means the board of directors of the Company or the Resulting Issuer, as the context requires.

**“Bridge Loan”** has the meaning ascribed thereto under the heading *“The Transaction – Bridge Loan”*.

**“Capital Pool Company”** or **“CPC”** means a corporation: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of a Qualifying Transaction has not yet occurred.

**“CEO”** means Chief Executive Officer.

**“CFO”** means Chief Financial Officer.

**“Closing”** means the completion of the Transaction.

**“Closing Date”** means the date on which the Registrar of Corporations or a Deputy Registrar of Corporations for the Province of British Columbia duly appointed under the BCBCA issues a certificate or other confirmation of filing, giving effect to the Amalgamation.

**“Company”** or **“MG”** means MG Capital Corporation, a corporation incorporated pursuant to the ABCA.

**“Company Shares”** means the common shares in the capital of the Company or the Resulting Issuer, as the context may require.

**“Completion Date”** means the date of the Final Exchange Bulletin.

**“Control Person”** means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding Voting Shares of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer.

**“CPC Escrow Agreement”** means the escrow agreement on Exchange Form 2F dated March 27, 2018 among the Company, the Escrow Agent and certain shareholders of the Company.

**“CPC Policy”** means Policy 2.4 of the Exchange.

**“DLP”** means DLP Resources Inc., a corporation incorporated under the BCBCA.

**“DLP Financing”** means the private placement by DLP, pursuant to which DLP issued the DLP FT Shares and the DLP Units prior to the Qualifying Transaction, for gross proceeds of \$1,152,007 comprised of the sale of \$172,007 of DLP FT Shares at a price of \$0.13 per DLP FT Share and \$980,000 of DLP Units at a price of \$0.10 per DLP Unit, or such other terms as MG and DLP may mutually agree to. See *“The Transaction – The DLP Financing”*.

**“DLP FT Shares”** means the flow-through Class A Common shares of DLP issued pursuant to the DLP Financing, with each such flow-through share qualifying as a “flow-through share” as defined in s. 66(15) of the ITA.

**“DLP Securityholders”** means the holders of DLP Shares, DLP FT Shares, DLP Warrants, FT Finder Warrants and Unit Finder Warrants.

**“DLP Shareholders”** means the holders of DLP Shares.

**“DLP Shares”** means the Class A Common shares in the capital of DLP.

**“DLP Surplus Escrowed Shareholders”** means William Robert Bennett, Richard Zimmer and Early Bird Capital Corp., Leslie Anne “Robin” Sudo. See *“Information Concerning DLP – Principal Shareholders”*.

**“DLP Units”** means the units issued pursuant to the DLP Financing, with each such unit comprised of one DLP Share and one-half of one DLP Warrant.

**“DLP Value Escrowed Shareholders”** means Mark Kucher, Park Road Capital Corp., Carol Li, David Pighin and Derek White. See *“Information Concerning DLP – Principal Shareholders”*.

**“DLP Warrants”** means the common share purchase warrants issued as part of the DLP Units pursuant to the DLP Financing, with each warrant entitling the holder thereof to purchase one additional DLP Share at an exercise price of \$0.15 per share for a period of 24 months from the date of issue, subject to the Acceleration Right.

**“Escrow Agent”** means Computershare Trust Company of Canada, the registrar and transfer agent of the Company.

**“Escrow Policy”** means Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the Exchange Policies.

**“Exchange”** means the TSX Venture Exchange.

**“Exchange Policies”** means the policies of the Exchange and all bulletins, orders, policies, rules, regulations and by-laws of the Exchange as amended from time to time.

**“Filing Statement”** means this filing statement.

“**Final Exchange Bulletin**” means the bulletin issued by the Exchange following the Closing and the submission of all further documentation required by the Exchange, which evidences the final Exchange acceptance of the Qualifying Transaction.

“**Finder’s Fee**” means the finder’s fee payable to Haywood in connection with its role in connecting MG and DLP in contemplation of the Qualifying Transaction, to be satisfied through delivery to Haywood of \$192,500, through the issuance of DLP Shares at a price of \$0.10 per DLP Share.

“**FT Finder Warrants**” has the meaning ascribed thereto under the heading “*Summary – The DLP Financing*”.

“**Government Authority**” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question and, for greater certainty, includes the Exchange.

“**Haywood**” means Haywood Securities Inc.

“**Hungry Miner Property**” means the property 100% held by DLP which is comprised of the following claims located in British Columbia: Hungry Miner 1 through Hungry Miner 11.

“**Insider**” if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of a Person that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“**IPO**” means the initial public offering of Company Shares dated April 30, 2018, pursuant to a CPC Prospectus dated March 27, 2018.

“**Issuer**” means a Person and its subsidiaries which have any of its securities listed for trading on the Exchange, and in this Filing Statement means the Company, as the context requires.

“**ITA**” means the *Income Tax Act* (Canada), RSC 1985, c 1 (5<sup>th</sup> Supp), as may be amended or re-enacted from time to time, including the regulations promulgated thereunder.

“**MD&A**” means management’s discussion and analysis as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

“**Member**” means a member of the Exchange as defined in the TSX Venture Exchange Rules.

“**MG Subco**” means 1224395 B.C. Ltd., a wholly-owned subsidiary of MG incorporated under the BCBCA for the purposes of completing the Qualifying Transaction.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, and the companion policies and forms thereto, as amended from time to time.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*, and the companion policies and forms thereto, as amended from time to time.

“**Non Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“**NSR Royalty**” means the 1% net smelter returns royalty on mineral claims JR 1, JR 2 and JR 3 of the Aldridge 1 Property in favour of Leslie Anne (Robin) Sudo and James (Jim) Stypula.

“**Options**” has the meaning ascribed thereto under the heading “*Information Concerning the Company – Stock Option Plan*”.

“**Order**” means any order (including any judicial or administrative order and the terms of any administrative consent), judgment, injunction, decree, ruling or award of any court, arbitrator or Government Authority.

“**Party**” means a party to the Amalgamation Agreement, being each of the Company, MG Subco and DLP and “**Parties**” means all of them, collectively.

“**Person**” includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, or other legal entity, whether or not having legal status.

“**Pighin Agreement**” has the meaning ascribed thereto under the heading “*Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP*”.

“**Preferred Shares**” means the authorized Preferred shares in the capital of the Company, none of which are currently outstanding.

“**Properties**” means the Aldridge Properties, the Redburn Creek Property, and the Hungry Miner Property, all as more particularly described under the heading “*Information Concerning DLP – Material Mineral Projects*”.

“**Qualifying Transaction**” means, generally, a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means and, in respect of the Company, means the Acquisition, as more particularly described herein.

“**Redburn Creek Property**” means the property 100% held by DLP which is comprised of the following claims located in British Columbia: Redburn 1 through Redburn 12.

“**Regulatory Approval**” means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over any Party or the subsidiary of any Party which is required or advisable to be obtained in order to permit the Qualifying Transaction to be effected, including, without limitation, approval of the Exchange and “**Regulatory Approvals**” means all such approvals, consents, waivers, permits, orders or exemptions.

“**Replacement Warrants**” means the economically equivalent warrants of the Company to be issued to the holders of DLP Warrants.

“**Resulting Issuer**” means the Company existing on the Completion Date, and in this Filing Statement means the Company following the Closing.

“**SEDAR**” means System for Electronic Document Analysis and Retrieval being the official website that provides access to most public securities documents and information filed by Issuers and investment funds with the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com).

“**Significant Assets**” means, generally, one or more assets or businesses which, when purchased, optioned or otherwise acquired by a Person together with any other concurrent transactions, results in the Person meeting the minimum listing requirements of the rules and policies of the Exchange and, in respect of the Qualifying Transaction contemplated by this Filing Statement, means DLP.

“**Sponsor**” has the meaning specified in the Sponsorship Policy.

“**Sponsorship Policy**” means Policy 2.2 – *Sponsorship and Sponsorship Requirements* of the Exchange Policies.

“**Stock Option Plan**” means the stock option plan of the Company, as amended from time to time, as described under the heading “*Information Concerning the Company – Stock Option Plan*”.

“**Stypula Agreement**” has the meaning ascribed thereto under the heading “*Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP*”.

“**Sudo Agreement**” has the meaning ascribed thereto under the heading “*Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP*”.

“**Surplus Escrow Agreement**” means the escrow agreement in Exchange Form 5D to which securities held by the DLP Surplus Escrowed Shareholders will be subject, to be entered into in conjunction with the Acquisition in accordance with the Escrow Policy, among the Company, the Escrow Agent, the DLP Surplus Escrowed Shareholders.

“**Technical Report**” means the technical report on the Aldridge Properties titled “*Technical Report – Geology and Mineral Exploration JR and RJ Properties Southeast British Columbia*” dated August 1, 2019 prepared by Douglas Anderson, P.Eng. and filed on SEDAR by the Company on or about the date of this Filing Statement.

“**Termination Date**” means the date on which the Amalgamation Agreement terminates in accordance with its terms.

“**Transaction**” means the Acquisition and the DLP Financing.

“**Unit Finder Warrants**” has the meaning ascribed thereto under the heading “*Summary – The DLP Financing*”

“**Value Escrow Agreement**” means the escrow agreement in Exchange Form 5D to which securities held by the DLP Value Escrowed Shareholders will be subject, to be entered into in conjunction with the Acquisition in accordance with the Escrow Policy, among the Company, the Escrow Agent, the DLP Value Escrowed Shareholders.

“**Voting Share**” means a security of an Issuer that:

- (a) is not a debt security, and
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

“**White Agreement**” has the meaning ascribed thereto under the heading “*Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP*”.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Amalgamation Agreement.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

Certain additional terms are defined within the body of this Filing Statement and in such cases will have the meanings ascribed thereto.

## **FORWARD LOOKING STATEMENTS**

The information provided in this Filing Statement, including information incorporated by reference, may contain “forward-looking statements” or “forward-looking information” (collectively referred to hereafter as “forward-looking statements”) about the Company and/or DLP. In addition, the Company and/or DLP may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company and/or DLP that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by the Company and/or DLP that address activities, events or developments that the Company and/or DLP expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of the Company and/or DLP and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. See “*Risk Factors*”.

Consequently, all forward-looking statements made in this Filing Statement and other documents of the Company and/or DLP are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company and/or DLP. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or DLP and/or persons acting on their behalf may issue. The Company and/or DLP undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **INFORMATION RELATING TO DLP**

The information contained or referred to in this Filing Statement relating to DLP has been furnished by DLP. In preparing this Filing Statement, the Company relied upon DLP to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to DLP. Although the Company has no knowledge that would indicate that any statements contained herein concerning DLP are untrue or incomplete, neither the Company nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by DLP to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

## **CURRENCY**

In this Filing Statement, references to “\$” or “dollars” are to the lawful currency of Canada, unless otherwise indicated. If applicable, all references to “US\$” or “USD” are to the lawful currency of the United States.

## **DATE OF INFORMATION**

Except as otherwise indicated in this Filing Statement, all information disclosed in this Filing Statement is as of October 31, 2019 and the phrase “as of the date hereof” and equivalent phrases refer to that date.

## SUMMARY

*The following is a summary of information related to the Company, DLP and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement, including the Schedules, which are incorporated herein and form part of this Filing Statement. Certain capitalized words and terms used in this Summary are defined in the Glossary.*

### **The Parties**

The Company is an Alberta-based Capital Pool Company listed on the Exchange. DLP is a private company with exploration properties located in British Columbia. Following completion of the Acquisition, the Company intends to be listed as a Tier 2 Mining Issuer on the Exchange, and the business of DLP will become the Company's business. Please see "Information Concerning DLP" and "Information Concerning the Company" for further information.

### **The Acquisition**

Pursuant to the Amalgamation Agreement, the Company will acquire all of the DLP Shares.

The parties to the Acquisition are DLP, the Company and MG Subco. The Acquisition is an arm's length transaction as DLP has no relationship to the Company or its Affiliates and Associates and the Company has no relationship to DLP or its Affiliates and Associates.

Upon Closing and including the Finder's Fee to be satisfied through the issuance of 1,925,000 DLP Shares to Haywood, former shareholders of DLP will hold approximately 89.1% of shares of the Resulting Issuer and MG shareholders will hold 10.9% of the shares of the Resulting Issuer. It is anticipated that there will be an aggregate of approximately 50,558,131 Company Shares issued and outstanding and an additional 5,984,235 convertible securities of the Resulting Issuer exercisable into Company Shares including the \$172,007 raised through the issuance of DLP FT Shares and \$980,000 raised through the issuance of DLP Units pursuant to the DLP Financing.

Upon completion of the Acquisition, Amalco will be a wholly owned subsidiary of the Resulting Issuer.

### **Name Change**

After the Closing, and subject to shareholder approval, it is anticipated that the Company will change its name to "DLP Resources Inc.", or such other name as may be acceptable to the Company.

### **Escrow Restrictions**

Company Shares issued to DLP Surplus Escrowed Shareholders will be subject to escrow restrictions pursuant to the terms of the Surplus Escrow Agreement, such that 5% of the securities will be released on the date of the Final Exchange Bulletin with a further 5% released six months thereafter, 10% released twelve and eighteen months thereafter, 15% released twenty-four and thirty months thereafter and 40% released thirty-six months thereafter, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer.

Company Shares issued to the DLP Value Escrowed Shareholders who purchased DLP Shares at less than \$0.05 per share will be subject to escrow restrictions pursuant to the terms of the Value Escrow Agreement, such that 10% of the securities will be released on the date of the Final Exchange Bulletin and the remaining escrowed securities will be released in six tranches of 15% every six months thereafter, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer. For additional information

concerning the escrow restrictions applicable to the securities to be issued to the DLP Surplus Escrowed Shareholders and the DLP Value Escrowed Shareholders, please see *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

Additionally, Company Shares held by seed shareholders of the Company will be subject to escrow restrictions pursuant to the terms of the CPC Escrow Agreement and will be released from escrow upon the passage of time in accordance with the Escrow Policy, such that 10% of the securities will be released on the date of the Final Exchange Bulletin and the remaining escrowed securities will be released in six tranches of 15% every six months following the date of the Final Exchange Bulletin, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer. For additional information concerning the escrow restrictions applicable to the securities held by the Principals (as defined under Exchange Policies) of the Resulting Issuer, please see *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

### **The DLP Financing**

The DLP Financing was completed on October 11, 2019 and the Company raised \$172,007 through the issuance of DLP FT Shares at a price of \$0.13 per DLP FT Share and \$980,000 through the issuance of DLP Units at a price of \$0.10 per DLP Unit. Each DLP FT Share is a flow-through share which will qualify as a “flow-through share” as defined in s. 66(15) of the ITA.

Each DLP Unit is comprised of one DLP Share and one-half of one DLP Warrant, with each whole DLP Warrant being exercisable to acquire one additional DLP Share for a period of 24 months from the date of issuance at a price of \$0.15 per share, subject to the Acceleration Right.

DLP paid a cash commission equal to 7.5% of the aggregate combined gross proceeds raised from the sale of applicable DLP Units and DLP FT Shares to subscribers introduced to DLP by Haywood and also issued (i) 99,235 non-transferable warrants (**“FT Finder Warrants”**) which is equal to 7.5% of the gross proceeds raised in respect of the issuance of DLP FT Shares to the subscribers purchasing DLP FT Shares, divided by \$0.13 and (ii) 735,000 non-transferable warrants (**“Unit Finder Warrants”**) which is equal to up to 7.5% of the gross proceeds raised in respect of the issuance of DLP Units to the subscribers purchasing DLP Units, divided by \$0.10. Each FT Finder Warrant entitles the holder thereof to acquire one DLP Share (or equivalent number of Company Shares) for a period of 24 months from the closing date of the DLP Financing at a price of \$0.13 per share. Each Unit Finder Warrant entitles the holder thereof to acquire one DLP Share (or equivalent number of Company Shares) for a period of 24 months from the closing date of the DLP Financing at a price of \$0.10 per share.

Please see *“The Transaction – The DLP Financing”* for additional information.

### **Changes to Board and Management of the Company**

The Company’s current directors are Peter McKeown, Jamie McVicar and Glenn Jamieson. Concurrently with the Closing, all of the current directors of the Company will resign in favour of nominees of DLP, being James (Jim) Stypula, who shall also be appointed CEO, Richard Zimmer and William Bennett. Leslie Anne (Robin) Sudo will be appointed Chief Financial Officer and Corporate Secretary of the Resulting Issuer.

Please see *“The Acquisition – Directors and Management”* and *“Information Concerning the Resulting Issuer – Directors, Officers and Promoters”* for additional information.

### **Interest of Insiders, Promoters or Control Persons**

As of the date of this Filing Statement, Insiders of the Company hold an aggregate of 3,010,000 Company Shares, representing 54.63% of the issued and outstanding shares of the Company.

The following table shows the names of the Insiders of the Company (and any Associates and Affiliates) and the number and percentage of Company Shares they currently hold and are expected to hold on Closing:

Name of Insider	Company Shares as at the date of this Filing Statement	% of Company Shares as at the date of this Filing Statement	Company Shares after the Transaction <sup>(2)</sup>	% of Shares of the Resulting Issuer after the Transaction <sup>(3)</sup>
Peter McKeown	670,000 Company Shares	12.2%	1,270,000 Company Shares <sup>(1)</sup>	2.5%
Jamie McVicar	670,000 Company Shares	12.2%	670,000 Company Shares	1.4%
Glenn Jamieson	670,000 Company Shares	12.2%	670,000 Company Shares	1.4%
Robert Schiesser	1,000,000 Company Shares	18.2%	1,000,000 Company Shares	2.0%
<b>TOTAL</b>	<b>3,010,000</b>	<b>54.8%</b>	<b>3,610,000</b>	<b>7.3%</b>

(1) Peter McKeown acquired 600,000 DLP Units in the DLP Financing.

(2) On an undiluted basis.

(3) Based on 50,558,131 issued and outstanding Resulting Shares.

To the knowledge of the directors and senior officers of the Company and DLP, it is not anticipated that any persons will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting securities (being Company Shares) of the Resulting Issuer upon Closing, whether on a non-diluted or fully-diluted basis.

Please see “*Information Concerning the Resulting Issuer – Escrowed Securities*” and “*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization*” for additional information.

#### **Arm’s Length Transaction**

The Company and DLP have determined that the Acquisition is not a Non-Arm's Length Qualifying Transaction.

#### **Available Funds and Use of Proceeds**

As of the most recent month end prior to the date of this Filing Statement, the Company had working capital of approximately \$190,000 and DLP had a working capital deficiency of approximately \$(28,500). The net proceeds of the DLP Financing was \$1,062,007 and the cash finders’ fees, legal and other costs payable under the DLP Financing was approximately \$90,000. As a result, the Company expects to have the following available funds once final Exchange acceptance has been obtained for the Transaction.

(a)	approximate working capital of the Company as at the most recent month end prior to the date of this Filing Statement	\$190,000
(b)	approximate working capital (deficiency) of DLP as at the most recent month end prior to the date of this Filing Statement	\$(28,500)
(c)	net proceeds of the DLP Financing	\$1,062,007
<b>TOTAL:</b>		<b>\$1,223,507</b>

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use the total available funds in the amount of \$1,223,507 after giving effect to Transaction.

Item	Budgeted Expenditures C\$
Costs of the Company and DLP to complete the Transaction	\$150,000
General and administrative expenses for the next 12 months	\$290,000
Exploration activities on the Aldridge Properties, as recommended in Technical Report	\$508,720
Property maintenance costs	\$48,500
Unallocated	\$226,287
<b>Total</b>	<b>\$1,223,507</b>

See “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*” for more information.

#### **Selected Pro Forma Consolidated Financial Information**

The following table sets out certain financial information for DLP and the Company and pro forma financial information for the Company after giving effect to the Acquisition and certain other adjustments.

The following information should be read in conjunction with the financial statements and reports thereon included in this Filing Statement, being:

- financial statements of the Company for the year ended December 31, 2018 (audited) and for the six month period ended June 30, 2019 (unaudited), which are together attached as Schedule "A" hereto;

- MD&A of the Company for the year ended December 31, 2018 and for the six month period ended June 30, 2019, which are together attached as Schedule "B" hereto;
- financial statements of DLP for the period from incorporation on June 7, 2019 to July 31, 2019 (audited), which are attached hereto as Schedule "C";
- MD&A of DLP for the period from incorporation on June 7, 2019 to July 31, 2019, which are attached hereto as Schedule "D"; and
- unaudited pro forma financial statements of the Resulting Issuer giving effect to the Transaction which are attached as Schedule "E" hereto.

The information provided in the table below is derived from the unaudited financial statements of the Company for the six month period ended June 30, 2019, the audited financial statements of DLP for the period from incorporation of June 7, 2019 to July 31, 2019, and the pro forma financial statements of the Resulting Issuer giving effect to the Transaction.

### Selected Financial Information

Balance Sheet and Income Statement Data	The Company as at June 30, 2019 C\$	DLP as at July 31, 2019 C\$	Pro Forma as at June 30, 2019 (after adjustments) C\$
Assets:			
Current Assets	\$216,849	\$46,789	\$1,325,645
Non-current Assets	-	\$40,000	\$40,000
Total Assets	\$216,849	\$86,789	\$1,365,645
Liabilities:			
Current Liabilities	\$3,308	\$55,046	\$208,354
Non-current Liabilities	-	N/A	\$39,694
Total Liabilities	\$3,308	\$55,046	\$248,048
Shareholder's Equity:			
Capital Stock	\$213,541	\$31,743	\$1,117,597
Number of Shares Issued and Outstanding	5,510,000	32,000,000	50,558,131

### Market for Securities

The Company Shares are listed on the Exchange with the trading symbol "MGX.P" and commenced trading on the Exchange on May 3, 2018. The closing price of the Company Shares on July 26, 2019, being the last trading day prior to the announcement of the Qualifying Transaction, was C\$0.065. See "Information Concerning the Company – Stock Exchange Price".

Upon completion of the Acquisition, the Company Shares will be listed on the Exchange as a Tier 2 Mining Issuer under the trading symbol "DLP".

There is no public market for the shares of DLP.

### **Sponsor**

The Exchange has provided the Company with a waiver from the requirement to obtain a Sponsor in connection with the transactions contemplated herein.

### **Conflicts of Interest**

The directors and officers of the Company and DLP are involved in other projects, including projects in the mining industry, and may have a conflict of interest in allocating their time between the business of the Company and other businesses or projects in which they are or will become involved. Please see *"Information Concerning the Resulting Issuer – Conflicts of Interest"*.

For information concerning the director and officer positions held by the proposed directors and officers of the Resulting Issuer, please see *"Information Concerning the Resulting Issuer – Other Reporting Issuer Experience"*.

### **Interests of Experts**

To the best of DLP's and the Company's knowledge, no direct or indirect interest in the Company or DLP is held or will be received by any experts. Please see *"Information Concerning the Resulting Issuer – Experts"* for more information.

### **Risk Factors**

The Company is and will be subject to certain risk factors which should be carefully considered in connection with your review of the Acquisition. See *"Risk Factors"* for a more detailed description of the risk factors. Company Shares are a risky and speculative investment.

Additionally, there are certain risks that the Resulting Issuer will face in its normal course of business following completion of the Acquisition, which include, but are not limited to, the following: (i) exploration, development and production risks; (ii) risks relating to the Resulting Issuer's substantial capital requirements; (iii) risks relating to the prices of precious metals; (iv) risks regarding mineral resource estimates, if any; (v) environmental risks; (vi) risks associated with potential Aboriginal land title claims on the Properties; (vii) the Resulting Issuer's reliance on key employees and contractors; (viii) potential conflicts of interest between the Resulting Issuer and its directors and officers; and (ix) risks concerning governmental regulations and processing of permits and licenses.

### **Conditional Approval**

The Exchange has conditionally approved the Transaction subject to the Company fulfilling all of the requirements of the Exchange.

### **Shareholder Approval**

The CPC Policy provides that the Company is not required to obtain shareholder approval for the Acquisition, in light of the fact that the Acquisition is not a Non-Arm's Length Qualifying Transaction within the meaning of Exchange Policies.

## **RISK FACTORS**

An investment in Company Shares should be considered highly speculative due to the nature of DLP's existing business and operations, and because of the uncertainty related to the Closing. In addition to the other information in this Filing Statement, an investor should carefully consider each of, and the cumulative effect of the following factors, which assume the completion of the Acquisition.

### **Completion of the Acquisition**

There are risks associated with the Acquisition including (i) that market reaction to the Acquisition and the future trading prices of the Company Shares cannot be predicted; (ii) uncertainty as to whether the Acquisition will have a positive impact on the entities involved therein; and (iii) that there is no assurance that required approvals will be received.

The completion of the Acquisition is subject to several conditions under the Amalgamation Agreement. See "*The Acquisition – Conditions to the Acquisition*". In the event that any of those conditions are not satisfied or waived, the Acquisition may not be completed.

The Company may not realize the anticipated benefits of the Acquisition. Achieving the benefits of the Acquisition will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the businesses of DLP and the Company. The required efforts could divert management's focus and resources from other strategic opportunities and from operational matters during the integration process.

### **Exploration, Development and Production Risks**

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Resulting Issuer's resource base.

The Resulting Issuer's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Resulting Issuer.

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of properties in which the Resulting Issuer has an

interest will have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which the Resulting Issuer's properties will be located, often in poor climate conditions.

The long-term commercial success of the Resulting Issuer depends on its ability to explore, develop and commercially produce minerals from its properties and to locate and acquire additional properties worthy of exploration and development for minerals. No assurance can be given that the Resulting Issuer will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Resulting Issuer may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participation uneconomic.

### **DLP's Properties may be Subject to Aboriginal Claims**

The Properties are located in British Columbia and may be subject to Aboriginal claims. Given the evolving nature of Aboriginal consultation in British Columbia, there can be no guarantee that there will not be delays in project approval, unexpected interruptions in project progress, requirements for Aboriginal consent, cancellation of permits and licenses, or additional costs to advance the Resulting Issuer's projects. In order to facilitate further development, mine permitting and the commencement of mining activities, the Resulting Issuer may deem it necessary and prudent to obtain the cooperation and approval of Aboriginal communities situated in the area of the Properties, as applicable. Any cooperation and approval may be predicated on the Resulting Issuer's commitment to take measures to limit the adverse impacts on Aboriginal rights and ensuring that some of the economic benefits of the construction and mining activity will be enjoyed by Aboriginal communities situated in the area of the Properties, as applicable. There can be no guarantee that any of the Resulting Issuer's efforts to secure such cooperation or approval would be successful or that other assertions of Aboriginal rights and title, or claims of insufficient consultation or accommodation, will not create delays in project approval or unexpected interruptions in project progress, requirements for Aboriginal consent, cancellation of permits and licenses, or result in additional costs to advance.

### **Substantial Capital Requirements**

The proposed management of the Resulting Issuer anticipates that it may make substantial capital expenditures for the acquisition, exploration, development and production of its properties, in the future. As the Resulting Issuer will be at the exploration stage with no revenue being generated from the exploration activities on its mineral properties, the Resulting Issuer may have limited ability to raise the capital necessary to undertake or complete future exploration work, including drilling programs. Future activities may require the Resulting Issuer to alter its capitalization significantly. Any restriction on the Resulting Issuer's access to sufficient capital for its operations could have a material adverse effect on the Resulting Issuer's financial condition, results of operations or prospects. In particular, failure to obtain such DLP Financing on a timely basis could cause the Resulting Issuer to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

### **Competition**

The mining industry is highly competitive. Many of the Resulting Issuer's competitors for the acquisition, exploration, production and development of mineral properties, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them than the Resulting Issuer.

### **Volatility of Mineral Prices**

The market price of any mineral is volatile and is affected by numerous factors that are beyond the Resulting Issuer's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in mineral market prices could render less economic, or uneconomic, some or all of the mineral extraction and/or exploration activities to be undertaken by the Resulting Issuer.

### **Cyclical Nature of Mining**

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. At the present time, the more measured demand for minerals in some emerging economies (notably China and India) has led to moderation in prices for industrial minerals and the lower expectation of future inflation in advanced economies has moderated the price of precious metals. It is difficult to assess how long such trends may continue.

### **Environmental Risks**

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and 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 mining 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 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. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in capital expenditures or production costs or reduction in levels of production at any future producing properties or require abandonment or delays in the development of new mining properties.

### **Reliance on Key Personnel**

The success of the Resulting Issuer will be largely dependent upon the performance of its management and key employees and contractors. In assessing the risk of an investment in the shares of the Resulting Issuer, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of the Resulting Issuer. The Resulting Issuer does not maintain life insurance policies in respect of its key personnel. The Resulting Issuer could be adversely affected in the event

such individuals do not remain with the Resulting Issuer. See also “*Information Concerning the Resulting Issuer – Directors and Officers*” and “*Information Concerning the Resulting Issuer – Management*”.

### **Conflicts of Interest**

Certain of the directors and officers of the Resulting Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Resulting Issuer may become subject to conflicts of interest. The ABCA provides that in the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director or senior officer must disclose his interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA. To the proposed management of the Resulting Issuer’s knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Resulting Issuer and a proposed director or officer of the Resulting Issuer except as otherwise disclosed in this Filing Statement.

### **Dividends**

Neither the Company nor DLP has paid any dividends on its outstanding shares, nor is there any intention of paying dividends in the foreseeable future. Any decision to pay dividends on the shares of the Resulting Issuer will be made by its board of directors on the basis of the Resulting Issuer’s earnings, financial requirements and other conditions.

### **Permits and Licenses**

The activities of the Resulting Issuer are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local populations. Although the Resulting Issuer believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Resulting Issuer. Further, the permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Resulting Issuer’s investments in such projects may decline.

### **Market for Securities and Volatility of Share Price**

There can be no assurance that an active trading market in the Resulting Issuer's securities will be established or sustained. The market price for the Resulting Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the junior exploration industry, may have a significant adverse impact on the market price of the securities of the Resulting Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of a particular company.

### **Uninsured Risks**

The Resulting Issuer, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high

premium costs. Furthermore, the Resulting Issuer may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

### **Government Policy**

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company.

### **Contractual Risk**

The Company and DLP are parties to various contracts and it is always possible that contracts to which they are parties will not be fully performed by other contracting parties.

### **Unforeseen Expenses**

While the Resulting Issuer is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Resulting Issuer may be adversely affected.

## **THE TRANSACTION**

### **Overview**

Pursuant to the Amalgamation Agreement, the Company will acquire all of the DLP Shares.

The parties to the Acquisition are DLP, the Company and MG Subco. The Acquisition is an arm's length transaction as DLP has no relationship to the Company or its Affiliates and Associates and the Company has no relationship to DLP or its Affiliates and Associates.

Pursuant to the provisions of the Amalgamation Agreement: (i) DLP will amalgamate with MG Subco to form Amalco; (ii) the DLP Shareholders will exchange their DLP Shares for equivalent securities of the Company on the basis of one Company Share for each DLP Share held; and (iii) the holders of DLP Warrants will exchange their DLP Shares for equivalent warrants of the Company on the basis of one Replacement Warrant for each DLP Warrant held. The Amalgamation Agreement sets forth the terms of the Amalgamation of DLP and MG Subco, the issuance of the Company Shares in exchange for DLP Shares and the issuance of Replacement Warrants in exchange for DLP Warrants. The Amalgamation is not subject to shareholder approval from the shareholders of MG but is subject to approval by the sole shareholder of MG Subco and the shareholders of DLP. The Acquisition is also subject to the approval of the Exchange. A copy of the Amalgamation Agreement is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Upon Closing and including the Finder's Fee to be satisfied through the issuance of 1,925,000 DLP Shares to Haywood, former shareholders of DLP will hold approximately 89.1% of shares of the Resulting Issuer and MG shareholders will hold 10.9% of the shares of the Resulting Issuer. It is anticipated that there will be an aggregate of approximately 50,558,131 Company Shares issued and outstanding and an additional 5,984,235 convertible securities of the Resulting Issuer exercisable into Company Shares including the \$172,007 raised through the issuance of DLP FT Shares and \$980,000 raised through the issuance of DLP Units pursuant to the DLP Financing.

Upon completion of the Acquisition, Amalco will be a wholly owned subsidiary of the Resulting Issuer.

## **The Amalgamation Agreement**

The Acquisition will be effected in accordance with the Amalgamation Agreement, a copy of which has been filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com) as a material contract. The Amalgamation Agreement contains certain representations and warranties made by each of DLP and the Company in respect of the assets, liabilities, capital, financial position and operations of DLP and the Company, respectively. In addition, each of DLP and the Company provide covenants which govern the conduct of their operations and affairs prior to the completion of the Acquisition. The Amalgamation Agreement contains a number of conditions precedent to the obligations of the Parties thereunder. Unless all of such conditions are satisfied or waived by the Party or Parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the Acquisition will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

### ***Representations and Warranties***

The Amalgamation Agreement contains representations and warranties made by each of DLP, the Company and MG Subco. The assertions embodied in those representations and warranties are solely for the purposes of the Amalgamation Agreement.

The Amalgamation Agreement contains representations and warranties of DLP, the Company and MG Subco relating to certain matters including, among other things: incorporation; qualification to conduct business; authority to execute and deliver the Amalgamation Agreement and perform its obligations under the Amalgamation Agreement; due authorization and enforceability of the Amalgamation Agreement; composition of share capital; options or other rights for the purchase of securities, records and accounts; their respective assets, and conduct of operations; absence of litigation, judgment or order; reporting issuer and listing status, as applicable; and matters related to the Acquisition.

### ***Covenants***

DLP, the Company and MG Subco have each given to the other usual and customary covenants in respect of the Acquisition until the earlier of the Closing Date or the Termination Date to conduct its business, affairs and operations in the ordinary and usual course consistent with past practices and shall not, among other things,:

- (a) amend its governing documents, other than in connection with Transaction;
- (b) sell, transfer or otherwise dispose of any of its property or assets or acquire any material assets;
- (c) make any capital expenditure or commitment;
- (d) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire shares other than in accordance with the terms of the MG Options, DLP Financing, the DLP Warrants, or any incentive compensation plans; or
- (e) redeem, purchase or otherwise acquire any of its outstanding shares or other securities including, without limitation, under an issuer bid.

In addition, the Parties agreed that from the date of the Amalgamation Agreement until the earlier of the Closing Date or the Termination Date, each Party and its respective directors, officers, employees, consultants,

advisors, representatives and agents shall not, and shall not permit any other person to, directly or indirectly solicit, initiate, knowingly encourage, cooperate with or facilitate the submission, initiation or continuation of any oral or written inquiries or proposals or expressions of interest regarding, constituting or that may reasonably be expected to lead to any activity, arrangement or transaction or propose any activities or solicitations in opposition to or in competition with the Qualifying Transaction, and without limiting the generality of the foregoing, not to sell any of its material assets or its business or induce or attempt to induce any other person to initiate any shareholder proposal or "takeover bid," exempt or otherwise, within the meaning of the *Securities Act* (British Columbia), for securities of the Party or the Parties' assets, nor to undertake any transaction or negotiate any transaction which would be or potentially could be in conflict with the Qualifying Transaction from any Person (other than the Parties), nor with respect to the MG and MG Subco only result in the issuance or sale of any securities of a Party, and including, without limitation, allowing access to any third party to conduct due diligence, nor to permit any of its officers or directors to authorize such access, except as required by statutory obligations. In the event a Party, including any of its subsidiaries officers or directors, receives any formal written form of offer or inquiry, such Party shall forthwith (in any event within one business day following receipt) notify the other Parties of such offer or inquiry and provide the other Parties with such details as it may request.

Except for that fact that all third party costs required to be paid to complete the Qualifying Transaction will be borne by DLP, including, but not limited to sponsorship fees and any and all Exchange filing fees, the Parties have agreed to bear their own costs in association with the Acquisition.

***Conditions Precedent to the Acquisition***

The respective obligations of the Parties to complete the transactions contemplated by the Amalgamation Agreement are subject to a number of conditions precedent which must be satisfied or waived in order for the Acquisition to be completed. There is no assurance that these conditions will be satisfied or waived on a timely basis or at all. The following significant conditions, in addition to other conditions, are contained in the Amalgamation Agreement:

- (a) DLP shall have obtained approval from the DLP Shareholders for the Amalgamation;
- (b) there shall not be in force any Order or decree restraining or enjoining the consummation of the Qualifying Transaction;
- (c) the DLP Financing shall have closed prior to the Closing Date and the Chief Executive Officer and Chief Financial Officer of DLP shall have executed and delivered a certificate to that effect to the MG and MG Subco as of the date of closing the DLP Financing;
- (d) the Exchange shall have conditionally accepted the Qualifying Transaction and the listing of the shares of the Resulting Issuer issuable pursuant to the Qualifying Transaction; and
- (e) all Regulatory Approvals shall have been obtained.

The obligations of the Company and MG Subco to complete the transactions contemplated by the Amalgamation Agreement is subject to the fulfillment or waiver of certain additional conditions, as set forth in the Amalgamation Agreement, at or before the Closing Date, including, but not limited to:

- (a) all of the representations and warranties of DLP contained or made pursuant to the Amalgamation Agreement being true and correct as of the Closing Date;

- (b) DLP having, in all material respects to the satisfaction of the Company and MG Subco, fulfilled or complied with all of the obligations, covenants and agreements contained in the Amalgamation Agreement to be fulfilled or complied with by each of them at or prior to the Closing Date, and the Chief Executive Officer and Chief Financial Officer of DLP having executed and delivered a certificate to that effect to the Company and MG Subco at the Closing Date;
- (c) All third party consents, waivers, permits, orders and approvals required in connection with the consummation of the Qualifying Transaction having been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Closing, except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect the Company or MG Subco or would not prevent or materially impede the completion of the Qualifying Transaction contemplated hereby.
- (d) The Company having received consents from James (Jim) Stypula, Richard Zimmer and William Bennett, or such other proposed directors of the Resulting Issuer that DLP in its sole discretion may determine, to act as directors of the Company with effect as of the Closing Date.
- (e) No act, action, suit, Legal Proceeding, objection or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Government Authority or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case: (a) to cease trade, enjoin, prohibit or impose material conditions on the Qualifying Transaction or the transactions contemplated therein or herein; (b) to cease trade, enjoin, prohibit or impose material conditions on the rights of MG to own or exercise full rights of ownership of Amalco, including the rights to vote the Amalco Shares, upon the completion of the Qualifying Transaction or conduct the business conducted by DLP; (c) to prohibit or restrict the completion of the Qualifying Transaction in accordance with the terms hereof or otherwise relating to the Qualifying Transaction; or (d) that would have a Material Adverse Effect, or would materially adversely affect either of the MG Parties.
- (f) DLP providing all of its closing deliveries under the Amalgamation Agreement.

The obligation of DLP to complete the transactions contemplated by the Amalgamation Agreement is subject to the fulfillment or waiver of certain additional conditions, as set forth in the Amalgamation Agreement, at or before the Closing Date, including, but not limited to:

- (a) all of the representations and warranties of the Company and MG Subco contained or made pursuant to the Amalgamation Agreement being true and correct as of the Closing Date;
- (b) the Company and MG Subco having, in all material respects to the satisfaction of DLP, fulfilled or complied with all of the obligations, covenants and agreements contained in the Amalgamation Agreement to be fulfilled or complied with by each of them at or prior to the Closing Date, and a senior officer of the Company having executed and delivered a certificate to that effect to DLP at the Closing Date;
- (c) All third party consents, waivers, permits, orders and approvals required in connection with the consummation of the Qualifying Transaction having been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Closing Date,

except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect DLP or would not prevent or materially impede the completion of the Qualifying Transactions contemplated hereby.

- (d) No Legal Proceeding or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Government Authority or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case: (a) to cease trade, enjoin, prohibit or impose material conditions on the Qualifying Transaction or the transactions contemplated therein or herein; (b) to cease trade, enjoin, prohibit or impose material conditions on the rights of MG to own or exercise full rights of ownership of the Amalco Shares, including the rights to vote the Amalco Shares, upon the completion of the Qualifying Transaction or conduct the business conducted by DLP; (c) to prohibit or restrict the completion of the Qualifying Transaction in accordance with the terms hereof or otherwise relating to the Qualifying Transaction; or (d) that would have a Material Adverse Effect, or would materially adversely affect DLP
- (e) the Company having received written resignations and mutual releases from each director and officer of the Company, in each case with effect from the Closing Date, in a form satisfactory to DLP, acting reasonably;
- (f) the Company having terminated 540,000 of the Options currently held by its current directors and officers;
- (g) the Company and MG Subco providing all of its closing deliveries under the Amalgamation Agreement.

### ***Termination of Amalgamation Agreement***

The Amalgamation Agreement may be terminated (i) by mutual agreement of the Parties, (ii) by either of the Company, MG Subco or DLP, if the effective time of the Amalgamation has not occurred on or before 90 days from the date of the Amalgamation Agreement; or (iii) by either of the Company, MG Subco or DLP, if any other such party has failed to satisfy a condition precedent, if the Party for whose benefit such condition is provided on or before the date required for the satisfaction thereof has not satisfied or waived such condition and has elected to terminate the Amalgamation Agreement pursuant to such failure, provided that the failure to satisfy such particular condition did not occur as a result of a breach by the Party seeking to rely on the condition precedent of any of its covenants or obligations under the Agreement.

### **The DLP Financing**

The DLP Financing was completed on October 11, 2019 and the Company raised \$172,007 through the issuance of DLP FT Shares at a price of \$0.13 per DLP FT Share and \$980,000 through the issuance of DLP Units at a price of \$0.10 per DLP Unit. Each DLP FT Share is a flow-through share which will qualify as a “flow-through share” as defined in s. 66(15) of the ITA.

Each DLP Unit is comprised of one DLP Share and one-half of one DLP Warrant, with each whole DLP Warrant being exercisable to acquire one additional DLP Share for a period of 24 months from the date of issuance at a price of \$0.15 per share, subject to the Acceleration Right.

DLP paid a cash commission equal to 7.5% of the aggregate combined gross proceeds raised from the sale of applicable DLP Units and DLP FT Shares to subscribers introduced to DLP by Haywood and also issued (i) 99,235 non-transferable warrants ("**FT Finder Warrants**") which is equal to 7.5% of the gross proceeds raised in respect of the issuance of DLP FT Shares to the subscribers purchasing DLP FT Shares and introduced to DLP by Haywood, divided by \$0.13 and (ii) 735,000 non-transferable warrants ("**Unit Finder Warrants**") which is equal to up to 7.5% of the gross proceeds raised in respect of the issuance of DLP Units to the subscribers purchasing DLP Units and introduced to DLP by Haywood, divided by \$0.10. Each FT Finder Warrant entitles the holder thereof to acquire one DLP Share (or equivalent number of Company Shares) for a period of 24 months from the closing date of the DLP Financing at a price of \$0.13 per share. Each Unit Finder Warrant entitles the holder thereof to acquire one DLP Share (or equivalent number of Company Shares) for a period of 24 months from the closing date of the DLP Financing at a price of \$0.10 per share.

All securities issued pursuant to the DLP Financing have a hold period expiring on the later of (i) four months and one day following the date of issue, and (ii) four months and one day following the date DLP becomes a reporting issuer. Upon completion of the Acquisition the DLP Shares and DLP FT Shares will be exchanged for free-trading Company Shares pursuant to s. 2.11 of National Instrument 45-106 – *Prospectus Exemptions*.

The proceeds of the DLP Financing will be used primarily for expenses related to exploration activities on the Aldridge Properties, for costs and expenses related to the Transaction, for property maintenance costs and for general and administrative costs of expenses of the Resulting Issuer for the twelve months following the Closing. Please see "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes.*"

#### **Bridge Loan**

Concurrently with the execution of the Amalgamation Agreement, MG provided a bridge loan of \$25,000 to DLP at an interest rate of 10% per annum in accordance with Section 8.5 of TSXV Policy 2.4 – Capital Pool Companies (the "**Bridge Loan**"). The Bridge Loan is being used by DLP to preserve its assets, pay outstanding invoices related to the preparation of the Technical Report and other expenditures incurred while working towards completing the Transaction. The Bridge Loan and interest accrued thereon will be payable on the closing date of the Transaction and if the Transaction is not completed, 90 days from the date of the Amalgamation Agreement.

#### **Name Change**

After Closing, and subject to shareholder approval, it is anticipated that the Company will change its name to "DLP Resources Inc.", or such other name as may be acceptable to the Company.

#### **Escrow Restrictions**

Company Shares issued to DLP Surplus Escrowed Shareholders will be subject to escrow restrictions pursuant to the terms of the Surplus Escrow Agreement, such that 5% of the securities will be released on the date of the Final Exchange Bulletin with a further 5% released six months thereafter, 10% released twelve and eighteen months thereafter, 15% released twenty-four and thirty months thereafter and 40% released thirty-six months thereafter, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer.

Company Shares issued to the DLP Value Escrowed Shareholders who purchased DLP Shares at less than \$0.05 per share will be subject to escrow restrictions pursuant to the terms of the Value Escrow Agreement, such that 10% of the securities will be released on the date of the Final Exchange Bulletin and the remaining escrowed securities will be released in six tranches of 15% every six months thereafter, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer. For additional information concerning the escrow restrictions applicable to the securities to be issued to the DLP Surplus Escrowed

Shareholders and the DLP Value Escrowed Shareholders, please see *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

Additionally, Company Shares held by seed shareholders of the Company will be subject to escrow restrictions pursuant to the terms of the CPC Escrow Agreement and will be released from escrow upon the passage of time in accordance with the Escrow Policy, such that 10% of the securities will be released on the date of the Final Exchange Bulletin and the remaining escrowed securities will be released in six tranches of 15% every six months following the date of the Final Exchange Bulletin, provided that the Exchange determines that the Resulting Issuer will qualify as a Tier 2 issuer. For additional information concerning the escrow restrictions applicable to the securities held by the Principals (as defined under Exchange Policies) of the Resulting Issuer, please see *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

### **Directors and Management**

Concurrently with the Closing and the completion of the Acquisition, Peter McKeown, Jamie McVicar, Glenn Jamieson and Bob Schiesser, being all of the current directors of the Company, will resign in favour of nominees of DLP, being James (Jim) Stypula, who shall also be appointed CEO, Richard Zimmer and William Bennett. Leslie Anne (Robin) Sudo will be appointed Chief Financial Officer and Corporate Secretary of the Resulting Issuer.

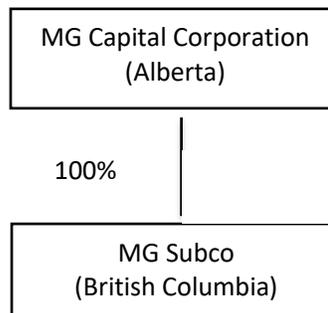
### **INFORMATION CONCERNING THE COMPANY**

The following information reflects the current business, financial and share capital position of the Company. See *“Information Concerning the Resulting Issuer”* for pro forma business, financial and share capital information following the conclusion of the Acquisition.

### **Corporate Structure**

The Company was incorporated under the ABCA on November 9, 2017. It is a reporting issuer in the Provinces of British Columbia and Alberta, and its common shares are listed for trading on the Exchange. The Company’s head office is located at M18 317, Banff Avenue, Banff, Alberta T1L 1C1. The Company’s registered and records office is located at 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta T2P 0R3.

The Company currently has only one directly held and wholly-owned subsidiary, being MG Subco, a company incorporated under the BCBCA on September 24, 2019. MG Subco was formed for the purpose of completing the Amalgamation.



### **General Development of the Business**

The Company is a CPC, meaning that its principal business is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or business in order to complete a Qualifying Transaction. Until the Company completes a Qualifying Transaction, it will not carry on any business other than the identification and

evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Acquisition is intended to be the Company's Qualifying Transaction.

**Selected Consolidated Financial Information and MD&A**

The following table sets out certain selected consolidated financial information of the Company for the financial year ended December 31, 2018 and the six months ended June 30, 2019:

	Year ended December 31, 2018 C\$	Six months ended June 30, 2019 C\$
Total Expenses	\$182,856	\$10,080
Current Assets	\$261,100	\$216,849
Total Assets	\$261,100	\$216,849
Current Liabilities	\$37,847	\$3,308
Total Liabilities	\$37,847	\$3,308
Shareholders' Equity	\$223,253	\$213,541

**MD&A**

Management's Discussion and Analysis of the Company's financial condition and results of operations for the year ended December 31, 2018 and for the six month period ended June 30, 2019 are attached hereto as Schedule "B" hereto and available on SEDAR, and should be read in conjunction with the Company's financial statements and notes thereto for the year ended December 31, 2018 and for the six months ended June 30, 2019, which are attached hereto as Schedule "A" and are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Description of the Securities**

The authorized capital of the Company consists of an unlimited number of Company Shares without par value. As at the date of this Filing Statement, there are 5,510,000 Company Shares outstanding. The holders of the Company Shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors (provided that the Company is entitled to declare dividends on the Preferred Shares without being obliged to declare any dividends on the Company Shares) and, subject to the rights attached to the Preferred Shares, to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The Company Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of Company Shares to contribute additional capital and no restrictions on the issuance of additional securities by the Company.

The authorized capital of the Company also consists of an unlimited number of Preferred Shares without par value. As at the date of this Filing Statement, there are no Preferred Shares outstanding. The Preferred Shares may from time to time be issued in one or more series, which the Board may fix from time to time before the

issue of any such Preferred Shares the number of Preferred Shares to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series, including any voting rights, the rate or amount of dividends, the terms and conditions of redemption, purchase and conversion and sinking fund or other provisions. Preferred Shares of each series shall be entitled to preference over the Common Shares or any other shares of the Company ranking junior to the Preferred Shares of a given series.

The Company has not declared or paid any dividends on the Company Shares since its incorporation and will not declare or pay any dividends prior to completion of the Acquisition.

### **Stock Option Plan**

The Company has adopted an incentive stock option plan (the “**Stock Option Plan**”), which provides that the Board may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options (“**Options**”) to purchase Company Shares, provided that the number of Company Shares reserved for issuance will not exceed 10% of the issued and outstanding Company Shares, exercisable for a maximum period of up to ten years from the date of grant. In addition, the Stock Option Plan provides that: (a) no more than 5% of the issued shares of the Company will be granted to any individual in any 12 month period unless the Company has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements; (b) no more than 2% of the issued shares of the Company will be granted to any one consultant in any 12 month period; and (c) no more than an aggregate of 2% of the issued Company Shares will be granted to an employee conducting investor relations activities in any 12 month period.

During the time that the Company is a CPC, however, the aggregate number of Company Shares issuable upon exercise of all Options granted under the Stock Option Plan shall not exceed 10% of the Company Shares issued and outstanding at the closing of the Company’s initial public offering, such Options being exercisable for a maximum period of up to ten years from the date of grant. Similarly, for as long as the Company is a CPC, the number of Company Shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding Company Shares at the closing of the Company’s initial public offering; and (b) all consultants will not exceed 2% of the issued and outstanding Company Shares at the closing of the Company’s initial public offering. As required by the CPC Policy, the Company, as long as it is a CPC, will not grant Options to any person providing investor relations activities, promotional or market-making services. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with the Company, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Option. The exercise price of the options cannot be less than the greater of the initial public offering Company Share price and the Discounted Market Price (as such term is defined in the Exchange Policies).

Any Company Shares acquired pursuant to the exercise of options under the Stock Option Plan prior to Completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

As of the date hereof, employees, consultants, directors and officers hold in aggregate 540,000 Options to acquire Company Shares pursuant to the Stock Option Plan. As of the date hereof there are 11,000 Options to purchase Company Shares currently available for future grants. Pursuant to the Amalgamation Agreement, the Company intends to terminate 540,000 of the Options currently held by its current directors and officers prior to Completion of the Qualifying Transaction.

## Prior Sales

Since its incorporation, the Company has sold the following securities:

Date	Type of Transaction	Number and Type of Securities	Price Per Share	Gross Proceeds
November 9, 2017	Incorporation	1 Company Share	\$0.05	\$0.05
December 20, 2017	Private Placement	2,009,999 Company Shares	\$0.05	\$100,499.95
December 21, 2017	Private Placement	1,000,000 Company Shares	\$0.05	\$50,000
April 30, 2018	Initial Public Offering	2,500,000 Company Shares	\$0.10	\$250,000
April 30, 2018	Initial Public Offering (Agent's Compensation)	250,000 Agent's Options <sup>(1)</sup>	\$0.10	N/A <sup>(1)</sup>
April 30, 2018	Options Grant	540,000 Options <sup>(2)</sup>	\$0.10	N/A <sup>(2)</sup>

- (1) Under the initial public offering of Company Shares dated April 30, 2018 (the "IPO") and pursuant to an agency agreement between the Company and Leede Jones Gable Inc. dated March 27, 2018 (the "Agency Agreement"), the Company granted to Leede Jones Gable Inc., as agent, options to purchase an aggregate of up to 250,000 Company Shares at a price of \$0.10 per share which may be exercised until April 30, 2020 (the "Agent's Options").
- (2) Concurrent with the closing of the IPO, the Company granted options to acquire an aggregate of 540,000 Company Shares at an exercise price of \$0.10 per share to directors and officers of the Company, which options expire on April 30, 2023.

## Stock Exchange Price

The Company Shares are listed on the Exchange with the trading symbol "MGX.P" and commenced trading on the Exchange on May 2, 2018. The following table shows the high, low and trading volume of the Company Shares on the Exchange on a monthly basis for the periods indicated.

Month	High (C\$)	Low (C\$)	Volume
May 2018	N/A	N/A	N/A
June 2018	0.15	0.08	10,000

Month	High (C\$)	Low (C\$)	Volume
July 2018	0.08	0.075	25,000
August 2018	0.075	0.075	0
September 2018	0.075	0.070	25,000
October 2018	0.07	0.07	0
November 2018	0.07	0.07	0
December 2018	0.07	0.07	0
January 2019	0.07	0.07	0
February 2019	0.07	0.07	0
March 2019	0.07	0.07	0
April 2019	0.07	0.07	500
May 2019	0.09	0.07	38,000
June 2019	0.09	0.09	0
July 1, 2019 to July 24, 2019 <sup>(1)</sup>	0.09	0.065	10,000

(1) Trading halted on July 24, 2019, pending announcement of the Acquisition.

The closing price of the Company Shares on July 24, 2019, being the last trading day prior to the announcement of the Qualifying Transaction, was C\$0.065.

#### **Arm's Length Transaction**

The proposed Acquisition is not a Non-Arm's Qualifying Length Transaction, within the meaning of Exchange Policies.

## Legal Proceedings

The Company is not a party to any legal proceedings currently material to it, and no such proceedings are known by the Company to be contemplated.

## Principal Shareholders

To the knowledge of the directors and executive officers of the Company, there are no shareholders who own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Company Shares, as of the date hereof, other than the following:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number of Company Shares	Percent of Company Shares Owned Prior to Giving Effect to the Acquisition
Peter McKeown <i>Canmore, Alberta</i>	Direct	670,000	12.16%
Glenn Jamieson <i>Oakville, Ontario</i>	Direct	670,000	12.16%
Jamie McVicar <i>Canmore, Alberta</i>	Direct	670,000	12.16%
Robert Schiesser <i>Calgary, Alberta</i>	Direct	1,000,000	18.15%

## Auditor, Transfer Agent and Registrar

The auditors of the Company are KPMG LLP, Chartered Professional Accountants, of 3100-205 5th Avenue SW, Calgary, Alberta, T2P 4B9. The transfer agent and registrar of the Company is Computershare Trust Company of Canada, at its Calgary office located at 530 8th Avenue SW, Calgary, Alberta, T2P 3S8.

## Material Contracts

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company in the two years immediately prior to the date hereof that can reasonably be regarded as presently material to the Company are as follows:

- (a) the Amalgamation Agreement. See *"The Transaction – The Amalgamation Agreement"*;
- (b) the Agency Agreement. See *"Information Concerning the Company – Prior Sales"*;
- (c) the CPC Escrow Agreement. See *"Information Concerning the Resulting Issuer – Escrowed Securities"*; and
- (d) the Transfer Agency and Registrarship Agreement dated as of January 12, 2018 between the Company and Computershare Trust Company of Canada.

Copies of these agreements will be available for inspection at the registered office of the Company located at the offices of Borden Ladner Gervais LLP, solicitors of the Company, located at 1900, 520 - 3rd Avenue S.W., Calgary, Alberta, T2P 0R3, during normal business hours up to the Closing Date and for a period of 30 days thereafter. Copies of the agreements are also available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Executive Compensation**

Unless otherwise noted, the following information is for the Company's last completed financial year which ended December 31, 2018. The compensation policies during such financial year continued to apply in the most recently completed financial quarter.

#### ***Director and Named Executive Officer Compensation, Excluding Securities***

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Company for the two most recently completed financial years. The Company is currently a CPC and until the Company completes a Qualifying Transaction, no compensation of any kind may be provided to the Company's directors or officers, directly or indirectly, by any means, including payment of salary, other than compensation that may be provided by way of options to purchase Company Shares in the Company pursuant to the Stock Option Plan.

Peter McKeown (the "Named Executive Officer") was appointed as the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Company effective November 9, 2017. As at the date hereof, the Named Executive Officer has not received any salary, share-based awards, non-equity incentive plan compensation, pension value or other compensation other than Option-based awards from the Company.

#### ***Stock Options and Other Compensation Securities***

Securities legislation requires the disclosure of compensation securities received during the Company's most recently completed financial year for the directors of the Company and the Named Executive Officer, namely Peter McKeown, Chief Executive Officer, Chief Financial Officer and Corporate Secretary. No compensation securities were granted or issued to the Company's Named Executive Officer or directors by the Company during the most recently completed financial year. No compensation securities were granted or issued to the Company's Named Executive Officer or directors by the Company during six month period ended June 30, 2019.

As of December 31, 2018, the last day of the most recently completed financial year: (i) Peter McKeown held a total of 180,000 Options and 670,000 Company Shares; (ii) Jamie McVicar held a total of 180,000 Options and 670,000 Company Shares; and (iii) Glenn Jamieson held a total of 180,000 Options and 670,000 Company Shares. As of June 30, 2019, the date of the most recent financial statements included in this Filing Statement: (i) Peter McKeown held a total of 180,000 Options and 670,000 Company Shares; (ii) Jamie McVicar held a total of 180,000 Options and 670,000 Company Shares; and (iii) Glenn Jamieson held a total of 180,000 Options and 670,000 Company Shares.

#### ***Stock Option Plans and Other Incentive Plans***

See "Information Concerning the Company – Stock Option Plan".

#### ***Oversight and Description of Director and Named Executive Officer Compensation***

The Board as a whole is responsible for determining the overall strategy of the Company and administering the Company's executive compensation program. The Company chooses to issue Options to maintain a

competitive position in the CPC marketplace and because it is the only permissible form of compensation that may be awarded to its directors and officers while it is a CPC.

The objective and purpose of any Option reward is to encourage the Company's officers and directors to find a Qualifying Transaction that is in the best interest of the Company's shareholders. If a Qualifying Transaction is not successfully completed, or if one is completed that does not increase the value of the Company Shares during the term of the Option, the directors and officers will receive no benefit, or very little benefit, from any Options.

With respect to the grant of Options, the Chief Executive Officer of the Company recommends to the Board the individual equity incentive awards for each executive officer and director. The Board then takes these recommendations into consideration when making final decisions on compensation for those executive officers. The Board does not use formulas or benchmarks for each grant, but is restricted by the policies of the Exchange and the terms of the Stock Option Plan in how many Options it may grant. Options under the Stock Option Plan are awarded to executive officers by the Board based upon the level of responsibility and contribution of the individuals towards the Company's goals and objectives. Previous grants of Options to a particular individual will be taken into account when considering future grants of Options to that particular individual.

Following the completion of a Qualifying Transaction by the Company, if any, it is anticipated that the Company will pay compensation to its directors and officers in accordance with industry standards, depending on the nature and size of the particular business that the Company acquires in connection with any Qualifying Transaction that it may complete.

***Pension Plan Benefits***

During the year ended December 31, 2018, the Company did not provide a defined benefit plan or actuarial plan for its employees, officers or directors. During the six month period ended June 30, 2019, the Company did not provide a defined benefit plan or actuarial plan for its employees, officers or directors.

***Equity Compensation Plan Information***

The following table sets forth information in respect of securities authorized for issuance under the Company's equity compensation plans as at June 30, 2019.

<b><i>Plan Category</i></b>	<b><i>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</i></b>	<b><i>Weighted-average exercise price of outstanding options, warrants and rights (b)</i></b>	<b><i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein) (c)</i></b>
Equity compensation plans approved by securityholders <sup>(1)(2)</sup>	540,000 <sup>(2)</sup>	\$0.10 <sup>(2)</sup>	11,000 <sup>(1)(3)</sup>

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein) (c)</b>
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>540,000<sup>(1)(2)</sup></b>	<b>\$0.10<sup>(1)(2)</sup></b>	<b>11,000<sup>(1)(3)</sup></b>

- (1) The Stock Option Plan is a “rolling” stock option plan which reserves for issuance a maximum of 10% of the issued and outstanding Company Shares at the time of the Option grant. See *“Information Concerning the Company – Stock Option Plan”*.
- (2) On April 30, 2018, upon completion of the Company’s initial public offering, the Company granted 540,000 Options to directors, officers, technical consultants or employees of the Company with an exercise price of \$0.10 per Company Share.
- (3) The Company currently has 11,000 Options available for further issuance under the Stock Option Plan.

### **INFORMATION CONCERNING DLP**

The following information reflects the current business, financial and share capital position of DLP. See *“Information Concerning the Resulting Issuer”* for pro forma business, financial and share capital information following completion of the Acquisition.

#### **Corporate Structure of DLP**

DLP Resources Inc. is a private company which was incorporated under the BCBCA on June 7, 2019. Its registered office is located at 558 Celia Road, Cranbrook, BC V1C 6V9. DLP does not have any subsidiaries.

#### **General Development of the Business of DLP**

DLP is a natural resource company. Its principal business activity is in the ownership and management of mining assets in British Columbia, Canada.

DLP owns a 100% interest in the Aldridge Properties, the Redburn Creek Property and the Hungry Miner Property, all being mineral exploration properties in British Columbia with potential opportunity for commercial development.

Since incorporation, in addition to acquisition of its interests in the Properties, DLP has taken the following steps to develop its business:

- 1) DLP entered into a letter of intent with the Company regarding the Acquisition dated effective July 23, 2019; and
- 2) DLP entered into the Amalgamation Agreement with the Company and MG Subco on September 26, 2019.

DLP expects that over the following year, in addition to completing the Acquisition, it will continue to develop the Properties and may stake additional claims on new mineral exploration properties in British Columbia.

### ***Three Year History of DLP***

DLP was incorporated under the BCBCA on June 7, 2019.

On June 8, 2019, DLP completed a private placement of 17,777,780 DLP Shares at a price of \$0.0028125 per share for gross proceeds of \$50,000. In addition, DLP entered into the following agreements whereby various mineral claims comprising the Aldridge Properties and the Redburn Creek Property were each acquired by DLP in exchange for a total of 14,222,220 DLP Shares at a deemed price of \$0.0028125 per DLP Share (collectively, the "**Property Transfer Agreements**"):

- (a) a property transfer agreement dated July 8, 2019 among James (Jim) Stypula, as vendor, and DLP, as purchaser, whereby James (Jim) Stypula transferred his interests in certain mineral claims comprising the Aldridge Properties, subject to the NSR Royalty, to DLP in exchange for 3,555,555 DLP Shares (the "**Stypula Agreement**");
- (b) a property transfer agreement dated July 8, 2019 among Leslie Anne (Robin) Sudo, as vendor, and DLP, as purchaser, whereby Leslie Anne (Robin) Sudo transferred her interests in certain mineral claims comprising the Aldridge Properties, subject to the NSR Royalty, to DLP in exchange for 3,555,555 DLP Shares (the "**Sudo Agreement**");
- (c) a property transfer agreement dated July 8, 2019 among David Pighin, as vendor, and DLP, as purchaser, whereby David Pighin transferred his interests in certain mineral claims comprising the Aldridge Properties to DLP in exchange for 3,555,555 DLP Shares (the "**Pighin Agreement**"); and
- (d) a property transfer agreement dated July 8, 2019 among Derek White, as vendor, and DLP, as purchaser, whereby Derek White transferred his interest in the Redburn Creek Property, being a 100% interest in the Redburn Creek Property, to DLP in exchange for 3,555,555 DLP Shares (the "**White Agreement**").

The interests in the Aldridge Properties transferred pursuant to the Stypula Agreement, the Sudo Agreement and the Pighin Agreement together comprise a 100% interest in the Aldridge Properties.

The Hungry Miner Property is owned 100% by DLP. Hungry Miner was staked by DLP after prospecting, in the stream beds of Hungry Creek, discovered numerous boulders of massive to semi-massive sulphides.

On October 11, 2019, DLP completed the DLP Financing.

### ***Significant Acquisitions and Dispositions***

DLP has not completed any significant acquisitions or dispositions, other than as disclosed under the heading "*Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP*".

## **Narrative Description of the Business and Operations**

The business of DLP is the development of the Properties in British Columbia. Fieldwork conducted at the Redburn Creek Property yielded sediment samples with high levels of copper, cobalt, and lead. DLP proposes to conduct further exploration and development of the Redburn Creek Property through potential heavy mineral stream sampling, ground prospecting, and geological sampling. DLP also owns a 100% interest in two properties east of Creston, British Columbia known as the Aldridge Properties, which contain potential ore deposits. DLP proposes to conduct geophysical surveys on the Properties to identify potential drill targets. See “*Material Mineral Projects*” for further information regarding the Aldridge Properties.

### ***Specialized Skills and Knowledge***

DLP operates an experienced local British Columbia exploration and geological team with the necessary skill to advance the Properties. Where appropriate, the required technical skill and operations are outsourced to consultants. Regarding a technical team, the Company does not have any that are employees.

### ***Environmental Conditions***

At the Aldridge Properties, which is the main focus of exploration activity, no permitting is required at this stage as stated in the Technical Report.

### ***Employees***

DLP currently operates a team of zero employees.

### ***Lending/Investments***

DLP does not currently hold any investments or have any lending operations. DLP has not adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of the DLP and its securityholders. DLP expects that in the immediate future in order to maintain and develop its mineral properties, it may need to raise additional capital through debt, equity or a combination thereof.

Concurrently with the execution of the Amalgamation Agreement, MG provided the Bridge Loan to DLP.

## **Bankruptcy and Reorganization**

There are no bankruptcies, receivership or similar proceedings against DLP, nor is DLP aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by DLP, nor has DLP been party to any reorganization, since its incorporation.

## **Material Mineral Projects**

### ***The Aldridge Properties***

#### ***Property Description and Location.***

The Aldridge Properties total 4,769.60 Hectares. The JR and RJ properties, which comprise the Aldridge Properties, are located on NTS map sheets 082F01 and 082F08 about 80 kilometres south of Cranbrook on Highway 3. They lie on 1:20,000 scale British Columbia Geological Mapsheets 082F019 and 082F029. The RJ property is centered on UTM (Nad83) coordinates 5446000N and 558000E; the JR property is centered on UTM coordinates 5457000N and 555000E. Both are within the Nelson Mining Division. The two claim blocks are

qualifying properties because they would share common infrastructure facilitated by similar geology and host rocks; the deposits would produce the same products (Pb,Zn,Ag) and therefore could be commingled for processing; the access base would be the same and power lines run between the two properties; they would use the same rail line to the smelter.

The claims are currently owned 100% by DLP, and are not subject to any royalties, except for the NSR Royalty, back-in rights, option payments, encumbrances or other agreements. DLP expects to extend the mineral claims prior to their expiry date by completing assessment work and filing such. The author does not expect the competing claims to inhibit the ability of DLP or the Company to explore or develop the JR and RJ properties.

There are no environmental liabilities for the properties and none are expected with the first phase of exploration work which does not necessitate acquiring permits. Subsequent work if warranted and requiring surface disturbance will be permitted through the Ministry of Energy, Mines and Petroleum Resources of British Columbia.

At this juncture there are no known mineral resources or mineral reserves. There are no mine workings, existing tailings ponds, or waste deposits. The Trans-Provincial Highway Number 3 does cut through the southern portion of the RJ property.

#### ***Accessibility, Climate, Local Resources, and Physiography***

The RJ property is moderately rugged ranging from 800 to 1700 metres in elevation and is heavily wooded with fir, larch and pine. Access is gained from Highway 3 up variously aged forestry roads. Logging has opened up areas on the lower front (south) of the property. Access is good using four wheel drive trucks or ATVs. There is only sparse population along the Highway route.

The JR property farther north is accessed by logging roads up the Goat river then northeast along a tributary known as Leadville creek. There is variously aged logging with some of the roads driveable but brushed-in. It covers moderate topography ranging from 900 to 1800 metres. This property is also in its early stages of exploration. It is more remote than the RJ.

The properties are dominantly north of Highway 3 about 22 kilometres east of the town of Creston (population 5300).

Geological and geochemical work is dependent on access to the ground, so operating season is approximately April 15th to October 31st. For the anticipated geophysics surveys the operating season on the properties is longer depending on snow levels and access.

These properties are still in their early stages of evaluation. The RJ despite being explored over the last two decades by a number of companies is still largely unexplored, especially to depth.

There are power lines between the properties and water resources in several creeks and one river. The remainder of the considerations for development are beyond the scope of such an early exploration project which covers a large area and lacks definition of any resources or deposits.

#### ***History***

##### ***JR Property***

This set of claims to the north straddles the Leadville creek drainage. Historical exploration work has been limited with the main pursuit being gold and has only included the northern portion of the JR. Structurally-hosted gold is known throughout the district, especially to the northeast in the Moyie river drainage.

The only lead-zinc exploration was completed by Cominco Ltd. in 1990 pursuing part of the JR claims and an area to the south with ground EM geophysics. The survey did yield a significant anomaly which was drilled south of the JR (no results available). No drilling has been done on the JR but numerous holes have been completed by several companies over a period of years since 1990, on the ground immediately to the south and along strike from the JR. The focus here has been the presence of weak but widespread sulfides and alteration within the middle of the Middle Aldridge division.

### ***RJ Property***

This larger block of claims has attracted more mineral exploration on the immediate claims and some of the surrounding ground. There are long recognized Sullivan Indicators (features associated with the Sullivan Orebody) including fragmental rocks, tourmalinite, and sulfides. Their presence on the RJ and surrounding claims has resulted in modern exploration efforts since about 1980. The focus has been more on the southern portion of the RJ, straddling Highway 3. Mapping, some rock sampling and analyses, soil geochem surveys, limited geophysics, and diamond drilling was done by a suite of companies including Cominco Ltd., Granges Exploration, Chevron, and several junior companies. Some drilling identified weak but consistent sphalerite (ZnS) mineralization within the Middle Aldridge, in stratigraphy similar to that identified on the Kid/Star south of the JR. At both localities the visible sphalerite (geochemically anomalous only) has been noted over 70 to 100 metres.

There has been no production on any of the ground under consideration.

There is historical work and expenditures on the two properties. The Expenditures based on publicly available records (Assessment Reports) are: JR ~\$91000 and RJ~\$354,000.

### ***Geology Setting***

#### ***Regional Geology***

The JR and RJ properties are underlain by Purcell Supergroup siliciclastic and carbonate metasedimentary rocks.

The Purcell Supergroup is exposed in the core of the Purcell anticlinorium which is a regional arch-like structure formed by Paleozoic-Paleocene thrusting and includes structural panels of the Rocky Mountain fold and thrust belt. The arch trends northwest through the Purcell Mountains of southeastern B.C. The rocks exposed are dominated by the oldest as a 10 kilometre thick (estimated) turbidite-gabbro sill complex referred to as the Aldridge Formation in Canada and the Prichard Formation in the U.S.A.

Further to the northwest, younger rocks overlie the Purcell Supergroup. In the area of interest the Aldridge Formation is divided into three informal members: the Lower, Middle, and Upper Aldridge members. The rock sequence includes more argillites and argillaceous siltstones of the Lower Aldridge from more distal sources succeeded by more proximally sourced quartzitic turbidites of the Middle Aldridge. Dominated by these higher energy, turbiditic sandstones the change is significant as the Lower-Middle Aldridge contact (Sullivan time). The Upper Aldridge is a return to more argillaceous, quiet water sediments. The Aldridge Formation is metamorphosed to middle to upper greenschist facies. A large part of the Lower and Middle Aldridge sequence hosts numerous mafic intrusions, dominantly as the Moyie sills which range from gabbro to diorite in composition.

The Aldridge/Prichard rocks have been the primary focus for exploration in Canada because of the Sullivan orebody. However, exploration has also pursued the three main groups above which together form the Purcell Supergroup (in ascending order – Canada/US): Creston/Ravalli for copper-silver and structurally-hosted Ag-Pb-Zn; Kitchener/Middle Belt carbonate; and Dutch Creek-Mt. Nelson/Missoula Group.

In this regional context for the two Aldridge properties, it is pertinent to discuss the lower part of the Purcell Supergroup. The Aldridge Formation described above was deposited during basinal extension with rifting at ~ 1470 Ma. The three members of the Aldridge were part of a turbidite influx into the sedimentary basin with rifting introducing changes – the most prominent being the afore-mentioned Lower to Middle Contact. It is at this transition interval that the Sullivan Pb-Zn-Ag Sedex deposit occurs. This stratigraphic time is notable for the localized presence of conformable and cross-cutting fragmentals which are interpreted as products of fluidization of the sediment pile which are mainly discordant zones but also form sheet-like, conformable bodies. It culminates at Sullivan with formation of a complex sulfide body and several types of alteration associated with the orebody including tourmalinization, chlorite-pyrrhotite, and chlorite-pyrite-albite-carbonate.

The middle part of the Purcell Supergroup followed the rifting episode as rift-cover, shallow water sediments of the Creston and Kitchener Formations. Generally fine siliciclastic rocks and then carbonate-argillite packages.

The structural history for the region is complex with a series of events affecting the area also resulting in at least three episodes of metamorphism. In the Mesoproterozoic (Purcell Supergroup time) the basin was active with extensional and transfer tectonics, some of which were re-activated during later events. There is an East Kootenay Orogeny date around 1350Ma; a Goat River Orogeny around 850Ma and much later Jurassic-Paleocene(60-160Ma) deformation.

### ***Property Geology***

The two properties share a common geological setting further emphasized by the fact that they occur along strike from each other. So a review of the geology applies to both sets of claims and the intervening ground held by competitors. The same sedimentary rocks include the three divisions of the Aldridge Formation with included Moyie sills and dykes and the overlying Creston Formation. The structural setting is quite similar with north-trending faults playing a significant role in the development of the geological settings. It is likely that other fault orientations are present but not yet defined. The Carroll Creek and Spider Creek faults are regional reverse faults with net movements on them of about 2500 metres and 1200 metres respectively. Mineralization within the Middle Aldridge is common to the area as are various forms of alteration.

### ***Exploration***

Exploration work conducted on behalf of DLP Resources Inc. in 2019 has been limited to geological mapping on each of the properties. Historical information is available for the area based on industry work and government work and compilations. The current mapping benefits from improved road access and the rock exposures created. To date mapping has examined the core areas only for the two properties – it was done at 1:20,000 scale.

No rock or soil sampling has been done as the program is preliminary. Some informative and useful historical work has been done on each of the properties. A greater proportion of the work by others is on adjacent ground as summarized previously and described in much greater detail in the Technical Report.

To date the geology collected has been restricted to Middle Aldridge sediments and included gabbro intrusions. Stratigraphic markers have been collected but not identified yet. Several north-trending faults have been mapped.

The properties cover Middle Aldridge rocks of turbiditic sediments which are the most ubiquitous outcropping part of the Formation. The underlying Lower Aldridge has not been found in outcrop. The Upper Aldridge occurs in nearby areas. The target type is Sedex Pb/Zn (Sullivan being the principal example) meaning formed at or near the seafloor. In part exhaled onto the seafloor, it means the orebody formation was synchronous with sedimentation. Sullivan occurs at the Lower to Middle Aldridge contact which makes it the primary target for exploration.

Important features associated with Sullivan are termed Sullivan Indicators: including fragmental rocks (sediments broken up by fluidization); tourmalinite -altered, boron-rich sediments; and several types of alteration including intense albite and chlorite development.

The Aldridge Formation does host a few much smaller structurally-controlled, cross-cutting Pb/Zn orebodies which are very much a secondary target for exploration.

The JR and RJ properties and the surrounding area have been explored by mostly near-surface techniques. Prospecting with rock sampling, geology mapping, soil sampling, and short drill holes. Aerial geophysics has covered the area. Ground geophysics has been employed over selected portions of the area, including parts of the JR and RJ claims. Excepting the one ground geophysics approach (UTEM) the exploration completed to date has not evaluated to depth. The effectiveness and depth penetration of this technique remains in question.

The 2019 geological work was completed by DLP Resources personnel (the author). It is the author's opinion that the historical work is reliable as discussed in this summary and in the Technical Report. It is true that all previous work by others on the current two properties or on adjacent ground is difficult to verify in its entirety.

### ***Mineralization***

The mineralization known about on the properties was discussed briefly in the History section. The principal sulfide occurrences in the area and potentially on the JR and RJ are hosted within the middle part of the Middle Aldridge. They have been detailed by prospecting, rock sampling, mapping and diamond drilling. Occurring along geological strike for at least 18 kilometres (at least intermittently) the sulfide is mainly sphalerite with lesser galena and where observed and sampled is weak but geochemically anomalous. The sulfides occur in quartz veins and as disseminations within the sediments. Where drilled at the south end of the RJ and immediately south of the JR, the mineralization is spread over intervals of 50 to 100 metre thicknesses. This is unusual for the Middle Aldridge division. Using the stratigraphic marker units employed in mapping, the Lower to Middle Aldridge contact is estimated to be about 700 to 1000 metres below this mineralization. The information about the weak mineralization available in some assessment reports is indicative of what could be expected on the two properties. A resource or deposit would not be based on such occurrences because of a lack of grade and size but the presence of the lead and zinc sulfides as described is significant, lending exploration potential to the two properties.

### ***Drilling***

No drilling has been done by DLP Resources on either property. The exploration stage is very early and target development has to occur first. The drilling completed by predecessors has been discussed in earlier sections of this review.

### ***Sampling and Analysis and Security***

There has been no sampling conducted on the property by the Company or DLP and therefore no analytical procedures are noted.

### ***Mineral Resources and Mineral Reserves***

This section is not addressed due to the early stage of mineral exploration being conducted on the two properties and the fact that such properties are not advanced properties. Historical work has not provided a basis for any resource evaluations nor corresponding studies involved in such pursuits.

### ***Mining Operations***

Not pertinent to these early stage projects.

### ***Exploration and Development***

Current exploration consists of geological mapping to set the framework for the properties and it is ongoing in 2019. This first phase of exploration recommended for the two properties will also include two grids of MT geophysics. Completion of this exploration should provide evaluation of potential targets at depth and possibly lead to further testing including diamond drilling of conductive responses in phase two. As described earlier, the exploration pursuit of these two properties is predicated on the evaluation of the most likely stratigraphic site for Sedex mineralization and therefore mineral deposits at the Lower to Middle Aldridge contact.

### **Selected Consolidated Financial Information**

The following table sets out certain selected consolidated financial information of DLP for the period from incorporation of June 7, 2019 to July 31, 2019.

	<b>As at July 31, 2019 (C\$)</b>
Current assets	\$46,789
Current liabilities	\$55,046
Total assets	\$86,789
Total liabilities	\$55,046
Total Shareholder Deficiency	(\$31,743)

### **MD&A**

The MD&A of DLP for the period from incorporation on June 7, 2019 to July 31, 2019 is attached hereto as Schedule "D", and should be read in conjunction with DLP's financial statements and notes thereto for the corresponding periods, which are attached hereto as Schedule "C".

### Description of the Securities

The authorized capital of DLP consists of an unlimited number of Class A Common shares, of which 43,123,131 fully paid DLP Shares are issued and outstanding as of the date of this Filing Statement.

Holders of the DLP Shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of DLP. The DLP Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holders of the DLP Shares to contribute additional capital and no restrictions on the issuance of additional securities by DLP.

### Dividends

DLP has not generated profits and therefore no dividends have been declared or paid, and it is not anticipated that any dividends will be declared or paid.

### Consolidated Capitalization

The following table sets forth the consolidated capitalization of DLP as at the date of this Filing Statement:

Designation of Security	Authorized	Outstanding as at July 31, 2019	Outstanding as at the date of this Filing Statement
Class A Common shares	Unlimited	32,000,000	43,123,131
Warrants	N/A	Nil	5,734,235
Bridge Loan	N/A	Nil	\$25,000

### Prior Sales

Since its incorporation, DLP has sold the following securities:

Date	Type of Transaction	Number and Type of Securities	Price Per Share	Gross Proceeds
June 8, 2019	Private Placement	17,777,780 DLP Shares	\$0.0028125	\$50,000
		14,222,220 DLP Shares <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>

Date	Type of Transaction	Number and Type of Securities	Price Per Share	Gross Proceeds
October 11, 2019	Private Placement	1,323,131 DLP FT Shares	\$0.13	\$172,007
		9,800,000 DLP Shares	\$0.10	\$980,000
		4,900,000 DLP Warrants	N/A	N/A
		99,235 FT Finder Warrants	N/A	N/A
		735,000 Unit Finder Warrants	N/A	N/A

- (1) Issued in exchange for the acquisition of various mineral claims comprising the Aldridge Properties and the Redburn Creek Property pursuant to the Property Transfer Agreements. See *"Information Concerning DLP - General Development of the Business of DLP – Three Year History of DLP"*.

### Stock Exchange Price

The shares of DLP are not listed or quoted on any stock exchange.

### Principal Shareholders

No person beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the DLP Shares on a non-diluted basis as of the date of this Filing Statement:

### Executive Compensation

Since its incorporation, DLP has not paid any executive compensation, granted any security-based awards, established any pensions plans or entered into any contracts with directors or officers that includes compensation in the event of resignation, retirement or other termination.

### Management Contracts

Management functions of DLP are not performed to any substantial degree by persons other than the directors and senior officers of DLP.

### Non-Arm's Length Party Transaction

Since its incorporation, other than the Stypula Agreement and the Sudo Agreement, DLP has not completed any acquisitions of assets or services or provisions of assets or services from (i) any director, officer or promoter of DLP, (ii) a securityholder disclosed in this filing statement as a principal securityholder, either before or after giving effect to the Transaction; or (iii) an Associate or Affiliate of any Person described in (i) or (ii).

### **Legal Proceedings**

DLP is not a party to any legal proceedings currently material to it or of which any of its property is the subject matter, and no such proceedings are known by DLP to be contemplated.

### **Auditor, Transfer Agent and Registrar**

The independent auditor of DLP is BDO Canada LLP of 600 Cathedral Place, 925 West Georgia Street, Vancouver, BC, V6C 3L2. DLP does not have a registrar or transfer agent.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only contracts entered into by DLP since incorporation and prior to the date hereof that can reasonably be regarded as presently material to DLP are as follows:

- a) the Amalgamation Agreement. See *"The Transaction – The Amalgamation Agreement"*;
- b) the Stypula Agreement. See *"Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP"*;
- c) the Sudo Agreement. See *"Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP"*;
- d) the Pighin Agreement. See *"Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP"*; and
- e) the White Agreement. See *"Information Concerning DLP – General Development of the Business of DLP – Three Year History of DLP"*.

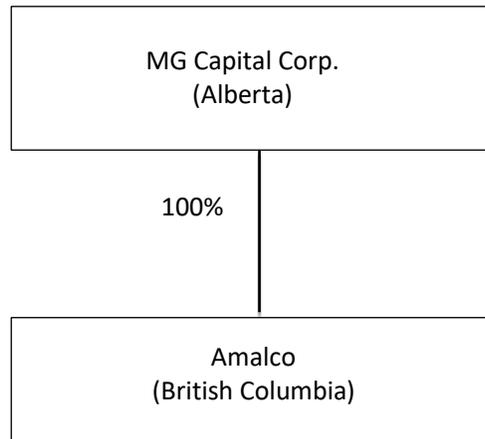
All of the contracts specified above may be inspected at the head office of DLP at 558 Celia Road, Cranbrook, BC V1C 6V9 during normal business hours up to the Closing Date and for a period of 30 days thereafter.

### **INFORMATION CONCERNING THE RESULTING ISSUER**

The following information is presented on a post-Transaction basis and is reflective of the projected business, financial and share capital position of the Company, as the Resulting Issuer, after giving effect to the Transaction. This section only includes information respecting the Resulting Issuer after the Transaction that is materially different from information provided earlier in this Filing Statement under *"Information Concerning the Company"* and *"Information Concerning DLP"*.

## Corporate Structure

Upon Closing, DLP will become wholly-owned subsidiary of the Resulting Issuer, as illustrated by the following organizational chart:



The Resulting Issuer’s head office will be moved to 201, 135 – 10<sup>th</sup> Avenue S., Cranbrook, British Columbia V1C 2N1. The Resulting Issuer’s registered and records office will remain at 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3.

The Resulting Issuer will be listed on the Exchange as a Tier 2 Mining Issuer under the trading symbol “DLP”.

## Narrative Description of the Business of the Resulting Issuer

### ***Stated Business Objectives***

The Resulting Issuer will be a junior mineral exploration company focused on acquisition and exploration of Properties in British Columbia. The Resulting Issuer will pursue the business plans and mineral properties as described in “*Information Concerning DLP – General Development of the Business*” above.

### ***Milestones***

To pursue the foregoing business objectives, the Resulting Issuer will target the milestones and conduct the recommended exploration programs set forth in the Technical Report. Please see “*Information Concerning DLP – Material Mineral Project*” for additional information.

### ***Exploration and Development Activities***

There are no delineated mineral reserves or resources on any of the Resulting Issuer’s properties and the proposed exploration program on the Properties is exploratory. See “*Risk Factors*”.

The Resulting Issuer plans to use any unallocated working capital for additional exploration in British Columbia.

### Description of the Securities

Upon the Closing of the Transaction, the authorized share structure of the Resulting Issuer will be the same as the authorized share structure of the Company. See “*Information Concerning the Company – Description of Securities*”.

### Pro Forma Consolidated Capitalization

The following table sets forth the capitalization of the Resulting Issuer after giving effect to the Transaction based on the pro forma financial statements of the Resulting Issuer attached as Schedule "E" hereto:

Designation of Security	Amount Authorized	Amount Outstanding After Giving Effect to the Transaction
Common Shares	Unlimited	50,558,131 <sup>(1)</sup>
Options	10% of Common Shares	Nil
Agent’s Options	N/A	250,000
Finder’s Warrants	Unlimited	834,235 <sup>(2)</sup>
Warrants	Unlimited	4,900,000

(1) Including the Finder’s Fee to be satisfied through the issuance of 1,925,000 DLP Shares to Haywood.

(2) Comprised of the FT Finder Warrants and the Unit Finder Warrants.

### Fully diluted Share Capital

The following table states the anticipated fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

Description of Security	Number of Securities	% of Total
Company Shares issued and outstanding	5,510,000	9.7%
Company Shares reserved for issuance on exercise of existing options	250,000 <sup>(1)</sup>	0.4%
Company Shares to be issued pursuant to the Acquisition in exchange for DLP Shares (other than those issued pursuant to the DLP Financing)	33,925,000 <sup>(2)</sup>	60.0%

Description of Security	Number of Securities	% of Total
Company Shares to be issued pursuant to the Acquisition in exchange for DLP Shares issued pursuant to the DLP Financing	11,123,131	19.7%
Company Shares reserved for issuance on exercise of the Replacement Warrants to be issued pursuant to the Acquisition	5,734,235 <sup>(3)</sup>	10.1%
<b>Total</b>	56,542,366	

(1) Agent's Options issuable pursuant to the Agency Agreement

(2) Inclusive of DLP Shares issued for Finder's Fee

(3) Includes Replacement Warrants issued in exchange for the FT Finder Warrants and the Unit Finder Warrants.

### Available Funds and Principal Purposes

#### Available Funds

As of the most recent month end prior to the date of this Filing Statement, the Company had working capital of approximately \$190,000 and DLP had a working capital deficiency of approximately \$(28,500). The net proceeds raised from the DLP Financing was \$1,062,007 and the cash finders' fees, legal and other costs payable under the DLP Financing was approximately \$90,000. As a result, the Company expects to have the following available funds once final Exchange acceptance has been obtained for the Transaction.

(a) approximate working capital of the Company as at the most recent month end prior to the date of this Filing Statement	\$190,000
(b) approximate working capital (deficiency) of DLP as at the most recent month end prior to the date of this Filing Statement	\$(28,500)
(c) net proceeds of the DLP Financing	\$1,062,007
<b>TOTAL:</b>	\$1,223,507

#### Principal Purpose of Funds

The Resulting Issuer will spend the funds available to it upon Closing to further the Resulting Issuer's stated business objectives. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

The Resulting Issuer, in order to complete a successful program, may require additional capital which may come from a combination of existing cash flow, potential cash flow, equity financing and/or debt financing or

through new joint ventures. There is no assurance that additional capital will be available to the Resulting Issuer to complete a successful exploration program or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of such exploration program. See “Risk Factors”.

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use the total available funds in the amount of \$1,223,507 after giving effect to Transaction.

Item	Budgeted Expenditures C\$
Costs of the Company and DLP to complete the Transaction	\$150,000
General and administrative expenses for the next 12 months	\$290,000
Exploration activities on the Aldridge Properties, as recommended in Technical Report	\$508,720
Property maintenance costs	\$48,500
Unallocated	\$226,287
<b>Total</b>	<b>\$1,223,507</b>

### **Dividends**

The proposed management and directors of the Resulting Issuer do not anticipate declaring any dividends payable on the Company Shares. The Resulting Issuer will have no restrictions on paying dividends, but if the Resulting Issuer generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The directors of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer’s financial position at the relevant time. All Company Shares will be entitled to an equal share in any dividends declared and paid.

### **Principal Security Holders**

To the knowledge of the directors and senior officers of the Company and DLP, it is not anticipated that any persons will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting securities (being Company Shares) of the Resulting Issuer upon Closing, whether on a non-diluted or fully-diluted basis.

### **Directors, Officers and Promoters**

The Company’s current directors are Peter McKeown, Jamie McVicar and Glenn Jamieson. Concurrently with the Closing and the completion of the Acquisition, Peter McKeown, Jamie McVicar and Glenn Jamieson, being all of the current directors of the Company, will resign in favour of nominees of DLP, being James (Jim) Stypula,

who shall also be appointed CEO, Richard Zimmer and William Bennett. Leslie Anne (Robin) Sudo will be appointed Chief Financial Officer and Corporate Secretary of the Resulting Issuer.

Each director elected or appointed in connection with the Acquisition will hold office until the next annual general meeting of the Resulting Issuer or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Resulting Issuer or with the provisions of the ABCA.

The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the municipality in which each is ordinarily resident, all offices of the Resulting Issuer proposed to be held by each of them, their principal occupations during the past five years and the expected number of Company Shares beneficially owned by each, directly or indirectly, or over which control or direction is exercised, following the Closing.

<b>Name, Municipality of Residence, Proposed Offices</b>	<b>Principal Occupation During Last Five Years</b>	<b>Prior Position with the Company or DLP and Term of Such Position</b>	<b>Number of Company Shares upon Closing</b>	<b>Percentage of Class Held or Controlled on Closing<sup>(1)</sup></b>
James (Jim) Stypula <sup>(2)</sup> <i>Cranbrook, British Columbia</i> Chief Executive Officer and director	Professional director; currently also a director of: Ascot Resources Ltd. (since 2017). Former director of Magellan Minerals Ltd. from 2005 to 2016.	President, Chief Executive Officer, and director (Chairman of Board) of DLP since June 7, 2019	3,555,555	7%
Leslie Anne "Robin" Sudo <i>Cranbrook, British Columbia</i> Chief Financial Officer and Corporate Secretary	Land Manager for various Mining Exploration companies at present; Accountant for various companies at the present	Chief Financial Officer and director of DLP since June 7, 2019	3,555,555	7%
Richard Zimmer <i>North Vancouver, British Columbia</i> Director	Professional Director; Currently also a director of: Ascot Resources Ltd. (since 2017); Capstone Mining Corp. (since	Director of DLP since June 7, 2019	3,555,556	7%

Name, Municipality of Residence, Proposed Offices	Principal Occupation During Last Five Years	Prior Position with the Company or DLP and Term of Such Position	Number of Company Shares upon Closing	Percentage of Class Held or Controlled on Closing <sup>(1)</sup>
	2011); Alexco Resources Corp. (since 2012)			
William Robert Bennett <i>Cranbrook, British Columbia</i> Director	Professional director; formerly BC MLA for 16 years; formerly Minister, Energy & Mines; Currently also a director of: Ascot Resources Ltd. (since 2018); Kutcho Copper Corp. (since 2017); Eagle Plains Resources Ltd. (since 2017); Surge Exploration Inc. (to 2019); and Libero Copper Corporation (since 2019).	Director of DLP since June 7, 2019	3,555,556	7%
<b>Total</b>			14,222,222	28%

(1) Calculated on a non-diluted basis.

(2) James (Jim) Stypula is expected to indirectly hold Company Shares through Early Bird Capital Corp. Mr. Stypula owns 100% of the voting securities of Early Bird Capital Corp. and is the beneficial holder of the DLP Shares currently held by Early Bird Capital Corp.

The Resulting Issuer’s audit committee will be made up of James (Jim) Stypula, Richard Zimmer and William Bennett, all of whom are considered financially literate in accordance with NI 52-110. Richard Zimmer and William Bennett will be considered independent. James (Jim) Stypula, as the proposed Chief Executive Officer of the Resulting Issuer, will not be considered independent.

### Management

The following is a brief description of the key management of the Resulting Issuer.

*James (Jim) Stypula, age 70, Chief Executive Officer and Director*

Mr. James (Jim) Stypula is a businessman with over 30 years of experience and a former investment advisor and financier of mineral exploration and development companies in North and South America. Mr. Stypula is currently a director of Ascot Resources Ltd. Mr. Stypula was the former Chairman of the board of directors of Magellan Minerals Ltd. after its merger with Chapleau Resources Ltd. where he served as CEO and director. Mr. Stypula was also one of the founding directors of Far West Mining Ltd. Mr. Stypula has acted on numerous board committees and has a wealth of business experience related to the mining industry, especially with respect to the small cap gold sector.

Mr. Stypula will be appointed as Chief Executive Officer and a director of the Resulting Issuer and will also fill the role as head of Investors Relations. Mr. Stypula intends to devote 80% of his working time to the affairs of the Resulting Issuer. Mr. Stypula will be an employee of the Resulting Issuer. See “*Information Concerning DLP – Executive Compensation*”. Mr. Stypula has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*Leslie Anne (Robin) Sudo, age 60, Chief Financial Officer and Corporate Secretary*

Ms. Leslie (Robin) Sudo has been actively involved in the mining exploration industry for 35 years, working with major and junior companies. During this time Ms. Sudo has accumulated a vast knowledge of the industry as she has served in a wide variety of roles including CFO, Accounting, Corporate Secretary, Corporate Governance and Internal Controls developer, Land Manager including mineral claim management, staking and permitting in numerous provinces and 2 territories. Ms. Sudo’s knowledge includes all aspects of Administration regarding an exploration office, managing property agreements, electronic filing of public documents (SEDAR) and has performed Human Resources work. Some of the companies Ms. Sudo has worked with are Cominco Ltd. (now Teck Resources Limited), Chapleau Resources Ltd., Consolidated Ramrod Gold Corp., Ryan Gold Corp., StrikePoint Gold Inc. and Ascot Resources Ltd.

Ms. Sudo will be appointed as Chief Financial Officer and Corporate Secretary of the Resulting Issuer. Ms. Sudo intends to devote 80% of her working time to the affairs of the Resulting Issuer. Ms. Sudo will be an employee of the Resulting Issuer. See “*Information Concerning DLP – Executive Compensation*”. Ms. Sudo has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*Richard Zimmer, age 70, Director*

Mr. Richard Zimmer has a degree in Mining Engineering and an MBA and has over 40 years of Canadian and international mining experience including exploration, development and mine operations (both underground and open pit). In the past, Mr. Zimmer served as: President and CEO of Far West Mining Ltd.; VP and Project Manager for Teck's Pogo project in Alaska and General Manager of Teck's Tarmoola gold mine in Australia; Mine Manager of Teck's Afton copper-gold mine in British Columbia as well as acting in several senior mining roles throughout his career. Mr. Zimmer currently serves as a director of Ascot Resources Ltd., Capstone Mining Corp., and Alexco Resource Corp.

Mr. Zimmer will be appointed as director of the Resulting Issuer. Mr. Zimmer intends to be available as required to attend to the affairs of the Resulting Issuer. Mr. Zimmer will not be an employee of the Resulting Issuer. Mr. Zimmer has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*William Bennett, age 69, Director*

Mr. William Bennett was formerly a government MLA in British Columbia (“BC”) for 16 years in the Riding of Kootenay East. In addition to holding portfolios for Local Government and Tourism, Mr. Bennett was named BC Mines Minister three separate times over his 16 years. Mr. Bennett has a BA from the University of Guelph and a law degree from Queen’s University. Mr. Bennett is known across Canada for his knowledge of the mining

industry in BC. He led the BC government's efforts over many years to restore BC's competitiveness for exploration investment, including having improved the BC Ministry of Energy & Mines permitting process and helping to launch BC's First Nations mine revenue sharing program. There are few people in Canada who have such a strong combined knowledge of government processes, of the mining industry and of First Nations. Mr. Bennett also sits on the board of directors of Ascot Resources Ltd., Kutcho Copper Corp., Eagle Plains Resources Ltd. and Libero Copper Corporation.

Mr. Bennett will be appointed as director of the Resulting Issuer. Mr. Bennett intends to be available as required to attend to the affairs of the Resulting Issuer. Mr. Bennett will not be an employee of the Resulting Issuer. Mr. Bennett has not entered into any non-competition agreement with DLP or the Resulting Issuer.

### **Advisory Board**

In addition to the directors and executive officers of the Resulting Issuer, the Resulting Issuer intends to implement an Advisory Board. The mandate and role of the Advisory Board will be to provide the collective guidance and expertise of its members to both the board and management of the Resulting Issuer on an as-needed basis and to assist with the introduction of potential business partners to the Resulting Issuer. The guidance provided by the Advisory Board will be advisory only and will not be binding on the board or management of the Resulting Issuer. The following is a brief description of the Advisory Board of the Resulting Issuer.

#### *Derek White, Advisory Board Member*

Mr. Derek White has over 30 years of international experience in the mining industry. Mr. White is currently President and CEO of Ascot Resources Ltd. Before joining Ascot, Mr. White acted as a principal of Traxys Capital Partners LLP, a private firm specializing in the mining and materials sectors. Prior to joining Traxys, Mr. White was the President and CEO of KGHM International Ltd. from 2012 to 2015, overseeing six mining operations and four large development projects in Canada, the United States and Chile. He also held the positions of Executive Vice President, Business Development/CFO from 2004 to 2012 of Quadra FNX Mining Ltd. Mr. White has held executive positions in business development, operations and finance with BHP Billiton Plc, Billiton International Metals BV and Impala Platinum Holdings Ltd., in Vancouver, Toronto, London, The Hague, and Johannesburg. He is an ICSA Accredited Director and has served on a number of precious metal boards throughout his career. Mr. White holds an undergraduate degree in Geological Engineering from the University of British Columbia and is also a Chartered Accountant. Mr. White also currently serves as a director of MAG Silver Corp. and Orca Gold Inc.

Mr. White will serve the Resulting Issuer as an advisor on an as-needed basis. Mr. White will not be an employee of the Resulting Issuer. Mr. White has not entered into any non-competition agreement with DLP or the Resulting Issuer.

#### *Mark Kucher, Advisory Board Member*

Mr. Mark Kucher is the Founder and Managing Director of British Swiss Investment Corp. He founded British Swiss Investment Corp., in 1990. Mr. Kucher has also held the following positions: Chief Executive Officer, President, and Director at Global Royalty Corp; founder, Executive Chairman, Chief Executive Officer, President, Chief Financial Officer and Secretary of Battle Mountain Gold Exploration Corp.; Managing Director of Sovereign Trust Company.

Mr. Kucher has had various positions with investment banks and brokerage firms. He worked in investment banking with CIBC World Markets, BMO Harris Capital Markets, UBS Canada and Sprott Securities. From February 1995 to September 1997, Mr. Kucher served as the Chairman and Chief Executive Officer of Phelps

Dodge Corporation. Among his credits, Mr. Kucher was directly involved as the Corporate Financier at Sprott Securities in the initial \$45 million financing of Miramar Mining Corporation's purchase of the Con Mine in 1993, the restructuring as Chief Financial Officer of Princeton Mining Corporation during their restart of the Similco Mine and the subsequent acquisition and build out of the \$100 million Huckleberry Mine and as Chairman in the \$110 million amalgamation of Aurex Resources Inc. with Cobre Mining Company and its ultimate acquisition in 1998 by Phelps Dodge Mining Company. Mr. Kucher has served as Chairman of Hudson Ventures, Inc., Quepasa.com, Inc. and Cobre Mining Company. Mr. Kucher has 25 years of experience in Resource Finance in Investment Banking, Mergers and Acquisitions, Merchant Banking and Institutional Coverage. During his career, Mr. Kucher has founded and sold three gold royalty companies to Royal Gold, AngloGold Ashanti and Coeur Mining. Mr. Kucher earned an M.B.A. from the University of Western Ontario in 1984 and a Bachelor of Commerce in Honors from the University of Manitoba.

Mr. Kucher will serve the Resulting Issuer as an advisor on an as-needed basis. Mr. Kucher will not be an employee of the Resulting Issuer. Mr. Kucher has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*Luke Alexander, Advisory Board Member*

Mr. Luke Alexander founded Park Road Capital, a capital markets advisory group focused on the global Natural Resource sector, in 2018. Prior to Park Road Capital, Mr. Alexander was a managing director at GMP Securities based in Vancouver. Before relocating to Vancouver, Mr. Alexander spent 12 years in London, UK, covering the Natural Resource sector. During his time in London he was a senior partner at GMP Securities Europe, Vice President at National Bank Financial where he helped establish their first equity trading desk in London, and an equity sales trader at TD Securities. Mr. Alexander began his career working in the private client group at BMO Nesbitt Burns.

Mr. Alexander will serve the Resulting Issuer as an advisor on an as-needed basis. Mr. Alexander will not be an employee of the Resulting Issuer. Mr. Alexander has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*David Pighin, Consulting Geologist of Advisory Board*

Mr. David Pighin has dedicated his working life to mining and exploration geology and has been actively involved in the industry for 53 years. He started his career with Cominco Ltd. (now Teck) as a professional Prospector and was promoted to Geologist in 1977. In 1989, after 24 years, Mr. Pighin left Cominco. Since 1989, Mr. Pighin became a consulting geologist and has worked for numerous junior exploration companies. He has worked in BC, the Yukon, the Northwest Territories, New Brunswick as well as most of the western United States and Mexico. Mr. Pighin has planned and managed numerous exploration programs designed to find deposits of base metals, tungsten, moly, gold, diamonds and rare earth metals. During 1993, Mr. Pighin ascertained the designation of P.Geo. Mr. Pighin has discovered the following significant exploration properties: the Fors Property (Pb, Zn, Ag); the Cedar Property (Tungsten); the Vine Property (Pb, Zn, Ag, Au); the Streamboat Property (Pb, Zn, Ba); the Cross Property (discovered and recognized 4 Kimberlite pipes); the Fen Property (rare earth metals); the Boulder Gold Property (Au) Mr. Pighin is a qualified person pursuant to NI 43-101.

Mr. Pighin will serve the Resulting Issuer as an advisor on an as-needed basis. Mr. Pighin will not be an employee of the Resulting Issuer. Mr. Pighin has not entered into any non-competition agreement with DLP or the Resulting Issuer.

*Carol Li, Financial Advisor of Advisory Board*

Ms. Carol Li is a Canadian Chartered Professional Accountant with over 20 years of financial and executive management experience, of which 14 years in mining. Ms. Li was appointed as Chief Financial Officer of Ascot Resources Ltd. on November 2, 2017. Ms. Li was formerly Vice President, Finance for KGHM International Ltd. from 2012 to 2017 and Corporate Controller for Quadra/QuadraFNX Mining Ltd. from 2004 to 2012. Ms. Li became a director of Strikepoint Gold Inc. on June 3, 2019 as a representative for Ascot Resources as one of Strikepoint's largest shareholders.

Ms. Li will serve the Resulting Issuer as an advisor on an as-needed basis. Ms. Li will not be an employee of the Resulting Issuer. Ms. Li has not entered into any non-competition agreement with DLP or the Resulting Issuer.

### **Promoter Consideration**

The Resulting Issuer does not expect to have any promoters other than its directors and officers, nor has the Resulting Issuer or DLP had a promoter other than such persons within the two years immediately preceding the date of this Filing Statement. No one should be considered a promoter outside of Board and Management.

### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of the Resulting Issuer, as at the date of this Filing Statement and within the ten years before the date of this Filing Statement, no director, officer or proposed director or officer, promoter or any shareholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is or has been a director, officer or promoter of any company (including the Resulting Issuer) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To the knowledge of the Resulting Issuer, no current or proposed director, officer, promoter or shareholder holding a sufficient number of securities of DLP or the Company to affect materially the control of DLP or the Company has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Acquisition.

### Personal Bankruptcies

To the knowledge of the Resulting Issuer, there has been no current or proposed director, officer, promoter, or any shareholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such person, that has, within the ten years prior to the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### Conflicts of Interest

Directors and officers of the Resulting Issuer also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations, but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under British Columbia corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. All conflicts of interest will be resolved in accordance with the BCBCA. Any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

For information concerning the director and officer positions held by the proposed directors of the Resulting Issuer, please see "Other Reporting Issuer Experience" directly below.

### Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer who are, or have been within the last five years, directors, officers or promoters of other reporting issuers, other than the Company:

Name of Director, Officer or Promoter	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	Period
James (Jim) Stypula	Ascot Resources Ltd.	TSX Venture Exchange	Director	2017 to Present
	Magellan Minerals Ltd.	Ceased Reporting (formerly TSX Venture Exchange)	Chairman and Director	2005 to 2016
Richard Zimmer	Ascot Resources Ltd.	TSX Venture Exchange	Director	2017 to Present

Name of Director, Officer or Promoter	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	Period
	Capstone Mining Corp.	Toronto Stock Exchange	Director	2011 to Present
	Alexco Resources Corp.	Toronto Stock Exchange	Director	2012 to Present
William Bennett	Ascot Resources Ltd.	TSX Venture Exchange	Director	2018 to Present
	Kutcho Copper Corp.	TSX Venture Exchange	Director	2017 to Present
	Eagle Plains Resources Ltd.	TSX Venture Exchange	Director	2017 to Present
	Liberio Copper Corporation	TSX Venture Exchange	Director	2019 to Present

### **Executive Compensation**

For the purposes of this section Named Executive Officers (“NEO”) are the proposed Chief Executive Officer of the Resulting Issuer and each of the four most highly compensated executive officers who are proposed to serve as executive officers of the Resulting Issuer for the 12 month period following the Transaction. Based on the above criteria, the only NEOs for the Resulting Issuer are expected to be James (Jim) Stypula (CEO) and Leslie Anne “Robin” Sudo (CFO) for the 12 month period after giving effect to the Transaction.

### ***Compensation Discussion and Analysis***

The Resulting Issuer’s Compensation Committee will be made up of William Bennett and Richard Zimmer.

The directors will, based on the recommendations of the Compensation Committee, develop the appropriate compensation policies for both the employees of the Corporation and the directors of the Resulting Issuer. To determine appropriate compensation levels, the Compensation Committee and the directors will review compensation paid for directors and officers of companies of similar size and stage of development in mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Resulting Issuer.

When determining compensation policies and individual compensation levels for the Resulting Issuer’s executive officers a variety of factors will be considered, including: the overall financial and operating performance of the Resulting Issuer, each executive officer’s individual performance and contribution towards

meeting corporate objectives, each executive officer’s level of responsibility and length of service and industry comparables.

The Resulting Issuer’s compensation philosophy for its executive officers will follow three underlying principles: to provide compensation packages that encourage and motivate performance; to be competitive with other companies in the industry in which it operates, so as to attract and retain talented executives; and to align the interests of its executive officers with the long-term interests of the Resulting Issuer and its shareholders through stock related programs.

Stock option grants will be used to align executive interests with those of shareholders and will be based on the executive’s performance, level of responsibility, as well as the number and exercise price of options previously issued to the executive his overall aggregate total compensation package. It is anticipated that the Resulting Issuer will grant stock options to its directors and officers following the Closing and at the discretion of the Board of the Resulting Issuer.

Excluding Compensation Securities

The following table sets forth, as of the date hereof, a summary of all compensation, excluding compensation securities, the Resulting Issuer anticipates it will pay to the executive officers and directors of the Resulting Issuer in the 12 month periods after giving effect to the Transaction:

<b>Name and Position</b>	<b>Salary, Consulting Fee, Retainer or Commission (C\$)</b>	<b>Bonus (C\$)</b>	<b>Committee or Meeting Fee (C\$)</b>	<b>Value of Perquisites (C\$)</b>	<b>Value of all Other Compensation (C\$)</b>	<b>Total Compensation (C\$)</b>
James (Jim) Stypula <i>CEO/Director</i>	\$100,000.00	Subject to performance	N/A	N/A	N/A	\$100,000.00
Leslie Anne (Robin) Sudo <i>CFO</i>	\$80,000.00	Subject to performance	N/A	N/A	N/A	\$80,000.00
Richard Zimmer <i>Director</i>	Nil	To be determined	N/A	N/A	N/A	Nil
William Bennett <i>Director</i>	Nil	To be determined	N/A	N/A	N/A	Nil

Any additional compensation to be paid to the executive officers and directors of the Resulting Issuer for the 12 month periods after giving effect to the Transaction will be determined by the Compensation Committee.

### Stock Options and Other Compensation Securities

The Resulting Issuer has not made any determination regarding the stock option grants or incentives to be made to executive officers and directors in the 12 months after giving effect to the Transaction.

### Employment, Consulting and Management Agreements

The Resulting Issuer expects to enter into agreements with James (Jim) Stypula and Leslie Anne “Robin” Sudo which will provide for a payment equal to one year’s salary in connection with a termination (other than “for cause”) or a change of control of the Company.

### Pension Plan Benefits

The Resulting Issuer does not anticipate having a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

### **Compensation of Directors**

The Resulting Issuer is expected to pay compensation by way of stock options to be reviewed annually.

### **Indebtedness of Directors and Officers**

No director, officer, promoter, or proposed member of management or appointment as a director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to the Company or DLP since the commencement of the Company or DLP’s last completed financial year, nor is any such person expected to be indebted to the Resulting Issuer on Closing.

### **Investor Relations Arrangements**

At this time, the Resulting Issuer does not expect to enter into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer or its securities or to engage in activities for the purpose of stabilizing the market.

### **Options to Purchase Securities**

The Resulting Issuer intends to keep the Company’s Stock Option Plan following the Completion Date.

Following the Closing, the Board of the Resulting Issuer is expected to grant options to the new directors and other eligible persons, at the discretion of the Board and pursuant to the Stock Option Plan and Exchange Policies.

### **Escrowed Securities**

The following table lists, to the knowledge of the Company and DLP as of the date of this Filing Statement, the holders of escrowed securities, the number of securities held in escrow, and the percentage of securities held

in escrow by each person who will be a holder of escrowed securities before and after the Transaction.

Name and Municipality of Residence of Security Holder	Before Giving Effect to the Transaction		After Giving Effect to the Transaction	
	Number of Securities Held in Escrow	% of Class <sup>(1)</sup>	Number of Securities to be held in Escrow	% of Class <sup>(1)</sup>
Peter McKeown <i>Canmore, Alberta</i>	670,000 Company Shares	12.16%	670,000 Company Shares <sup>(6)(7)</sup>	1.4%
Glenn Jamieson <i>Oakville, Ontario</i>	670,000 Company Shares	12.16%	670,000 Company Shares <sup>(6)</sup>	1.4%
Jamie McVicar <i>Canmore, Alberta</i>	670,000 Company Shares	12.16%	670,000 Company Shares <sup>(6)</sup>	1.4%
Robert Schiesser <i>Calgary, Alberta</i>	1,000,000 Company Shares	18.15%	1,000,000 Company Shares <sup>(6)</sup>	2.0%
William Robert Bennett <i>Cranbrook, British Columbia</i>	Nil.	N/A	3,555,556 Company Shares <sup>(5)</sup>	7%
Mark Kucher <i>Toronto, Ontario</i>	Nil.	N/A	3,555,556 Company Shares <sup>(4)</sup>	7%
Park Road Capital Corp. <sup>(2)</sup> <i>North Vancouver, British Columbia</i>	Nil.	N/A	3,555,556 Company Shares <sup>(4)</sup>	7%
Richard Zimmer <i>North Vancouver, British Columbia</i>	Nil.	N/A	3,555,556 Company Shares <sup>(5)</sup>	7%
Carol Li <i>Burnaby, British Columbia</i>	Nil.	N/A	3,555,556 Company Shares <sup>(4)</sup>	7%
Early Bird Capital Corp. <sup>(3)</sup> <i>Cranbrook, British Columbia</i>	Nil.	N/A	3,555,555 Company Shares <sup>(5)</sup>	7%

	Before Giving Effect to the Transaction		After Giving Effect to the Transaction	
Name and Municipality of Residence of Security Holder	Number of Securities Held in Escrow	% of Class <sup>(1)</sup>	Number of Securities to be held in Escrow	% of Class <sup>(1)</sup>
Leslie Anne “Robin” Sudo <i>Cranbrook, British Columbia</i>	Nil.	N/A	3,555,555 Company Shares <sup>(5)</sup>	7%
David Pighin <i>Cranbrook, British Columbia</i>	Nil.	N/A	3,555,555 Company Shares <sup>(4)</sup>	7%
Derek White <i>Vancouver, British Columbia</i>	Nil.	N/A	3,555,555 Company Shares <sup>(4)</sup>	7%
<b>Total</b>	<b>3,010,000</b>	<b>54.63%</b>	<b>35,610,000</b>	<b>69.20%</b>

(1) Calculated on a non-diluted basis.

(2) Luke Alexander owns 100% of the voting securities of Park Road Capital Corp. and is the beneficial holder of the DLP Shares held by Park Road Capital Corp.

(3) James (Jim) Stypula owns 100% of the voting securities of Early Bird Capital Corp. and is the beneficial holder of the DLP Shares held by Early Bird Capital Corp.

(4) Held pursuant to the Value Escrow Agreement.

(5) Held pursuant to the Surplus Escrow Agreement.

(6) Held pursuant to the CPC Escrow Agreement.

(7) Peter McKeown acquired 600,000 DLP Units in the DLP Financing which are not subject to escrow.

The Escrow Agent is escrow agent for the CPC Escrow Agreement. It is anticipated that the Escrow Agent will also act as escrow agent under the Value Escrow Agreement and Surplus Escrow Agreement.

The CPC Escrow Agreement includes and the Value Escrow Agreement shall include the following principal terms:

- o 10% of the escrowed Company Shares will be released from escrow on the date of the Final Exchange Bulletin;
- o The remaining escrowed securities will be released in six tranches of 15% every six months following the date of the Final Exchange Bulletin; and
- o While in escrow, none of the escrowed securities can be transferred, either directly or indirectly through a change in control of a holding company, without the consent of the Exchange.

The Surplus Escrow Agreement shall include the following principal terms:

- o 5% of the escrowed Company Shares will be released from escrow on the date of the Final Exchange Bulletin;
- o The remaining escrowed securities will be released in six tranches with 5% released six months following the date of the Final Exchange Bulletin, 10% released twelve and eighteen months after such date, 15% released twenty-four and thirty months after such date and 40% released thirty-six months after such date; and
- o While in escrow, none of the escrowed securities can be transferred, either directly or indirectly through a change in control of a holding company, without the consent of the Exchange.

### **Auditor, Transfer Agent and Registrar**

At the Closing the auditor of the Resulting Issuer will be BDO Canada LLP. The registrar and transfer agent of the common shares of the Resulting Issuer will be Computershare Trust Company of Canada.

## **GENERAL MATTERS**

### **Sponsorship**

The Exchange has provided the Company with a waiver from the requirement to obtain a Sponsor in connection with the transactions contemplated herein.

### **Experts**

The following is a list of persons or companies whose profession or business gives authority to a statement made by a person or company named in this Filing Statement as having prepared or certified a part of that document or report described in the Filing Statement:

- a) KPMG LLP, Chartered Professional Accountants, of 3100-205 5th Avenue SW, Calgary, Alberta, T2P 4B9, auditors of the Company;
- b) BDO Canada LLP, independent auditors, of 600 Cathedral Place, 925 West Georgia Street, Vancouver, BC, V6C 3L2, auditors of DLP; and
- c) Douglas Anderson, P.Eng., qualified person and author of the Technical Report.

KPMG LLP, Chartered Professional Accountants, prepared the auditor's report for the audited annual financial statements of the Company for the year ended December 31, 2018, which are attached as Schedule "A" hereto. KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

BDO Canada LLP, independent auditors, prepared the auditor's report for the audited financial statements of DLP for the period from incorporation on June 7, 2019 to July 31, 2019, which are attached as Schedule "C" hereto. BDO Canada LLP has advised the Company that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

To the knowledge of the Company and DLP, none of the experts above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any securities of the Company or DLP, has received or will

receive any direct or indirect interests in the property of the Company or DLP or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any Associate or Affiliate thereof.

**Other Material Facts**

To the knowledge of management of the Company and DLP, there are no other material facts relating to the Company, DLP, the Resulting Issuer or the Transaction that are not otherwise disclosed in this Filing Statement and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to the Company, DLP and the Resulting Issuer, assuming completion of the Transaction.

**Board Approval**

The board of directors of each of the Company and DLP has approved this Filing Statement.

**Schedule "A"**

**FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2018 (AUDITED) AND  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019 (UNAUDITED)**

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# **MG Capital Corporation**

**(A Capital Pool Corporation)**

## **Audited Financial Statements**

**December 31, 2018**

**(In Canadian Dollars)**



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB  
T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of MG Capital Corporation

### ***Opinion***

We have audited the financial statements of MG Capital Corporation (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements of operations and comprehensive loss for the year ended December 31, 2018 and for the period from the date of incorporation on November 9, 2017 to December 31, 2017
- the statements of changes in shareholders' equity for the year ended December 31, 2018 and for the period from the date of incorporation on November 9, 2017 to December 31, 2017
- the statements of cash flows for the year ended December 31, 2018 and for the period from the date of incorporation on November 9, 2017 to December 31, 2017
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and for the period from the date of incorporation on November 9, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is David Yung.

A handwritten signature in blue ink that reads 'KPMG LLP'.

Chartered Professional Accountants

March 22, 2019  
Calgary, Canada

**MG Capital Corporation**  
**Statements of Financial Position**

	December 31, 2018	December 31, 2017
<b>Assets</b>		
<b>Current</b>		
Cash (note 4)	\$ 256,175	\$ 145,097
GST receivable	4,925	258
Deferred financing costs	-	5,000
	<b>\$ 261,100</b>	<b>\$ 150,355</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 37,847	\$ -
<b>Shareholders' Equity</b>		
Share capital (note 5)	351,847	150,500
Contributed surplus	53,722	-
Deficit	(182,316)	(145)
	223,253	150,355
	<b>\$ 261,100</b>	<b>\$ 150,355</b>

*The accompanying notes are an integral part of these financial statements.*

Approved on behalf of the Board

"Peter McKeown"

Director

"Glenn Jamieson"

Director

**MG Capital Corporation**  
**Statements of Operations and Comprehensive Loss**

	Year ended December 31, 2018	Period from Date of Incorporation to December 31, 2017
Interest income	\$ 685	\$ 24
Accounting fees	7,686	-
General and administrative	5,624	169
Professional, legal and audit fees	88,858	-
Stock based compensation expense (note 5)	40,470	-
Transfer and listing fees	40,218	-
	<u>182,856</u>	<u>169</u>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (182,171)</b>	<b>\$ (145)</b>
<b>Loss per share (note 6)</b>		
Basic and diluted	\$ (0.07)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>	<b>2,667,671</b>	<b>3,010,000</b>

Date of Incorporation is November 9, 2017

*The accompanying notes are an integral part of these financial statements.*

**MG Capital Corporation**  
**Statement of Changes in Shareholders' Equity**

	Share Capital	Contributed Surplus	Deficit	Total
Balance at the Date of Incorporation	\$ -		\$ -	\$ -
Net loss for the period			(145)	(145)
Issue of common shares (note 5)	150,500		-	150,500
<b>Balance at December 31, 2017</b>	<b>\$ 150,500</b>	<b>\$ -</b>	<b>\$ (145)</b>	<b>\$ 150,355</b>
Issue of common shares, net of costs (note 5)	201,347	13,252	-	214,599
Stock-based compensation (note 5)	-	40,470	-	40,470
Net loss for the period	-	-	(182,171)	(182,171)
<b>Balance at December 31, 2018</b>	<b>\$ 351,847</b>	<b>\$ 53,722</b>	<b>\$ (182,316)</b>	<b>\$ 223,253</b>

Date of Incorporation is November 9, 2017

*The accompanying notes are an integral part of these financial statements.*

**MG Capital Corporation**  
**Statements of Cash Flows**

	Year ended December 31, 2018	Period from Date of Incorporation to December 31, 2017
<b>Cash flows used in operating activities</b>		
Net loss for the period	\$ (182,171)	\$ (145)
Stock based compensation (note 5)	40,470	-
<b>Adjustments for:</b>		
Interest received	(685)	(24)
<b>Funds used in operations</b>	<b>(142,386)</b>	<b>(169)</b>
Change in non-cash working capital	38,180	(5,258)
<b>Net cash used in operating activities</b>	<b>(104,206)</b>	<b>(5,427)</b>
<b>Cash flow from investing activities</b>		
Interest received	685	24
<b>Net cash from investing activities</b>	<b>685</b>	<b>24</b>
<b>Cash flows from financing activities</b>		
Issue of share capital, net of issuance costs (note 5)	214,599	150,500
<b>Net cash from financing activities</b>	<b>214,599</b>	<b>150,500</b>
<b>Change in cash</b>	<b>111,078</b>	<b>145,097</b>
<b>Cash, beginning of period</b>	<b>145,097</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 256,175</b>	<b>\$ 145,097</b>

Date of Incorporation is November 9, 2017

*The accompanying notes are an integral part of these financial statements.*

# **MG Capital Corporation**

## **Notes to the Financial Statements**

### **1. INCORPORATION AND NATURE OF OPERATIONS**

MG Capital Corporation (the “Corporation”), was incorporated under the Alberta Business Corporations Act on November 9, 2017 (the “Date of Incorporation”) and applied for status as a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition or business will be subject to the approval of the Exchange and in case of a non-arm’s length transaction, of the majority of the Corporation’s minority shareholders. The Corporation is required to complete its QT on or before two years from the date the Corporation’s common shares are listed for trading on the Exchange.

The Corporation completed an initial public offering (“IPO”) of common shares on April 30, 2018 and commenced trading under the symbol MGX.P on the Exchange on May 3, 2018.

Where a QT has been identified, the ability of the Corporation to complete the transaction may require additional funding. There is no assurance that the Corporation will be successful in obtaining any additional funding. If the Corporation does not complete a QT within two years from the date the Corporation’s common shares are listed for trading on the Exchange, the Exchange may suspend or de-list the Corporation’s common shares from trading.

The registered head office of the Corporation is located at 1900, 520 – 3<sup>rd</sup> Street, Calgary, Alberta, T2P 0R3.

On March 22, 2019, the Board of Directors of the Corporation approved these financial statements as at and for the year ended December 31, 2018.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

#### **Basis of Preparation**

The financial statements are presented in Canadian dollars, which is the Corporation's functional and reporting currency.

The financial statements are prepared on a historical cost basis with accounting policies applied consistently throughout the entire periods presented.

#### **Significant Accounting Judgment, Estimates and Assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making

# MG Capital Corporation

## Notes to the Financial Statements

the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the review affects both current and future periods.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### New Accounting Standards

IFRS 9, Financial Instruments (“IFRS 9”) was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model based for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the impairment method to be used, replacing the multiple impairment methods in IAS 39. The Corporation retrospectively adopted the standard on January 1, 2018 and the adoption of IFRS 9 had no impact on the financial statements.

#### Financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument’s classification, as described below.

##### a) Amortized Cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for-trading and those that meet the definition of a derivative.

##### b) Fair value through other comprehensive income (“FVTOCI”)

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates of cash flows that are Solely Payment of Principal and Interest (“SPPI”) on the principal outstanding.

##### c) Fair value through profit or loss (“FVTPL”)

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability

## **MG Capital Corporation**

### **Notes to the Financial Statements**

is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Corporation may make an irrevocable election to designate the asset or liability at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

The Corporation's cash, GST receivables, and accounts payable and accrued liabilities are measured at amortized cost.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **Determination of fair values**

A number of the Corporation's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as follows:

Level 1 fair value measurements are based on unadjusted quoted market prices. Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 3 fair value measurements are based on unobservable information. The carrying value of cash, GST receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of those instruments.

#### **Impairment**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in net profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net profit or loss.

#### **Deferred financing costs**

Cost directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be

# **MG Capital Corporation**

## **Notes to the Financial Statements**

deferred until the issuance of the shares to which the costs relate, at which time the cost will be charge against the related share capital or charged to operations if the shares are not issued.

### **Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### **Revenue**

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

## **4. CASH RESTRICTION**

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lessor of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed

# MG Capital Corporation

## Notes to the Financial Statements

costs of issuing the common shares or administrative and general expenses of the corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange policy 2.4.

### 5. SHARE CAPITAL

#### Authorized:

Unlimited voting common shares

Unlimited preferred shares

	Number of common shares	Value
Balance, date of incorporation on November 9, 2017	-	\$ -
Issue of common shares, net of costs	3,010,000	150,500
Balance, December 31, 2017	3,010,000	150,500
Issue of common shares, net of costs	2,500,000	201,347
<b>Balance, December 31, 2018</b>	<b>5,510,000</b>	<b>\$ 351,847</b>

Prior to December 31, 2017, the Corporation issued 3,010,000 common shares at \$0.05 per share for total proceeds of \$150,500.

These issued and outstanding common shares have been placed in escrow pursuant to the requirements of the Exchange upon closing of the IPO.

All common shares acquired on exercise of common stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow.

Additionally, all common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

The Corporation completed its IPO on April 30, 2018. Under the terms of an agency agreement with Leede Jones Gable Inc. (the "Agent"), the Corporation issued 2,500,000 common shares at \$0.10 per share for gross proceeds of \$250,000. Net of commissions and expenses of the Agent, the Corporation received proceeds of \$214,599 on completion. The common shares of the Corporation began trading on the Exchange on May 3, 2018.

#### Stock Options

The Corporation has adopted a common share stock option plan ("Option Plan") in accordance with the policies of the Exchange. Stock options may be granted for common shares for a maximum term of five years from the date of the grant. They are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Corporation, and in the case of death, expire 12 months thereafter.

# **MG Capital Corporation**

## **Notes to the Financial Statements**

Unless otherwise stated, stock options vest fully when granted. The common share exercise price of stock options is regulated by the Exchange at the date of grant.

On April 30, 2018, the Corporation issued 540,000 Stock Options to directors of the Corporation to purchase common shares for \$0.10 each. These options expire five years from the date of issuance. Stock-based compensation expense of \$40,470 was recognized based on the Black Scholes option pricing model using a 2.12% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

The Corporation also issued 250,000 Stock Options to the Agent, pursuant to the terms of the agency agreement, to purchase common shares at \$0.10 per share which expire two years from the date of issuance. Share issue cost of \$13,252 was recorded based on the Black Scholes option pricing model using a 2.06% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

### **6. LOSS PER SHARE**

Loss per share is calculated using the weighted average number of common shares outstanding during the period. Pursuant to the Escrow Agreement, 3,010,000 common shares, being all of the issued and outstanding common shares prior to the completion of the IPO, have been deposited to escrow. If the Corporation is unable to complete its QT within certain time limits the common shares in escrow may be cancelled. Accordingly, these shares are contingently returnable shares and have been excluded from the calculation of loss per share after the date of escrow on April 30, 2018. For the periods ended December 31, 2018 and 2017, the Corporation has excluded all dilutive instruments as their inclusion would be anti-dilutive.

### **7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions qualifying as a QT. To secure the additional capital necessary to pursue this objective, the Corporation may attempt to raise additional funds through the issuance of equity and by securing strategic partners.

#### **Fair Values and Risk Disclosures**

##### **Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The

## **MG Capital Corporation**

### **Notes to the Financial Statements**

Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

#### **Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash and GST receivable. The carrying amount of cash and the GST receivable represent the maximum credit exposure to the Corporation. The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings. The GST receivable may be reimbursed on a timely basis by the Government of Canada subject to applicable filings and assessment.

#### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$37,847 at December 31, 2018 and has cash balances in excess of this amount. Accordingly, the Corporation does not have significant exposure to liquidity risk as at that date.

#### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

### **8. RELATED PARTY TRANSACTIONS**

Other than the issuance of common shares, there were no transactions with related parties and no remuneration was paid to key management personnel during the periods ended December 31, 2018 and December 31, 2017.

**MG Capital Corporation**  
**Notes to the Financial Statements**

**9. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	December 31, 2018	December 31, 2017
Loss for the period	\$ (182,171)	\$ (145)
Tax rate	27%	27%
Expected income tax recovery	49,186	39
Non-deductible expenses	(10,927)	-
Change in unrecognized benefit of non-capital losses	(38,259)	(39)
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The Corporation has accumulated non-capital losses of approximately \$142,000 which may be deductible in the calculation of taxable income in future years. The losses expire in 2038.

# **MG Capital Corporation**

**(A Capital Pool Corporation)**

## **Financial Statements**

**June 30, 2019**

**(In Canadian Dollars - Unaudited)**

**MG Capital Corporation**  
**Unaudited Condensed Interim Statements of Financial Position**

	June 30, 2019	December 31, 2018
<b>Assets</b>		
<b>Current</b>		
Cash (note 4)	\$ 210,747	\$ 256,175
GST receivable	6,102	4,925
	<b>\$ 216,849</b>	<b>\$ 261,100</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 3,308	\$ 37,847
<b>Shareholders' Equity</b>		
Share capital (note 5)	351,847	351,847
Contributed surplus	53,722	53,722
Deficit	(192,028)	(182,316)
	213,541	223,253
	<b>\$ 216,849</b>	<b>\$ 261,100</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

Approved on behalf of the Board

"Peter McKeown"

Director

"Glenn Jamieson"

Director

# MG Capital Corporation

## Unaudited Condensed Interim Statements of Operations and Comprehensive Loss

	Three month period ended June 30, 2019	Three month period ended June 30, 2018	Six month period ended June 30, 2019	Six month period ended June 30, 2018
Interest income	\$ 179	\$ 172	\$ 368	\$ 263
Accounting fees	1,488	1,525	2,563	3,975
General and administrative	4,858	367	4,898	3,866
Professional, legal and audit fees	900	59,537	900	59,537
Stock based compensation expense (note 5)	-	40,470	-	40,470
Transfer and listing fees	1,719	27,615	1,719	27,615
	8,965	129,514	10,080	135,463
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (8,786)</b>	<b>\$ (129,342)</b>	<b>\$ (9,712)</b>	<b>\$ (135,200)</b>
<b>Loss per share (note 6)</b>				
Basic	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.05)
Diluted	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.05)
<b>Weighted average number of common shares outstanding</b>	<b>2,500,000</b>	<b>2,668,132</b>	<b>2,500,000</b>	<b>2,838,122</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

## MG Capital Corporation

### Unaudited Condensed Interim Statement of Changes in Shareholders' Equity

	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance at December 31, 2017</b>	\$ 150,500	\$ -	\$ (145)	\$ 150,355
Issue of common shares, net of cost (note 5)	201,347	13,252	-	214,599
Stock-based compensation (note 5)	-	40,470	-	40,470
Net loss for the period	-	-	(135,200)	(135,200)
<b>Balance at June 30, 2018</b>	\$ 351,847	\$ 53,722	\$ (135,345)	\$ 270,224
<b>Balance at December 31, 2018</b>	\$ 351,847	\$ 53,722	\$ (182,316)	\$ 223,253
Net loss for the period	-	-	(9,712)	(9,712)
<b>Balance at June 30, 2019</b>	\$ 351,847	\$ 53,722	\$ (192,028)	\$ 213,541

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

**MG Capital Corporation**  
**Unaudited Condensed Interim Statements of Cash Flows**

	Three month period ended June 30, 2019	Three month period ended June 30, 2018	Six month period ended June 30, 2019	Six month period ended June 30, 2018
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (8,786)	\$ (129,342)	\$ (9,712)	\$ (135,200)
Stock based compensation (note 5)	-	40,470	-	40,470
<b>Adjustments for:</b>				
Interest received	(179)	(172)	(368)	(263)
<b>Funds used in operations</b>	<b>(8,965)</b>	<b>(89,044)</b>	<b>(10,080)</b>	<b>(94,993)</b>
Change in non-cash working capital	(20,430)	35,965	(35,716)	3,014
<b>Net cash from (used in) operating activities</b>	<b>(29,395)</b>	<b>(53,079)</b>	<b>(45,796)</b>	<b>(91,979)</b>
<b>Cash flow from investing activities</b>				
Interest received	179	172	368	263
<b>Net cash from investing activities</b>	<b>179</b>	<b>172</b>	<b>368</b>	<b>263</b>
<b>Cash flows from financing activities</b>				
Issue of share capital, net of issuance costs (note 5)	-	214,599	-	214,599
<b>Net cash from financing activities</b>	<b>-</b>	<b>214,599</b>	<b>-</b>	<b>214,599</b>
<b>Change in cash</b>	<b>(29,216)</b>	<b>161,692</b>	<b>(45,428)</b>	<b>122,883</b>
<b>Cash, beginning of period</b>	<b>239,963</b>	<b>106,288</b>	<b>256,175</b>	<b>145,097</b>
<b>Cash, end of period</b>	<b>\$ 210,747</b>	<b>\$ 267,980</b>	<b>\$ 210,747</b>	<b>\$ 267,980</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

# **MG Capital Corporation**

## **Unaudited Condensed Interim Notes to the Financial Statements**

### **1. INCORPORATION AND NATURE OF OPERATIONS**

MG Capital Corporation (the “Corporation”), was incorporated under the Alberta Business Corporations Act on November 9, 2017 (the “Date of Incorporation”) and applied for status as a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition or business will be subject to the approval of the Exchange and in case of a non-arm’s length transaction, of the majority of the Corporation’s minority shareholders. The Corporation is required to complete its QT on or before two years from the date the Corporation’s common shares are listed for trading on the Exchange.

The Corporation completed an initial public offering (“IPO”) of common shares on April 30, 2018 and commenced trading under the symbol MGX.P on the Exchange on May 3, 2018.

Where a QT has been identified, the ability of the Corporation to complete the transaction may require additional funding. There is no assurance that the Corporation will be successful in obtaining any additional funding. If the Corporation does not complete a QT within two years from the date the Corporation’s common shares are listed for trading on the Exchange, the Exchange may suspend or de-list the Corporation’s common shares from trading.

The registered head office of the Corporation is located at 1900, 520 – 3<sup>rd</sup> Street, Calgary, Alberta, T2P 0R3.

On August 19, 2019, the Board of Directors of the Corporation approved these unaudited condensed interim financial statements for the three and six month periods ended June 30, 2019 and 2018.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

The condensed interim financial statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting (“IAS 34”).

#### **Basis of Preparation**

The condensed interim financial statements are presented in Canadian dollars, which is the Corporation's functional and reporting currency.

The condensed interim financial statements are prepared on a historical cost basis with accounting policies applied consistently throughout the entire periods presented.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements follow the same accounting policies and methods of computation as the annual financial statements of the Corporation for the year ended December 31, 2018. The disclosures provided below are incremental to those included with the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. These condensed interim financial

# MG Capital Corporation

## Unaudited Condensed Interim Notes to the Financial Statements

statements should be read in conjunction with the financial statements and notes thereto in the Corporation's annual filings for the year ended December 31, 2018.

### 4. CASH RESTRICTION

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange policy 2.4.

### 5. SHARE CAPITAL

#### Authorized:

Unlimited voting common shares

Unlimited preferred shares

	Number of common shares	Value
Balance, December 31, 2017	3,010,000	\$ 150,500
Issue of common shares, net of costs	2,500,000	201,347
<b>Balance, December 31, 2018 and June 30, 2019</b>	<b>5,510,000</b>	<b>\$ 351,847</b>

Prior to December 31, 2017, the Corporation issued 3,010,000 common shares at \$0.05 per share for total proceeds of \$150,500.

These issued and outstanding common shares have been placed in escrow pursuant to the requirements of the Exchange upon closing of the IPO.

All common shares acquired on exercise of common stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow.

Additionally, all common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

The Corporation completed its IPO on April 30, 2018. Under the terms of an agency agreement with Leede Jones Gable Inc. (the "Agent"), the Corporation issued 2,500,000 common shares at \$0.10 per share for gross proceeds of \$250,000. Net of commissions and expenses of the Agent, the Corporation received proceeds of \$214,599 on completion. The common shares of the Corporation began trading on the Exchange on May 3, 2018.

#### Stock Options

The Corporation has adopted a common share stock option plan ("Option Plan") in accordance with the policies of the Exchange. Stock options may be granted for common shares for a maximum term

## **MG Capital Corporation**

### **Unaudited Condensed Interim Notes to the Financial Statements**

of five years from the date of the grant. They are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Corporation, and in the case of death, expire 12 months thereafter.

Unless otherwise stated, stock options vest fully when granted. The common share exercise price of stock options is regulated by the Exchange at the date of grant.

On April 30, 2018, the Corporation issued 540,000 Stock Options to directors of the Corporation to purchase common shares for \$0.10 each. These options expire five years from the date of issuance. Stock-based compensation expense of \$40,470 was recognized based on the Black Scholes option pricing model using a 2.12% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

The Corporation also issued 250,000 Stock Options to the Agent, pursuant to the terms of the agency agreement, to purchase common shares at \$0.10 per share which expire two years from the date of issuance. Share issue cost of \$13,252 was recorded based on the Black Scholes option pricing model using a 2.06% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

#### **6. LOSS PER SHARE**

Loss per share is calculated using the weighted average number of common shares outstanding during the period. Pursuant to the Escrow Agreement, 3,010,000 common shares, being all of the issued and outstanding common shares prior to the completion of the IPO, have been deposited to escrow. If the Corporation is unable to complete its QT within certain time limits the common shares in escrow may be cancelled. Accordingly, these shares are contingently returnable shares and have been excluded from the calculation of loss per share after the date of escrow on April 30, 2018. For the periods ended June 30, 2019 and 2018, the Corporation has excluded all dilutive instruments as their inclusion would be anti-dilutive.

#### **7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

##### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions qualifying as a QT. To secure the additional capital necessary to pursue this objective, the Corporation may attempt to raise additional funds through the issuance of equity and by securing strategic partners.

##### **Fair Values and Risk Disclosures**

###### **Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no

## **MG Capital Corporation**

### **Unaudited Condensed Interim Notes to the Financial Statements**

compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

#### **Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash and GST receivable. The carrying amount of cash and the GST receivable represent the maximum credit exposure to the Corporation. The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings. The GST receivable may be reimbursed on a timely basis by the Government of Canada subject to applicable filings and assessment.

#### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$3,308 at June 30, 2019 and has cash balances in excess of this amount. Accordingly, the Corporation does not have significant exposure to liquidity risk as at that date.

#### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

### **8. RELATED PARTY TRANSACTIONS**

Other than the issuance of common shares, there were no transactions with related parties and no remuneration was paid to key management personnel during the three and six months ended June 30, 2019 and 2018.

### **9. SUBSEQUENT EVENT**

On July 23, 2019, the Corporation entered into a letter of intent ("LOI") with DLP Resources Inc. ("DLP"). The LOI outlines the general terms and conditions pursuant to which the Corporation and

## **MG Capital Corporation**

### **Unaudited Condensed Interim Notes to the Financial Statements**

DLP have agreed to complete a transaction that will constitute the QT of MG Capital Corporation. Pursuant to the terms of the LOI, the Corporation and DLP will enter into a mutually agreeable definitive agreement incorporating the terms of the transaction as described in the Corporation's press release of July 29, 2019. There is no assurance that a definitive agreement will be reached, or that such agreement will be acceptable to the Exchange.

**Schedule "B"**

**MD&A OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE SIX MONTH PERIOD  
ENDED JUNE 30, 2019**

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# **MG Capital Corporation**

(A Capital Pool Company)

## **Management Discussion and Analysis**

**For the three months and year ended December 31, 2018**

March 22, 2019

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of MG Capital Corporation (the “Corporation”) is prepared for the period from January 1, 2018 to December 31, 2018 and should be read in conjunction with the Corporation’s audited financial statements for the year ended December 31, 2018 and the audited financial statements of the Corporation from November 9, 2017 to December 31, 2017 including the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”). All figures contained in this MD&A are presented in Canadian dollars.

### **Forward-looking statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than a statement of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of the words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. All forward-looking statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **Description of Business**

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on November 9, 2017 and is classified as a CPC, as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”), as such term is defined in Policy 2.4 – *Capital Pool Companies* of the Exchange. The Corporation’s operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition or business will be subject to the approval of the Exchange and in case of a non-arm’s length transaction, of the majority of the Corporation’s minority shareholders. The Corporation

is required to complete its QT on or before two years from the date the Corporation's common shares were listed for trading on the Exchange.

The ability of the Corporation to complete a QT may require additional funding and there is no assurance that the Corporation will be successful in obtaining any additional funding. In addition, there is no assurance the Corporation will identify a business or asset that warrants an acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's common shares from trading.

On April 30, 2018, the Corporation completed its initial public offering of 2,500,000 common shares in the capital of the Corporation at a price of \$0.10 per common share for gross proceeds of \$250,000 (the "IPO"). Leede Jones Gable Inc. (the "Agent") acted as the agent for the IPO and in connection therewith, the Corporation granted the Agent options to acquire an aggregate of 250,000 common shares (the "Agent's Options") at an exercise price of \$0.10 per common share. The Agent's Options expire on April 30, 2020, which is 24 months from the date the common shares were listed for trading on the Exchange. The Agent also received a cash commission equal to 10% of the gross proceeds of the IPO, a corporate finance fee and was reimbursed for its legal fees and reasonable expenses. The Corporation received proceeds of \$214,599 on completion of the IPO, which amount is net of commissions and expenses of the Agent.

Concurrent with the closing of the IPO, the Corporation also granted options to acquire an aggregate of 540,000 common shares at an exercise price of \$0.10 per common share to directors and officers of the Corporation, which expire five years from the date of grant.

The common shares of the Corporation began trading under the symbol MGX.P on the Exchange on April 30, 2018.

The registered head office of the Corporation is located at 1900, 520 – 3<sup>rd</sup> Street, Calgary, Alberta, T2P 0R3.

On March 22, 2019, the Board of Directors of the Corporation approved the financial statements and this MD&A for the three months and year ended December 31, 2018.

### **Selected Annual Financial Information**

The following table presents selected annual financial information of the Corporation derived from the Corporation's audited financial statements prepared in accordance with IFRS and expressed in Canadian Dollars:

	<b>December 31, 2018</b>	<b>December 31, 2017 <sup>(1)</sup></b>
Total assets	\$ 261,100	\$ 150,355
Total liabilities	\$ 37,847	\$ -
Total revenue	\$ 685	\$ 24
Net loss and comprehensive loss for the period	\$ (182,171)	\$ (145)
Loss per share	\$ (0.07)	\$ (0.00)

(1) For the period from incorporation on November 9, 2017 to December 31, 2017.

Total assets of \$261,100 as at December 31, 2018 were comprised primarily of cash of \$256,175 as compared to cash of \$145,097 for the prior year. Cash balances increased during 2018 due to the completion of the IPO which raised gross cash proceeds of \$250,000.

Total revenue of \$685 for 2018 represents interest earned on cash balances. This compares favorably to the prior year when interest earned was minimal.

The Corporation's significant accounting policies are set out in Note 3 of the audited financial statements for the year ended December 31, 2018.

### Summary of Quarterly Results

The following table presents selected quarterly financial information of the Corporation for the five completed quarters of operation (with December 31, 2017 covering the period from November 9, 2017 to December 31, 2017) prepared in accordance with IFRS and expressed in Canadian Dollars.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 261,100	\$ 268,436	\$ 271,724	\$ 186,934	\$ 150,355
Share issue costs	\$ -	\$ -	\$ 48,653	\$ -	\$ -
Total revenue	\$ 211	\$ 211	\$ 172	\$ 91	\$ 24
Accounting fees	2,463	1,248	1,525	2,450	-
General and adminstarvie	1,112	646	367	3,499	169
Professional, legal and audit fees	29,321	-	59,537	-	-
Stock based compensation expense	-	-	40,470	-	-
Transfer and listing fees	6,859	5,744	27,615	-	-
Total expenses	\$ 39,755	\$ 7,638	\$ 129,514	\$ 5,949	\$ 169
Net loss and comprehensive loss for the period	\$ (39,544)	\$ (7,427)	\$ (129,342)	\$ (5,858)	\$ (145)
Loss per share	\$ (0.02)	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.00)

The Corporation's significant accounting policies are set out in Note 3 of the audited financial statements for the year ended December 31, 2018.

### Results of Operations

The Corporation recorded a net loss of \$39,544 during the three months ended December 31, 2018 and a net loss of \$182,171 during the year ended December 31, 2018. The net loss for the current quarter is comprised of accounting and audit fees, transfer and listing fees and other minor expenses. The Corporation has also been earning interest income on its cash balances which is reported as revenue. For the current quarter, interest earned was \$211, which was the same as the prior quarter.

Total expenses for the current quarter of \$39,755 were higher than those reported for the third quarter of \$7,638 due to accruals for professional, audit and legal expenses associated with the year ended December 31, 2018. Expenses for the second quarter ended June 30, 2018 were also higher in that costs associated with the Corporation going public, issuing director's stock options and obtaining the Exchange listing were expensed during that quarter.

The Corporation recorded stock-based compensation expense in the amount of \$40,470 on the outstanding directors' stock options that were granted during the year. This amount was recognized based

on the Black Scholes option pricing model using a 2.12% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

During the current quarter, the Corporation reviewed several business opportunities to identify a potential QT, but to date no definitive agreement has been entered into.

### **Net and Comprehensive Loss**

At December 31, 2018, the Corporation had not yet achieved profitable operations and had incurred accumulated losses of \$182,316 since inception. These losses resulted in a net loss per share (basic and diluted) of \$0.02 for the three months ended December 31, 2018 and a net loss per share (basic and diluted) of \$0.07 for the year ended December 31, 2018.

The net loss reported for the year ended December 31, 2018 of \$182,171 was substantially higher than that reported for 2017. This is attributable to the costs associated with completing the IPO and obtaining a listing for the common shares on the Exchange during the current year.

### **Liquidity and Capital Resources**

As at December 31, 2018, the Corporation had cash of \$256,175. The Corporation had current liabilities of \$37,847 and working capital of \$223,253.

The net cash used in operating activities for the three months ended December 31, 2018 was \$31,346 and the net cash used in operating activities for the year ended December 31, 2018 was \$104,206. This is primarily due to expenses relating to filing fees, audit fees and other costs associated with the IPO and listing the common shares on the Exchange.

The Corporation has financed its operations to date through the issuance of common shares. From November 9, 2017 to the date hereof, the Corporation has raised gross proceeds of \$400,500 from the issuance of common shares. The Corporation continues to seek capital through various means which may include the issuance of equity.

The Corporation acknowledges that it may require additional funding to complete a QT. As such, if needed, the Corporation will seek to raise additional capital and believes that it will be able to do so, but recognizes the uncertainty attached thereto. Funding requirements may vary from those planned due to a number of factors.

### **Cash restriction**

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange Policy 2.4.

### **Outstanding Share Data**

As of the date of this MD&A, the Corporation has 5,510,000 common shares issued and outstanding.

As at December 31, 2017, the Corporation had issued 3,010,000 common shares at \$0.05 per common share for gross proceeds of \$150,500 to the initial shareholders of the Corporation. All of these common shares are subject to the escrow provisions of the Exchange and will only be released from escrow on a periodic basis after the completion of a QT.

Pursuant to the terms of the IPO, the Corporation issued 2,500,000 common shares at \$0.10 per common share for gross proceeds of \$250,000 on April 30, 2018. The common shares were listed for trading on the Exchange on April 30, 2018.

On April 30, 2018, the Corporation issued 540,000 stock options to the directors and officers of the Corporation to purchase common shares at an exercise price of \$0.10 per common share. These options expire five years from the date of issuance. The Corporation also issued 250,000 stock options to the Agent, pursuant to the terms of the agency agreement, to purchase common shares at an exercise price of \$0.10 per common share which expire two years from the date the common shares of the Corporation were listed for trading on the Exchange.

### Summary of Share Data

The following table summarizes the Corporation's outstanding common shares and options data as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Common shares	5,510,000	3,010,000
Agent's stock options	250,000	-
Directors' stock options	540,000	-
<b>Fully diluted shares</b>	<b>6,300,000</b>	<b>3,010,000</b>

There has been no change to the December 31, 2018 amounts as at the date of this MD&A.

As at December 31, 2018, 3,010,000 common shares have been placed in escrow pursuant to the requirements of the Exchange. Additionally, any of the 540,000 Director's stock options exercised before the completion of a QT must also be deposited in escrow.

### Off-Balance Sheet Arrangements

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonable likely to have, any current or future effect on the results of operations or financial condition of the Corporation including without limitation, on conditions as liquidity and capital resources that have not previously been discussed.

### Related Party Transactions

Other than the issuance of common shares or the reimbursement of expenses, there were no transactions with related parties and no remuneration was paid to key management personnel during the periods ended December 31, 2018 and December 31, 2017.

### Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of a potential acquisition qualifying as a QT. To secure the additional capital necessary to pursue this objective, the Corporation may attempt to raise additional funds through the issuance of equity and by securing strategic partners.

## **Fair Value & Other Instruments**

### *Fair Value*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, the GST receivable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

### *Credit Risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash and GST receivable. The carrying amount of cash and the GST receivable represent the maximum credit exposure to the Corporation. The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings. The GST receivable may be reimbursed on a timely basis by the Government of Canada subject to applicable filings and assessment.

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$37,847 at December 31, 2018 and has cash balances in excess of this amount. Accordingly, the Corporation does not have significant exposure to liquidity risk as at that date.

### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

## **Business Risk Disclosures**

There are a number of risks that may have a material adverse impact on the future operating and financial performance of the Corporation. These includes risks that are widespread risks associated with any form of business. While most risk factors are largely beyond the control of the Corporation and its directors, the Corporation will seek to mitigate these risks where possible.

### *No Operating History*

The Corporation was incorporated on November 9, 2017, has not commenced commercial operations, and has no assets other than cash. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. Until completion of a QT, the Corporation is not permitted to carry on any business other than the identification and evaluation of a potential qualifying transaction. The Corporation has only limited funds with which to identify and evaluate potential qualifying transactions and there can be no assurance that the Corporation will be able to identify a suitable QT. Even if a proposed QT is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction.

### *Possible Trading Suspension or Delisting*

The Exchange may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a QT within the 24 months of the date of listing or if the Corporation fails to meet initial listing requirements of the Exchange upon completion of the QT. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against Corporation. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Corporation held by Insiders, as such term is defined in the policies of the Exchange. Trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required.

### *Halt of Trading*

Upon public announcement of a potential QT, trading in the common shares of the Corporation will be halted and will remain halted until completion of the QT, or sooner pursuant to Policy 2.4 of the Exchange. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential QT.

### *Foreign Acquisition*

In the event the Corporation identifies a foreign business as a proposed QT, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

### *Exchange May Not Approve a Qualifying Transaction*

Completion of a QT is subject to a number of conditions including acceptance by the Exchange and in the case of a Non-Arm's Length QT, Majority of the Minority Approval as such terms are defined in Policy 2.4. Notwithstanding that a transaction may meet the definition of a QT, the Exchange may not approve a QT.

### *Approval by the Majority of the Minority*

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes

against a proposed Non-Arm's Length QT for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares.

#### *Dilution*

If the Corporation issues treasury shares to finance acquisition or participation opportunities, control of the Corporation may change and subscribers may suffer dilution of their investment.

#### *Directors and Officers*

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Corporation may be exposed to liability and its ability to achieve its business objectives may be impaired. Additionally, directors and officers of the Corporation may also serve as directors and/or officers of other reporting issuers from time to time. The Corporation has not purchased "key-man" insurance, nor has it entered into non-competition and nondisclosure agreements with management and has no current plans to do so.

#### *Reliance on Management*

The Corporation is relying solely on the past business success of its directors and officers to identify a QT of merit. The success of the Corporation is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Corporation.

#### *Loans or Advances*

Subject to prior acceptance from the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of \$250,000 (\$25,000 without prior Exchange approval) of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover the loan or advance.

#### *Volatile Financial Markets*

The extreme volatility occurring in the financial markets is a significant risk for the Corporation. As a result of market turmoil, investors move away from assets they perceive as risky to those they perceive as less so. Issuers like the Corporation are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Corporation to access the capital markets in order to raise the capital it will need to fund its current level of expenditures and identify, evaluate and close a qualifying transaction.

#### *Critical Accounting Estimates*

The Corporation's significant accounting policies are summarized in Note 3 to the audited financial statements of the Corporation as at and for the year ended December 31, 2018.

#### **Accounting Standards Issued**

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and

Measurement” (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model based for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the impairment method to be used, replacing the multiple impairment methods in IAS 39. The Corporation retrospectively adopted the standard on January 1, 2018 and the adoption of IFRS 9 had no impact on the financial statements.

### **Additional Information**

For further details, see the Corporation’s audited financial statements for the year ended December 31, 2018 which should be read in conjunction the audited financial statements of the Corporation from November 9, 2017 to December 31, 2017 including the notes thereto. Additional information relating to the Corporation can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) and interested parties are encouraged to visit this site for the most up-to-date information regarding the Corporation.

# **MG Capital Corporation**

(A Capital Pool Company)

## **Management Discussion and Analysis**

**For the three and six month periods ended June 30, 2019 and 2018**

August 19, 2019

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of MG Capital Corporation (the “Corporation”) is prepared for the period from January 1, 2019 to June 30, 2019 and should be read in conjunction with the Corporation’s unaudited condensed interim financial statements for the three and six month periods ended June 30, 2019 and the audited financial statements of the Corporation for the year ended December 31, 2018 including the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”). All figures contained in this MD&A are presented in Canadian dollars.

### **Forward-looking statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than a statement of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of the words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. All forward-looking statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **Description of Business**

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on November 9, 2017 and is classified as a CPC, as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”), as such term is defined in Policy 2.4 – *Capital Pool Companies* of the Exchange. The Corporation’s operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition or business will be subject to the approval of the Exchange and in case of a non-arm’s length transaction, of the majority of the Corporation’s minority shareholders. The Corporation

is required to complete its QT on or before two years from the date the Corporation's common shares were listed for trading on the Exchange.

The ability of the Corporation to complete a QT may require additional funding and there is no assurance that the Corporation will be successful in obtaining any additional funding. In addition, there is no assurance the Corporation will identify a business or asset that warrants an acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's common shares from trading.

On April 30, 2018, the Corporation completed its initial public offering of 2,500,000 common shares in the capital of the Corporation at a price of \$0.10 per common share for gross proceeds of \$250,000 (the "IPO"). Leede Jones Gable Inc. (the "Agent") acted as the agent for the IPO and in connection therewith, the Corporation granted the Agent options to acquire an aggregate of 250,000 common shares (the "Agent's Options") at an exercise price of \$0.10 per common share. The Agent's Options expire on April 30, 2020, which is 24 months from the date the common shares were listed for trading on the Exchange. The Agent also received a cash commission equal to 10% of the gross proceeds of the IPO, a corporate finance fee and was reimbursed for its legal fees and reasonable expenses. The Corporation received proceeds of \$214,599 on completion of the IPO, which amount is net of commissions and expenses of the Agent.

Concurrent with the closing of the IPO, the Corporation also granted options to acquire an aggregate of 540,000 common shares at an exercise price of \$0.10 per common share to directors and officers of the Corporation, which expire five years from the date of grant.

The common shares of the Corporation began trading under the symbol MGX.P on the Exchange on April 30, 2018.

The registered head office of the Corporation is located at 1900, 520 – 3<sup>rd</sup> Street, Calgary, Alberta, T2P 0R3.

On August 19, 2019, the Board of Directors of the Corporation approved the financial statements and this MD&A for the three and six month periods ended June 30, 2019 and 2018.

### **Selected Financial Information**

The following table presents selected financial information of the Corporation derived from the Corporation's unaudited condensed interim financial statements prepared in accordance with IFRS and expressed in Canadian Dollars, for the six months ended June 30, 2019 and 2018 :

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Total assets	\$ 216,849	\$ 271,724
Total liabilities	\$ 3,308	\$ 1,500
Total revenue	\$ 368	\$ 263
Net loss and comprehensive loss for the period	\$ (9,712)	\$ (135,200)
Loss per share	\$ (0.00)	\$ (0.04)

Total assets of \$216,849 as at June 30, 2019 were comprised primarily of cash of \$210,747 as compared to cash of \$267,980 as at June 30, 2018.

Total revenue of \$368 for 2019 represents interest earned on cash balances.

### Summary of Quarterly Results

The following table presents selected quarterly financial information of the Corporation for the seven completed quarters of operation (with December 31, 2017 covering the period from November 9, 2017 to December 31, 2017).

	June 30 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31 2018	December 31, 2017
Total assets	\$ 216,849	\$ 244,888	\$ 261,100	\$ 268,436	\$ 271,724	\$ 186,934	\$ 150,355
Share issue costs	\$ -	\$ -	\$ -	\$ -	\$ 48,653	\$ -	\$ -
Total revenue	\$ 179	\$ 189	\$ 211	\$ 211	\$ 172	\$ 91	\$ 24
Accounting fees	1,488	1,075	2,463	1,248	1,525	2,450	-
General and administrative	4,858	40	1,112	646	367	3,499	169
Professional, legal and audit fees	900	-	29,321	-	59,537	-	-
Stock based compensation expense	-	-	-	-	40,470	-	-
Transfer and listing fees	1,719	-	6,859	5,744	27,615	-	-
Total expenses	\$ 8,965	\$ 1,115	\$ 39,755	\$ 7,638	\$ 129,514	\$ 5,949	\$ 169
Net loss and comprehensive loss for the period	\$ (8,786)	\$ (926)	\$ (39,544)	\$ (7,427)	\$ (129,342)	\$ (5,858)	\$ (145)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.00)

### Results of Operations

The Corporation recorded a net loss of \$8,786 during the three months ended June 30, 2019 and a net loss of \$129,342 during the period ended June 30, 2018. The net loss for the current quarter is comprised of accounting and office and other minor expenses. The Corporation has also been earning interest income on its cash balances which is reported as revenue. For the current quarter, interest earned was \$179, which was comparable to the prior quarter.

Total expenses for the current quarter of \$8,965 were lower than the \$129,514 reported quarter for the second quarter ended June 30, 2018. The prior year quarter included significant costs associated with the Corporation going public, issuing director's stock options and obtaining the Exchange listing that were expensed during that quarter.

Total expenses for the current quarter of \$8,965 are higher than the \$1,115 for the prior quarter ended March 31, 2019. Expenses were higher this quarter as the Corporation undertook its annual general shareholders meeting.

The Corporation recorded stock-based compensation expense in the amount of \$40,470 on the outstanding directors' stock options that were granted during the second quarter of the prior year. This amount was recognized based on the Black Scholes option pricing model using a 2.12% risk free rate and 100% volatility. These stock options are outstanding as at the date hereof.

During the current quarter, the Corporation reviewed several business opportunities to identify a potential QT, but to date no definitive agreement has been entered into.

## **Net and Comprehensive Loss**

At June 30, 2019, the Corporation had not yet achieved profitable operations and had incurred accumulated losses of \$192,028 since inception. These losses resulted in a net loss per share (basic and diluted) of \$0.00 for the three months ended June 30, 2019 and a net loss per share (basic and diluted) of \$0.05 for the quarter ended June 30, 2018.

The net loss reported for the year to date of \$9,712 compares favorably with the net loss of \$135,200 reported for the same period of the prior year. This is attributable to the significant costs associated with completing the IPO, obtaining a listing for the common shares on the Exchange, audit fees and the stock-based compensation expense reported during the first two quarters of 2018.

## **Liquidity and Capital Resources**

As at June 30, 2019, the Corporation had cash of \$210,747. The Corporation had current liabilities of \$3,308 and working capital of \$207,439.

The net cash used in operating activities for the three months ended June 30, 2019 was \$29,395 and the net cash used in operating activities for the three months ended June 30, 2018 was \$53,079. As has been noted, expenses were higher in the prior year due to the activities associated with obtaining the Corporation's stock exchange listing.

The Corporation has financed its operations to date through the issuance of common shares. From November 9, 2017 to the date hereof, the Corporation has raised gross proceeds of \$400,500 from the issuance of common shares. The Corporation continues to seek capital through various means which may include the issuance of equity.

The Corporation acknowledges that it may require additional funding to complete a QT. As such, if needed, the Corporation will seek to raise additional capital and believes that it will be able to do so, but recognizes the uncertainty attached thereto. Funding requirements may vary from those planned due to a number of factors.

## **Cash restriction**

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange Policy 2.4.

## **Outstanding Share Data**

As of the date of this MD&A, the Corporation has 5,510,000 common shares issued and outstanding.

As at December 31, 2017, the Corporation had issued 3,010,000 common shares at \$0.05 per common share for gross proceeds of \$150,500 to the initial shareholders of the Corporation. All of these common shares are subject to the escrow provisions of the Exchange and will only be released from escrow on a periodic basis after the completion of a QT.

Pursuant to the terms of the IPO, the Corporation issued 2,500,000 common shares at \$0.10 per common share for gross proceeds of \$250,000 on April 30, 2018. The common shares were listed for trading on the Exchange on April 30, 2018.

On April 30, 2018, the Corporation issued 540,000 stock options to the directors and officers of the Corporation to purchase common shares at an exercise price of \$0.10 per common share. These options expire five years from the date of issuance. The Corporation also issued 250,000 stock options to the Agent, pursuant to the terms of the agency agreement, to purchase common shares at an exercise price of \$0.10 per common share which expire two years from the date the common shares of the Corporation were listed for trading on the Exchange.

### Summary of Share Data

The following table summarizes the Corporation's outstanding common shares and options data as at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Common shares	5,510,000	5,510,000
Agent's stock options	250,000	250,000
Directors' stock options	540,000	540,000
<b>Fully diluted shares</b>	<b>6,300,000</b>	<b>6,300,000</b>

There has been no change to the June 30, 2019 amounts as at the date of this MD&A.

As at December 31, 2018, 3,010,000 common shares have been placed in escrow pursuant to the requirements of the Exchange. Additionally, any of the 540,000 Director's stock options exercised before the completion of a QT must also be deposited in escrow.

### Off-Balance Sheet Arrangements

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonable likely to have, any current or future effect on the results of operations or financial condition of the Corporation including without limitation, on conditions as liquidity and capital resources that have not previously been discussed.

### Related Party Transactions

Other than the issuance of common shares or the reimbursement of expenses, there were no transactions with related parties and no remuneration was paid to key management personnel during the periods ended June 30, 2019 and 2018.

### Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of a potential acquisition qualifying as a QT. To secure the additional capital necessary to pursue this objective, the Corporation may attempt to raise additional funds through the issuance of equity and by securing strategic partners.

## **Fair Value & Other Instruments**

### *Fair Value*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, the GST receivable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

### *Credit Risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash and GST receivable. The carrying amount of cash and the GST receivable represent the maximum credit exposure to the Corporation. The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings. The GST receivable may be reimbursed on a timely basis by the Government of Canada subject to applicable filings and assessment.

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$3,308 at June 30, 2019 and has cash balances in excess of this amount. Accordingly, the Corporation does not have significant exposure to liquidity risk as at that date.

### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

## **Business Risk Disclosures**

There are a number of risks that may have a material adverse impact on the future operating and financial performance of the Corporation. These includes risks that are widespread risks associated with any form

of business. While most risk factors are largely beyond the control of the Corporation and its directors, the Corporation will seek to mitigate these risks where possible.

#### *No Operating History*

The Corporation was incorporated on November 9, 2017, has not commenced commercial operations, and has no assets other than cash. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. Until completion of a QT, the Corporation is not permitted to carry on any business other than the identification and evaluation of a potential qualifying transaction. The Corporation has only limited funds with which to identify and evaluate potential qualifying transactions and there can be no assurance that the Corporation will be able to identify a suitable QT. Even if a proposed QT is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction.

#### *Possible Trading Suspension or Delisting*

The Exchange may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a QT within the 24 months of the date of listing or if the Corporation fails to meet initial listing requirements of the Exchange upon completion of the QT. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against Corporation. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Corporation held by Insiders, as such term is defined in the policies of the Exchange. Trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required.

#### *Halt of Trading*

Upon public announcement of a potential QT, trading in the common shares of the Corporation will be halted and will remain halted until completion of the QT, or sooner pursuant to Policy 2.4 of the Exchange. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential QT. Trading in the Corporation's common shares were halted on July 23, 2019. See "Subsequent Event".

#### *Foreign Acquisition*

In the event the Corporation identifies a foreign business as a proposed QT, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

#### *Exchange May Not Approve a Qualifying Transaction*

Completion of a QT is subject to a number of conditions including acceptance by the Exchange and in the case of a Non-Arm's Length QT, Majority of the Minority Approval as such terms are defined in Policy 2.4. Notwithstanding that a transaction may meet the definition of a QT, the Exchange may not approve a QT.

#### *Approval by the Majority of the Minority*

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length QT for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares.

### *Dilution*

If the Corporation issues treasury shares to finance acquisition or participation opportunities, control of the Corporation may change and subscribers may suffer dilution of their investment.

### *Directors and Officers*

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Corporation may be exposed to liability and its ability to achieve its business objectives may be impaired. Additionally, directors and officers of the Corporation may also serve as directors and/or officers of other reporting issuers from time to time. The Corporation has not purchased "key-man" insurance, nor has it entered into non-competition and nondisclosure agreements with management and has no current plans to do so.

### *Reliance on Management*

The Corporation is relying solely on the past business success of its directors and officers to identify a QT of merit. The success of the Corporation is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Corporation.

### *Loans or Advances*

Subject to prior acceptance from the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of \$250,000 (\$25,000 without prior Exchange approval) of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover the loan or advance.

### *Volatile Financial Markets*

The extreme volatility occurring in the financial markets is a significant risk for the Corporation. As a result of market turmoil, investors move away from assets they perceive as risky to those they perceive as less so. Issuers like the Corporation are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Corporation to access the capital markets in order to raise the capital it will need to fund its current level of expenditures and identify, evaluate and close a qualifying transaction.

### *Critical Accounting Estimates*

The Corporation's significant accounting policies are summarized in the notes to the financial statements of the Corporation for the year ended December 31, 2018.

### **Subsequent Event**

On July 23, 2019, the Corporation entered into a letter of intent ("LOI") with DLP Resources Inc. ("DLP"). The LOI outlines the general terms and conditions pursuant to which the Corporation and DLP have agreed to complete a transaction that will constitute the QT of MG Capital Corporation. Pursuant to the terms of the LOI, the Corporation and DLP will enter into a mutually agreeable definitive agreement incorporating the terms of the transaction as described in the Corporation's press release of July 29, 2019. There is no

assurance that a definitive agreement will be reached, or that such agreement will be acceptable to the Exchange.

**Additional Information**

For further details, see the Corporation's unaudited condensed interim financial statements for the period ended June 30, 2019 which should be read in conjunction the audited financial statements of the Corporation for the year ended December 31, 2018 including the notes thereto. Additional information relating to the Corporation can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) and interested parties are encouraged to visit this site for the most up-to-date information regarding the Corporation.

**Schedule "C"**

**FINANCIAL STATEMENTS OF DLP FOR THE PERIOD FROM INCORPORATION OF JUNE 7, 2019 TO JULY 31,  
2019 (AUDITED)**

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**DLP Resources Inc.**

**Financial Statements**

**For the period ended July 31, 2019**

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To the Directors of  
DLP Resources Inc.

## Opinion

We have audited the accompanying financial statements of DLP Resources Inc. ("the Company"), which comprise the statement of financial position as at July 31, 2019, and the related statements of comprehensive loss, changes in equity and cash flows for the period from incorporation on June 7, 2019 to July 31, 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019, and its financial performance and its cash flows for the period from incorporation on June 7, 2019 to July 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$58,257 for the period from incorporation on June 7, 2019 to July 31, 2019 and, as of July 31, 2019, the Company has an accumulated deficit was \$58,257. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants  
Vancouver, British Columbia  
October 31, 2019

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DLP Resources Inc.  
Statement of Financial Position  
*(Expressed in Canadian Dollars)*

As at July 31,	2019
<b>Assets</b>	
Current	
Cash	\$ 46,789
Mineral properties (Note 4)	<u>40,000</u>
	<u>\$ 86,789</u>
<b>Liabilities and Shareholders' Equity</b>	
Current	
Accounts payable and accrued liabilities	\$ <u>55,046</u>
Shareholders' Equity	
Share capital (Note 6)	90,000
Accumulated deficit	<u>(58,257)</u>
	<u>31,743</u>
	<u>\$ 86,789</u>

Refer Note 1 for nature of operations and going concern, and Note 11 for subsequent events

On behalf of the Board:

"James Stypula" Director  
James Stypula

"Leslie Anne "Robin" Sudo" Director  
Leslie Anne "Robin" Sudo

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**DLP Resources Inc.**  
**Statement of Comprehensive Loss**  
*(Expressed in Canadian Dollars)*

<b>For the period from incorporation on June 7, 2019 to July 31,</b>	<b>2019</b>
<b>General and administrative costs</b>	
Bank charges and interest	\$ 50
Exploration	30,977
Professional fees	26,883
Travel	347
	<hr/>
<b>Comprehensive loss</b>	<b>\$ (58,257)</b>
	<hr/>
<b>Weighted average number of Common Shares outstanding during the period</b>	<b>31,136,000</b>
<b>Basics and diluted loss per share</b>	<b>\$ (0.001)</b>

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**DLP Resources Inc.**  
**Statement of Changes in Equity**  
*(Expressed in Canadian Dollars)*

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For the period from incorporation on June 7, 2019 to July 31, 2019

	Shares Capital		Accumulated Deficit	2019
	Number	Amount		
Balance, beginning of the period	-	\$ -	\$ -	\$ -
Issuance of Common Shares for cash	<b>17,777,780</b>	<b>50,000</b>	-	<b>50,000</b>
Exchange of Common Shares for Properties (Note 4)	<b>14,222,220</b>	<b>40,000</b>	-	<b>40,000</b>
Comprehensive loss for the period	-	-	<b>(58,257)</b>	<b>(58,257)</b>
Balance, end of the period	<b>32,000,000</b>	<b>\$ 90,000</b>	<b>\$ (58,257)</b>	<b>\$ 31,743</b>

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**DLP Resources Inc.**  
**Statement of Cash Flows**  
*(Expressed in Canadian Dollars)*

**For the period from incorporation on June 7, 2019 to July 31, 2019**

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<b>Cash flows used in operating activities</b>	
Cash paid to suppliers	\$ (3,161)
Interest paid	(50)
	<u>(3,211)</u>
<b>Cash flows from financing activity</b>	
Proceeds from issuance of share capital	<u>50,000</u>
<b>Net increase in cash</b>	46,789
<b>Cash, beginning of period</b>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ 46,789</u>

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

DLP Resources Inc. ("DLP" or the "Company") is a privately-held mineral exploration company and is pursuing opportunities relating to the acquisition and exploration of mineral property interests in British Columbia, Canada. The Company was incorporated on June 7, 2019 under the laws of British Columbia. The registered office, head office and records office of the Company are located at 558 Celia Rd., Cranbrook, V1C 6V9, British Columbia, Canada.

As the Company was formed on June 7, 2019 there are no comparative periods presented in these audited financial statements ("financial statements").

The Company has no wholly-owned or partially-owned subsidiaries.

These financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and trade on the TSX Venture Exchange after listing on the same following finalisation of its Amalgamation Agreement with MG Capital Corp (Note 11). Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At July 31, 2019, the Company had no source of operating revenues, had not yet achieved profitable operations and the Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern.

To alleviate this situation, the Company is in the process of completing a financing for gross proceeds totaling \$1,100,000. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its exploration projects by issuance of share capital or through joint ventures, and/or proceeds from the disposition of a property. As at July 31, 2019, the Company has an accumulated deficit of \$58,257 and has working capital of (\$8,257). The Company's current forecast indicates that it will have sufficient cash available for the next year to continue as a going concern.

#### **2. BASIS OF PRESENTATION**

##### **a) Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis.

These financial statements were approved for issue by the board of directors on October 31, 2019.

##### **b) Basis of measurement**

These financial statements include the accounts of DLP Resources Inc.

These financial statements are presented in Canadian dollars.

The accounting policies have been applied consistently in these financial statements, unless otherwise indicated.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

## **2. BASIS OF PRESENTATION (Continued)**

### **c) Judgments and estimates**

The preparation of financial statements in compliance with IFRS requires management to exercise judgment in applying the Company's accounting policies and make certain critical accounting estimates. The areas involving critical judgments in applying accounting policies have the biggest impact on the assets and liabilities recognized in the financial statements are:

#### **Economic recoverability and probability of future economic benefits of mineral properties**

Management has determined that acquisition costs, which are capitalized as mineral properties (Note 4), have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit that may include geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

#### **Determination of fair value on contributed mineral property assets by related parties**

Assets contributed to the Company by related parties are to be recorded at an exchange fair value comparable to an arms-length transaction. As there is no market value for mineral property assets contributed, judgement was used in determining the fair value measurement of the contributed mineral property assets. The Company determined the fair value of the mineral property assets is consistent with the fair value of Common Shares issued to the related parties in accordance with IFRS 2.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Exploration and evaluation expenditures**

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves.

#### ***Recognition and measurement***

Exploration and evaluation expenditures include costs of conducting geological surveys, and exploratory drilling and sampling. Expenditures on mineral exploration or evaluation incurred in respect of a property before the acquisition of a license/permit to explore are expensed as incurred.

Costs related to the acquisition of an exploration asset are capitalized as mineral property assets. The Company will capitalize, once a license/permit has been secured, the cost of maintaining its interest, exploring and developing mineral properties as exploration assets when future inflow of economic benefits from the properties is probable and until such time as the properties are placed into development, abandoned, sold or considered to be impaired in value.

To date the Company has not obtained a license/permit to explore the mineral properties, accordingly, no amounts have been capitalized in respect of exploration and evaluation expenditure.

Exploration costs that do not relate to any specific property are expensed as incurred.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Impairment***

Management tests for impairment when facts and circumstances indicate that the carrying value of mineral property asset might exceed recoverable amounts or when the technical feasibility and commercial viability of mineral resources is demonstrable.

#### **b) Equipment**

The company owns no equipment as at July 31, 2019. In the future, equipment is to be comprised of office and computer equipment which will be carried at cost and amortized on a declining balance basis over the estimated service lives of the assets at rates ranging from 20% to 30%. Amortization methods, useful lives and residual values are to be reviewed at each reporting date.

#### **c) Cash**

Cash includes cash on hand and deposits held with banks.

#### **d) Share capital**

Common Shares are classified as equity. Incremental costs directly attributable to the issue of new Common Shares or stock options are shown in equity as a deduction from the related proceeds, net of applicable tax.

#### **e) Earnings/loss per share**

Basic earnings/loss per share is computed by dividing the net income or loss applicable to Common Shares by the weighted average number of Common Shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the net income 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.

Basic earnings/loss per share amounts are calculated by dividing the net income or loss for the period by the weighted average number of Common Shares outstanding during the period.

#### **f) Share-based compensation**

Share-based compensation arises when the Company issues equity instruments as consideration for services received from employees and non-employees. Its amount is calculated based on the fair value of Common Shares or stock options awarded to employees, measured on their grant date. The fair value of shares or stock options awarded to non-employees is measured on the date that the goods or services are received.

The fair value of the Common Shares and stock options is recognized as an expense over their vesting period with a corresponding increase in equity.

The Company determined the fair value of mineral property assets contributed in accordance with IFRS 2.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **g) Standards and interpretations**

The Company applies IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments. The IFRS 9 standard provides a model for the classification and measurement of financial instruments, a single forward-looking “expected loss” impairment model, and a reformed approach for hedge accounting.

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

#### *Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

#### *Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **h) Future Standards and interpretations**

##### **Leases under IFRS 16**

IFRS 16, Leases is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 Leases specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve 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. The Company assessed this new standard and the Company does know that its adoption will not have a material impact on the financial position or results of the Company.

### **4. MINERAL PROPERTIES**

During the period from incorporation on June 7, 2019 to July 31, 2019, 3 properties, Aldridge 1, Aldridge 2 and Redburn, were acquired by the Company from 4 shareholders of which 2 are directors/key management of the Company (Note 7.2). In consideration of the acquired properties, a total of 14,222,220 shares were issued at a fair value of \$40,000, being the fair value comparable to the arms-length share issuances of \$0.0028125 per common share of the Company at and around the same time as the acquired mineral property assets.

#### **Aldridge 1 (RJ) and Aldridge 2 (JR) Properties – Pb/Zn prospect**

The Aldridge 1(RJ) and Aldridge 2 (JR) mineral properties are separate claim blocks located 52 km southwest of Cranbrook B.C. in the East Kootenay region of the province. Both are in the Leadville corridor and are Pb/Zn prospects. They are separated by about 5.7 km north-south on NTS map-sheets 082F01 and 082F08. The Aldridge 2 property is 5 claims totaling 1,855.17 hectares; the Aldridge 1 property is 9 claims totaling 2,914.43 hectares. Both properties are owned 100% by the Company and have no ongoing commitments other than the future commitment of the net smelter royalty commitment noted in Note 7.3.

#### **Redburn Property - Cu prospect**

Redburn Creek claims are 12 claim blocks totaling 5,359.5 hectares and is 15 km northeast of Golden, B.C.

The Redburn Creek claims are within an anomalous horizon at the top of the Cambrian Chancellor formation shales. This horizon has been traced from Elkford, B.C. to North of Golden, B.C. which hosts a massive sulfide deposit at Cummings Creek and the Kicking Horse Monarch mine at Field, B.C. These deposits are in the same horizon as the Redburn Creek Property. The property is owned 100% by the Company and has no ongoing commitments.

**DLP RESOURCES INC.**

## NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)***5. INCOME TAXES**

	<b>Period from incorporation on June 7, 2019 to July 31, 2019</b>
Loss before income taxes	\$ (58,257)
Income tax rate	27%
Income recovery calculated using statutory rate	(15,729)
Change in unrecognized deferred tax assets	15,729
<b>INCOME TAX EXPENSE (RECOVERY)</b>	<b>\$ -</b>

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at July 31, 2019, summarized as follows:

	<b>July 31, 2019</b>
<b>Deferred Tax Assets</b>	
Non-Capital loss carry forwards	\$ 15,729
	15,729
Unrecognized deferred tax assets	(15,729)
	\$ -

**6. SHARE CAPITAL****Common Shares**

The Company is authorized to issue an unlimited number of Class A Common Shares with no par value ("**Common Shares**").

During the period from incorporation of June 7 to July 31, 2019, the Company issued 17,777,780 Common Shares for \$50,000 (\$0.0028125 per share) in cash, including 7,111,110 to 2 directors in exchange for \$20,000 cash. Another 14,222,220 Common Shares were issued, in exchange for 3 properties, at a fair value of \$40,000 (\$0.0028125 per share). The properties were transferred to the Company by 4 parties of which 2 are directors/key management (Note 4 and Note 7.2).

## DLP RESOURCES INC.

### NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to July 31, 2019

(Expressed in Canadian Dollars)

#### 7. RELATED PARTY TRANSACTIONS

1) The Company's related parties include key management personnel and directors and any transactions with such parties for goods and/or services are made on regular commercial terms and are considered to be at arm's length. Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and comprise the Chief Executive Officer, Chief Financial Officer and Vice-President, Exploration of the Company. There was no compensation to key management or directors of the Company.

2) Key management personnel of the Company contributed mineral property assets to the Company (Notes 4 and 6) for a total fair value of \$20,000 (\$10,000 each) with the allocation of \$12,000 in exchange for Aldridge 1 and \$8,000 in exchange for Aldridge 2.

3) Regarding transfer of the mineral property assets to the Company (Note 4), 2 directors shall retain and be entitled to a royalty (the "**Royalty**") entitling such directors to 0.5% each (total of 1%) of all Net Smelter Returns on the area currently comprising the mineral claims named "JR 1", "JR 2" and "JR 3" (collectively, the "**Royalty Area**") in accordance with the terms and conditions set out. The Royalty shall constitute an interest in land and will be a covenant running with the Royalty Area.

#### 8. EARNING/LOSS PER SHARE

		<b>Period from incorporation on June 7, 2019 to July 31, 2019</b>
Loss attributable	\$	(58,257)
Basic and diluted loss per share	\$	(0.001)

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

## **9. FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

### ***Risk Management***

The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

### ***Fair value***

The Company's financial instruments include cash, and other payables and other liabilities. IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash and accounts payables and other liabilities approximate their respective fair values due to their short-term nature.

### ***Credit risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash in a major Canadian Bank. The carrying amount of financial assets represents the maximum credit exposure.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The exposure to interest rates for the Company is considered minimal.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing other liabilities. Most of the Company's financial liabilities are due within one year.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

(Expressed in Canadian Dollars)

## **10. CAPITAL MANAGEMENT**

The Company monitors its cash and Common Shares as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations. The Company is not exposed to any externally imposed capital requirements.

## **11. SUBSEQUENT EVENTS**

Subsequent to July 31, 2019, the Company entered into an amalgamation agreement dated September 26, 2019 with MG Capital Corp, a corporation incorporated under the laws of Alberta ("MG") and 1224395 B.C. Ltd. a wholly owned corporate subsidiary of MG incorporated under the laws of the Province of British Columbia (the "**Amalgamation Agreement**").

### **Summary of the Amalgamation Agreement**

Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, DLP will amalgamate with 1224395 B.C. Ltd. pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**"). The amalgamated entity ("**AmalCo**") will be a wholly-owned subsidiary of MG and the shareholders of DLP will be issued one common share of MG (each an "**MG Share**") for every one DLP Common Share held immediately prior to the completion of the Amalgamation. Upon completion of the Amalgamation, DLP will become a wholly-owned subsidiary of MG and the former securityholders of DLP will become securityholders of MG. The Amalgamation (and the other transactions contemplated by the Amalgamation Agreement) will constitute the Qualifying Transaction of MG (the "**Transaction**"), as defined in the policies of the TSX Venture Exchange ("**TSXV**").

The Amalgamation Agreement provides that no party will solicit or negotiate with any other entities in opposition to or in competition with the Transaction.

The completion of the Transaction is subject to the satisfaction of conditions, including but not limited to:

- (i) the DLP Financing (defined below), raising gross proceeds of not less than \$1.1 million;
- (ii) approval of the Amalgamation by the shareholders of DLP;
- (iii) the absence of any material adverse change in the business, operations or capital of either MG or DLP;
- (iv) the absence of any prohibition at law against the Transaction;
- (v) the termination by MG of 540,000 of the currently outstanding stock options held by its current directors and officers; and
- (vi) receipt of all requisite third party consents, waivers, permits, orders and approvals, including the approval of the TSXV.

Accordingly, there can be no assurance that the Transaction will be completed on the terms proposed above or at all. For avoidance of doubt, the Transaction is not subject to the approval the shareholders of MG.

Each of MG and DLP will bear their own costs in respect of the Transaction except that DLP will pay all third party costs required to be paid to complete the Transaction, including, but not limited to sponsorship fees and any and all TSXV filing fees.

The Transaction will result in MG, as the listed issuer resulting from the Transaction (the "**Resulting Issuer**"), owning 100% of the Common Shares of DLP.

In connection with its role in connecting MG and DLP in contemplation of the Transaction, there is a finder's

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

## **11. SUBSEQUENT EVENTS (Continued)**

### **Summary of the Amalgamation Agreement (Continued)**

fee payable to Haywood Securities Inc. (“**Haywood**”) to be satisfied through delivery to Haywood of \$192,500, through the issuance of DLP Shares at a price of \$0.10 per DLP Share. Haywood elected to receive its fees in shares.

### **Private Placement**

The Transaction is subject to the completion of a financing by DLP (see Private Placement Proceeds in Notes below) for minimum aggregate gross proceeds of \$1,100,000 (the “**DLP Financing**”). In the DLP Financing, DLP expects to raise a minimum of \$500,000 through the issuance of flow-through Common Shares (each a “**DLP FT Share**”) at a price of \$0.13 per DLP FT Share and \$600,000 through the issuance of units of DLP (each a “**DLP Unit**”) at a price of \$0.10 per DLP Unit. Each DLP Unit will be comprised of one DLP Share and one-half of one common share purchase warrant of DLP (each whole warrant, a “**DLP Warrant**”). Each DLP Warrant will entitle the holder thereof to purchase one additional DLP Share at an exercise price of \$0.15 per DLP Share for a period of 24 months from the date of issue, subject to the Acceleration Right (as defined below). Each DLP FT Share will be a flow-through share which will qualify as a “flow-through share” as defined in s. 66(15) of the *Income Tax Act* (Canada).

The “**Acceleration Right**” means the right of DLP to accelerate the expiry date of the DLP Warrants if the closing price of the shares of the Resulting Issuer on the TSXV, or any other stock exchange on which such shares are then listed, is at a price equal to or greater than \$0.25 for a period of twenty consecutive trading days.

DLP expects to pay a cash commission equal to up to 7.5% of the aggregate combined gross proceeds raised from the sale of applicable DLP Units and DLP FT Shares to subscribers introduced to DLP by qualified finders and also expects to issue such number of non-transferable warrants that is equal to 7.5% of the gross proceeds raised in respect of the issuance of DLP FT Shares and DLP Units, as applicable, purchased under the DLP Financing by subscribers introduced to DLP by the finders.

There is no assurance that the DLP Financing will be completed. All sales, exchanges, and issuances of any units, shares, warrants, and securities in connection to the DLP Financing and the Transaction will be subject to regulatory approval including, but not limited to, the approval of the TSXV and, as applicable, may be subject to the prior approval of the shareholders of either or both of MG and/or DLP.

### **Private Placement Proceeds/Common Share Issuance**

Subsequent to July 31, 2019, the Company raised \$1,152,007 gross proceeds upon completion of the private placement on October 11, 2019. DLP issued 1,323,131 DLP FT Shares and 9,800,000 DLP Units prior to the Qualifying Transaction, for gross proceeds of \$1,152,007 comprised of the sale of \$172,007 of DLP FT Shares at a price of \$0.13 per DLP FT Share and \$980,000 of DLP Units at a price of \$0.10 per DLP Unit.

### **Resulting Issuer**

The Resulting Issuer will carry on the mineral exploration business conducted by DLP, and the Resulting Issuer Shares will be listed under a new trading symbol. On closing of the Transaction, the Resulting Issuer anticipates meeting the TSXV's initial listing requirements for a mining issuer.

## **DLP RESOURCES INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to July 31, 2019

*(Expressed in Canadian Dollars)*

#### **11. SUBSEQUENT EVENTS (Continued)**

##### **Bridge Loan**

Subsequent to July 31, 2019, the company entered into a bridge loan with MG Capital Corp for \$25,000. The loan accrues interest at 10% per annum and is unsecured. All amounts outstanding will be repayable on the completion date of the qualifying transaction or if the qualifying transaction is not complete, 90 days from the date of September 26, 2019.

##### **Staking of Hungry Creek Property** – Cu/Co prospect

Subsequent to July 31, 2019, the Company staked the Hungry Creek property, which is 4261.5 hectares in size and is located 35 km west of Kimberley, B.C. It was staked as recent prospecting in the stream bed of Hungry Creek discovered numerous boulders of massive to semi massive sulfides. The Hungry Creek Property is 100% owned by the Company.

##### **Staking of Strategy claim**

Subsequent to July 31, 2019, the Company staked the stand-alone Strategy claim which is 211 hectares in size and located 1 km west of the Aldridge 1 property. It was staked in response to competitor ground coming available.

**Schedule "D"**

**MD&A OF DLP FOR THE PERIOD FROM INCORPORATION OF JUNE 7, 2019 TO JULY 31, 2019**

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DLP RESOURCES INC.

Management Discussion & Analysis

For the period from the Incorporation date of June 7, 2019 to July 31, 2019

## **DLP Resources Inc.**

### **Management's Discussion and Analysis For the period from the Incorporation date of June 7, 2019 to July 31, 2019**

This management's discussion and analysis ("MD&A") reviews the significant activities of DLP Resources Inc. ("DLP" or the "Company") and the financial results for the period of June 7, 2019 (date of Incorporation) to July 31, 2019. This MD&A should be read in conjunction with the accompanying audited financial statements for the period ended July 31, 2019 and the related notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis and presented in Canadian dollars.

The effective date of this MD&A is October 31, 2019.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, is complete and reliable.

#### **CORPORATE SUMMARY**

DLP Resources Inc. is an exploration-stage company engaged in the acquisition, exploration and development of mineral properties of merit in British Columbia, Canada with the aim of developing them to a stage where they can be exploited at a profit or arranging joint ventures whereby other companies provide funding for development and exploitation.

The Company's head office is located at 558 Celia Road, Cranbrook, B.C. V1C 6V9.

The Company was incorporated on June 7, 2019.

#### **Private Placements**

N/A

#### **British Columbia Properties**

##### ***Aldridge 1 (RJ) & Aldridge 2 (JR)***

Aldridge 1 (RJ), totaling 2914.4 ha, and the Aldridge 2 (JR), totaling 1855.2 ha, mineral properties are separate claim blocks located 80 km southwest of Cranbrook B.C. on Highway 3 in the East Kootenay region of the province. They are separated by about 5.7 km north-south. Both the Aldridge 1 (RJ) & Aldridge 2 (JR) properties are Lead/Zinc prospects and are within the same favorable Leadville Corridor. The Aldridge 1 (RJ) property is centered on UTM (Nad83) coordinates 5446000N and 558000E; the Aldridge 2 (JR) property is centered on UTM coordinates 5457000N and 555000E.

The Aldridge 2 (JR) property had geological fieldwork performed on the ground during June, 2019 and the Aldridge 1 (RJ) had geological fieldwork performed on the ground during June and July, 2019. **Subsequent to July 31, 2019**, further geological field work will be performed on the Aldridge 1 (RJ) property at a cost of approximately \$12,000.

DLP RESOURCES INC.

Management Discussion & Analysis

For the period from the Incorporation date of June 7, 2019 to July 31, 2019

### ***Redburn Property***

The Redburn property is 5359.5 hectares in size and is located 10 air-km north-east of Golden, B.C. Good logging roads and old logging roads give access to 50% of the property. The property is centered on UTM (Nad 83) coordinates 5698510N and 508355E. The Redburn property is a Copper/Cobalt prospect. **Subsequent to July 31, 2019**, a heavy mineral stream sediment sampling program was completed as well as a soil sampling program totaling \$11,227.60. There were 24 heavy mineral stream samples taken and 67 soil samples collected – costs for the analysis of these samples will be approximately \$5,000.

### **SELECTED ANNUAL INFORMATION**

Comprehensive loss	(58,257)
Basics and diluted loss per share	(0.001)
Total Assets	86,789
Total Liabilities	55,046

### **RESULTS OF OPERATIONS**

During the period of June 7, 2019 to July 31, 2019 (the “current period”), the Company incurred a loss of \$58,257.

#### **Exploration Costs**

As at July 31, 2019, total of \$23,465 was spent the Aldridge 1 (RJ) and Aldridge 2 (JR) properties comprising of geological fieldwork as well as review of historical work performed and the writing of a 43-101 report. Included in professional fees is audit fees of \$10,000 and legal fees of \$16,000.

As at July 31, 2019, \$1,945 was spent on the Redburn property regarding sampling expenses and \$5,567.15 was spent on reconnaissance work.

#### **Liquidity and Capital Resources**

As at July 31, 2019, the Company had current assets of \$46,789, which included cash of \$46,789, total assets of \$86,789 and total liabilities of \$55,046. As at July 31, 2019, the Company had no long-term debt outstanding. There are no known trends in the Company's liquidity or capital resources.

The Company has financed its operations to date primarily through the payments made by shareholders regarding share purchase.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and/or commence profitable operations in the future.

### **Summary of Quarterly Results**

<b>3 Months Ended</b>	2019 Q4
<b>Loss</b>	\$58,257
<b>Loss per Share</b>	\$0.001

### **Commitments**

The Company is required to incur exploration expenditures on its mineral claims to meet the conditions of holding its mineral rights and keep the mineral claims in good standing. Each provincial jurisdiction imposes expenditure requirements which vary from province to province and from year to year.

The Company has commenced field work on all of its properties in order to incur enough exploration expenditures to keep all properties in for at least a minimum of 1 year ahead for their current expiration dates. This would put the majority of all claims in good standing until at least 2021.

### **Transactions with Related Parties**

1. The Company's related parties include key management personnel and directors and any transactions with such parties for goods and/or services are made on regular commercial terms and are considered to be at arm's length. Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and comprise the Chief Executive Officer, Chief Financial Officer and Vice-President, Exploration of the Company.

2. Regarding the issuance of shares to 2 key management personnel, for contribution of properties to the Company for a total value of \$20,000 (\$10,000 each) with the allocation of \$12,000 in exchange for Aldridge 1 (RJ) and \$8,000 in exchange for Aldridge 2 (JR).

3. Regarding transfer of the Property Interests to the Purchaser, two (2) directors of the Company shall retain and be entitled to a royalty (the "**Royalty**") entitling each director 0.5% (total of 1%) of all Net Smelter Returns on the area currently comprising the mineral claims named "JR 1", "JR 2" and "JR 3" (collectively, the "**Royalty Area**") in accordance with the terms and conditions set out. The Royalty shall constitute an interest in land and will be a covenant running with the Property Interests.

**Net Smelter Returns**" shall mean the actual proceeds received by the Purchaser from a smelter or other place of sale or treatment in respect of all ore removed by the Purchaser from the Royalty Area as evidenced by their returns or settlement sheets after deducting from the said proceeds all freight or other transportation costs from the Royalty Area, to the smelter or other place of sale or treatment, but without any other deduction whatsoever. Net Smelter Returns due and payable to the Vendor hereunder shall be paid within sixty days after receipt of the said actual proceeds by the Purchaser. Within ninety days after the end of each fiscal year during which any ore was shipped from the Royalty Area the records relating to the calculation of Net Smelter Returns during that fiscal year shall be delivered to the Vendor, upon written request, who shall have sixty days after receipt of such statements to question their accuracy and, failing such question, the statements shall be deemed correct. The Vendor or its representative duly appointed in writing shall have the right at all reasonable times upon written request to inspect such books and financial records of the Purchaser as are relevant to the determination of Net Smelter Returns and at his own expense to make copies thereof.

### **Contingencies**

The Company has no contingencies as at the date of this MD&A.

### **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements as at the date of this MD&A.

### **Proposed Transactions**

The Company has not entered into any undisclosed proposed transactions, except as detailed in "Subsequent Events", as at the date of this MD&A.

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### **Investor Relations**

The Company has no investor relations contracts as at the date of this MD&A.

### **CURRENT DATA SHARE**

As at October 31, 2019, the Company had:

a) 43,123,131 common shares issued and outstanding;

b) 5,734,235 share purchase warrants

c) No stock options.

### **INDUSTRY AND OPERATIONAL RISKS**

The Company is subject to a number of risks and uncertainties, the more significant of which are discussed below. Additional risks and uncertainties not presently known to the Company may impact the Company's financial results in the future.

#### **Financing Risks**

Being a junior mining exploration company in Canada and in the exploration business means that the Company must raise the necessary financings for future exploration. Those financings depend to a large degree on commodity price trends, general investment sentiment for companies in the sector and the ability of the Company's ability to find and confirm the existence of minerals in sufficient quantities and qualities on its exploration lands. Management is of the view that these risks faced by the Company are not greater than those risk encountered by its peers in Canada.

The Company will require additional financing to conduct exploration on its mineral properties and to fund General and Administration costs. There is no assurance that the Company will be able to raise the required financing through equity financings, debt financings, divestment of its properties or joint venture arrangements. A lack of financing in the future could cause the Company to reduce or postpone exploration spending, reduce exploration and corporate personnel, reduce the size of its mineral property ownership and create going concern issues for the Company.

#### **General Economic Risks**

As the Company continues to focus on its exploration in Canada, the operations will be subject to economic, political and social risks inherent in doing business in Canada. The risks come from matters based on policies of the government, economic conditions, changes in tax regime, changes in regulation, foreign exchange fluctuations and other factors that may change in the future.

#### **Environmental Risks**

All phases of the Company's operations are subject to environmental regulations and potentially social licensing in the jurisdictions it operates in. World-wide environmental regulation is changing to require stricter standards and enforcement, increased fines for non-compliance, more assessment for projects, and a heightened degree of responsibility for companies and their officers, directors, employees and consultants. Although the company believes that it has taken the proper steps to protect the environment related to its operations, there is no assurance that future changes in environmental regulation in Canada will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

#### **Aboriginal Claims Risks**

Aboriginal peoples have claimed aboriginal title and rights to portions of Canada. The Company is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful, such claim may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### **Forward-looking statements**

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements, which are based on the Company's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. The Company is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Company's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the Company's properties are in the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with title to mineral properties, changes in general economic, market and business conditions; competition for, among other things, capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

### **SUBSEQUENT EVENTS**

#### **1. Amalgamation Agreement**

Subsequent to July 31, 2019, the Company finalized an Amalgamation Agreement between MG Capital Corp, incorporated under the laws of Alberta, 1224395 B.C. LTD., a wholly owned subsidiary of MG, incorporated under the laws of the Province of British Columbia and DLP Resources Inc., by way of a "three-cornered amalgamation", acquire all of the issued and outstanding securities of DLP.

#### **Summary of the Transaction**

Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, DLP will amalgamate with 1224395 B.C. LTD. pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**"). The amalgamated entity ("**AmalCo**") will be a wholly-owned subsidiary of MG and the shareholders of DLP will be issued one common share of MG (each an "**MG Share**") in exchange for every one Class A Common Share of DLP (each a "**DLP Share**") held immediately prior to the completion of the Transaction. Each outstanding common share purchase warrant of DLP (each a "**DLP Warrant**") will also be exchanged for one common share purchase warrant of MG on the same terms and conditions as the original security.

The Amalgamation Agreement provides that no party will solicit or negotiate with any other entities in opposition to or in competition with the Transaction.

The completion of the Transaction is subject to the satisfaction of certain conditions precedent, including but not limited to: (i) the DLP Financing (as defined below), raising gross proceeds of not less than \$1.1 million; (ii) approval of the Amalgamation by the shareholders of DLP; (iii) the absence of any material adverse change in the business, operations or capital of either MG or DLP; (iv) the absence of any prohibition at law against the Transaction; (v) the termination by MG of 540,000 of the currently outstanding stock options held by its current directors and officers; and (vi) receipt of all requisite third party consents, waivers, permits, orders and approvals, including the approval of the TSXV. Accordingly,

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there can be no assurance that the Transaction will be completed on the terms proposed above or at all. For avoidance of doubt, the Amalgamation is not subject to the approval of the shareholders of MG.

Subject to satisfaction or waiver of the conditions precedent referred to herein and contained in the Amalgamation Agreement, MG and DLP anticipate that the Transaction will be completed on or before November 1, 2019.

Each of MG and DLP will bear their own costs in respect of the Transaction except that LP will pay all third party costs required to be paid to complete the Transaction, including, but not limited to sponsorship fees and any and all TSXV filing fees.

The Transaction will result in MG, as the listed issuer resulting from the Transaction (the "**Resulting Issuer**"), owning 100% of the securities of DLP.

In connection with its role in connecting MG and DLP in contemplation of the Transaction, there is a finder's fee payable to Haywood Securities Inc. ("**Haywood**") to be satisfied through delivery to Haywood of \$192,500, through the issuance of DLP Shares at a price of \$0.10 per DLP Share. Haywood elected to receive its fees in shares.

### **DLP Financing**

The Transaction is subject to the completion of a non-brokered private placement by DLP (see Private Placement Proceeds below in Notes) for minimum aggregate gross proceeds of \$1,100,000 (the "**DLP Financing**"). In the DLP Financing, DLP expects to raise funds through the issuance of flow-through common shares of DLP (each a "**DLP FT Share**") at a price of \$0.13 per DLP FT Share and through the issuance of units of DLP (each a "**DLP Unit**") at a price of \$0.10 per DLP Unit. A minimum of \$575,000 will be raised through the issuance of DLP Units. Each DLP Unit will be comprised of one DLP Share and one-half of one DLP Warrant. Each DLP Warrant will entitle the holder thereof to purchase one additional DLP Share at an exercise price of \$0.15 per DLP Share for a period of 24 months from the date of issue, subject to the Acceleration Right (as defined below). Each DLP FT Share will be a flowthrough share which will qualify as a "flow-through share" as defined in s. 66(15) of the *Income Tax Act* (Canada).

The "**Acceleration Right**" means the right of DLP to accelerate the expiry date of the DLP Warrants to 30 days from the date notice of such acceleration is delivered to warrant holders if the closing price of the shares of the Resulting Issuer on the TSXV, or any other stock exchange on which such shares are then listed, is at a price equal to or greater than \$0.25 for a period of twenty consecutive trading days.

DLP expects to pay a cash commission equal to up to 7.5% of the aggregate combined gross proceeds raised from the sale of applicable DLP Units and DLP FT Shares to subscribers introduced to DLP by qualified finders and also expects to issue (i) such number of non-transferable warrants ("**FT Finder Warrants**") that is equal to 7.5% of the gross proceeds raised in respect of the issuance of DLP FT Shares to subscribers introduced to DLP by such finders, divided by \$0.13 and (ii) such number of non-transferable warrants ("**Unit Finder Warrants**") that is equal to up to 7.5% of the gross proceeds raised in respect of the issuance of DLP Units to subscribers introduced to DLP by such finders, divided by \$0.10. Each FT Finder Warrant will entitle the holder thereof to acquire one DLP Share for a period of 24 months from the closing date of the DLP Financing at a price of \$0.13 per share. Each Unit Finder Warrant will entitle the holder thereof to acquire one DLP Share for a period of 24 months from the closing date of the DLP Financing at a price of \$0.10 per share.

DLP intends to use the proceeds of the DLP Financing for the Transaction, general and administrative expenses for the next twelve months, exploration activities on the Aldridge Properties (as defined below), property maintenance costs and general working capital.

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There is no assurance that the DLP Financing will be completed. All sales, exchanges, and issuances of any units, shares, warrants, and securities in connection to the DLP Financing and the Transaction will be subject to regulatory approval including, but not limited to, the approval of the TSXV and, as applicable, may be subject to the prior approval of the shareholders of either or both of MG and/or DLP.

### **Private Placement Proceeds/Common Share Issuance**

Subsequent to July 31, 2019, the Company raised \$1,152,007 gross proceeds upon completion of the private placement on October 11, 2019. DLP issued 1,323,131 DLP FT Shares and 9,800,000 DLP Units prior to the Qualifying Transaction, for gross proceeds of \$1,152,007 comprised of the sale of \$172,007 of DLP FT Shares at a price of \$0.13 per DLP FT Share and \$980,000 of DLP Units at a price of \$0.10 per DLP Unit.

### **Resulting Issuer**

After completion of the Transaction, and subject to approval by the shareholders of the Resulting Issuer, it is anticipated that the Resulting Issuer will change its name to "DLP Resources Inc.", or such other name as may be acceptable to the Resulting Issuer.

Upon completion of the Transaction and assuming that (i) the minimum amount is raised under the DLP Financing and (ii) the Finder's Fee is satisfied entirely through the issuance of 1,925,000 DLP Shares to Haywood, former shareholders of DLP will hold approximately 88.8% of the Resulting Issuer common shares ("**Resulting Issuer Shares**") and MG shareholders will hold 11.2% of the Resulting Issuer Shares. It is anticipated that there will be an aggregate of approximately 49,223,461 Resulting Issuer Shares issued and outstanding and an additional 3,859,135 convertible securities of the Resulting Issuer exercisable into Resulting Issuer Shares assuming \$525,000 is raised through the issuance of DLP FT Shares and \$575,000 is raised through the issuance of DLP Units pursuant to the DLP Financing.

The Resulting Issuer will carry on the mineral exploration business conducted by DLP, and the Resulting Issuer Shares will be listed under a new trading symbol. On closing of the Transaction, the Resulting Issuer anticipates meeting the TSXV's initial listing requirements for a mining issuer.

MG's current directors are Peter McKeown, Jamie McVicar and Glenn Jamieson. Concurrent with the completion of the Transaction, Peter McKeown, Jamie McVicar and Glenn Jamieson, being all of the current directors of MG, will resign in favour of nominees of DLP, being James Stypula, who will also be appointed Chief Executive Officer, Richard Zimmer and William Bennett. Leslie Anne "Robin" Sudo will be appointed Chief Financial Officer and Corporate Secretary of the Resulting Issuer.

The directors and officers and or companies controlled by them collectively will own a total of 14,222,222 Resulting Issuer Shares of the Resulting Issuer or 28.9% of the total number of Resulting Issuer Shares.

## **2. Bridge Loan**

Subsequent to July 31, 2019, the company entered into a bridge loan with MG Capital Corp for \$25,000. The loan accrues interest at 10% per annum and is unsecured. All amounts outstanding will be repayable on the completion date of the qualifying transaction or if the qualifying transaction is not complete, 90 days from the date of September 26, 2019.

## **3. Hungry Creek Property – Cu/Co prospect**

Subsequent to July 31, 2019, the Company staked the Hungry Creek property which is 4261.5 ha in size and is located 35 km west of Kimberley, British Columbia. Good logging roads come to within 4 km of the property. The property is centered on UTM coordinates 5506699N and 538220E.

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Hungry Creek property was staked as recent prospecting in the stream bed of Hungry Creek discovered numerous boulders of massive to semi massive sulfides. The Hungry Creek Property is 100% owned by DLP Resources Inc.

#### **4. Strategy Claim**

Subsequent to July 31, 2019, the Company staked the stand alone Strategy claim which is 211 hectares in size and located 1 km west of the Aldridge 1 (RJ) property. It was staked in response to competitor ground coming available.

#### **FINANANCIAL INSTRUMENT**

N/A

**Schedule "E"**

**PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

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**New DLP**

## Pro-Forma Consolidated Statement of Financial Position

(Unaudited)

	MG Capital Corporation June 30, 2019	DLP Resources Inc. July 31, 2019	Pro forma Adjustments	Note	New DLP
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 210,747	\$ 46,789	\$ 1,062,007	2(c)	\$ 1,319,543
GST receivable	6,102				6,102
	<u>216,849</u>	<u>46,789</u>			<u>1,325,645</u>
Mineral properties		40,000			40,000
<b>Total Assets</b>	<u>\$ 216,849</u>	<u>\$ 86,789</u>			<u>\$ 1,365,645</u>
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ 3,308	\$ 55,046	\$ 150,000	2(b)	\$ 208,354
Flow through shares liability			39,694	2(c)	39,694
<b>Total Liabilities</b>	<u>3,308</u>	<u>55,046</u>			<u>248,048</u>
<b>Shareholders' Equity</b>					
Share capital	351,847	90,000	(351,847)	2(b)	1,601,701
			743,500	2(b)	
			1,062,007	2(c)	
			(210,700)	2(c)	
			(43,412)	2(c)	
			(39,694)	2(c)	
Contributed surplus	53,722		(53,722)	2(b)	254,112
			210,700	2(c)	
			43,412	2(c)	
Deficit	(192,028)	(58,257)	192,028	2(b)	(738,216)
			(150,000)	2(b)	
			(529,959)	2(b)	
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 216,849</u>	<u>\$ 86,789</u>			<u>\$ 1,365,645</u>

## **New DLP**

### Notes to the Pro Forma Consolidated Statement of Financial Position

(Unaudited)

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#### **1. Basis of presentation**

The accompanying unaudited pro forma consolidated statement of financial position has been prepared by management using principles consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board for inclusion in the Filing Statement of MG Capital Corporation (“MG”) to reflect the acquisition of DLP Resources Inc. (“DLP”) by MG after giving effect to the proposed transactions as described in Note 2. In the opinion of management, the unaudited pro forma consolidated statement of financial position includes all adjustments necessary for fair presentation of the completion of an amalgamation which will result in the reverse takeover (“RTO”) transaction of MG by DLP (the “Transaction”). The unaudited pro forma consolidated statement of financial position is not intended to reflect the financial position which would have actually resulted had the Transaction been effected on the date indicated. Furthermore, the unaudited pro forma financial information is not necessarily indicative of the financial position that may be obtained in the future. Actual amounts recorded upon consummation of the Transaction may differ from those recorded in the unaudited pro forma consolidated statement of financial position, and the differences may be material.

The unaudited pro forma consolidated statement of financial position has been derived from and should be read in conjunction with the following financial information: i) Unaudited Interim Condensed Financial Statements of MG for the three and six month periods ended June 30, 2019; and ii) the Audited Consolidated Financial Statements of DLP for the period ended July 31, 2019.

#### **2. Assumptions**

The unaudited pro forma consolidated statement of financial position incorporates the following pro forma assumptions:

- a) The Transaction is completed pursuant to the terms and conditions outlined in a definitive agreement outlining a ‘three-cornered amalgamation’ between MG and DLP dated September 26, 2019. The resulting corporate entity is hereinafter referred to as ‘New DLP’. Prior to the Transaction, MG had been a non-operating public company engaged in completing a qualifying transaction whereby an operating company would acquire MG in an RTO to obtain a public listing of its shares on the TSX(V).
- b) After the Transaction, the shareholders of DLP will own a majority of the outstanding shares of New DLP. The Transaction does not meet the definition of a business combination under IFRS 3, Business Combinations. The Transaction is equivalent to the issuance of common

shares by New DLP for the net assets and listing status of the non-operating public company, MG, as follows:

**Net Assets of MG:**

Cash	\$ 210,747
GST receivable	6,102
Accounts payable and accrued liabilities	<u>(3,308)</u>
	213,541
Consideration	<u>743,500</u>
Listing expense	<u>\$ 529,959</u>

**Consideration comprised of:**

Fair value of common shares issued to DLP shareholders	\$ 551,000
Fair value of common shares issued to Haywood	<u>192,500</u>
	<u>\$ 743,500</u>

The fair value of the 5,510,000 common shares issued of MG was determined to be \$551,000 based on a fair value of shares of \$0.10 per share. The fair value of the consideration was determined to be in excess of the fair value of net assets of MG and since the Company could not specifically identify any related goods and services that related to this excess, a listing expense of \$529,959 has been recognized under IFRS 2.

Pursuant to the Transaction, a finder's fee of \$192,500 is payable to Haywood Securities Inc. ("Haywood") which may be paid by issuing 1,925,000 common shares at \$0.10 per common share.

The estimated costs of the 'three-cornered amalgamation' includes legal, accounting, exchange and transfer agent fees are estimated at \$150,000. These estimated costs have been accrued in Accounts payable and accrued liabilities in the unaudited consolidated pro-forma statement of financial position.

The fair value of consideration paid will be determined as at the closing date of the Transaction. Therefore, the fair value of assets and liabilities acquired may vary for the amounts shown herein and the differences may be material.

- c) Before the effective date of the Transaction, DLP completed the following private placements of common shares:
  - i) a private placement of 1,323,131 flow-through common shares \$0.13 each for gross proceeds of \$172,007. These common shares have a flow through share liability, as computed using the residual price method, of \$39,694.

- ii) a private placement of 9,800,000 units at \$0.10 per unit. Each unit comprises one common share of DLP, and one half of a share purchase warrant. Each whole share purchase warrant entitles the unit holder to purchase an additional common share of New DLP at \$0.15 for a period of 2 years after closing.

Haywood received a cash commission of 7.5% on a portion of the gross proceeds from the private placements. Haywood also earned broker warrants of 7.5% of all common shares issued under the private placements. These non-transferable broker warrants have a life of two years and enable the holder to purchase an additional common share of New DLP at any time prior to expiry. The 99,235 broker warrants issued pursuant to the flow through common shares have an exercise price of \$0.13 per New DLP common share. The 735,000 broker warrants issued pursuant to the units have an exercise price of \$0.10 per New DLP common share.

Transaction costs in connection with the private placements are assumed at \$90,000 in the aggregate comprised of agent's commission of \$58,875 and \$31,125 for legal fees and other out of pocket costs. The net proceeds of the private placements are therefore assumed to be \$1,062,007.

The shareholder warrants have a fair value of \$210,700 based on the Black-Scholes pricing model using a share price of \$0.10, a volatility of 100%, an expected life of 2 years, 1.5 risk-free rate, no dividend yield, and an exercise price for a common share of New DLP of \$0.15.

The broker warrants have a fair value of \$43,412 based on the Black-Scholes pricing model using a share price of \$0.10, a volatility of 100%, an expected life of 2 years, 1.5% risk-free interest rate, no dividend yield, and an exercise price for a common share of New DLP of \$0.10 or \$0.13 as the case may be.

As there is limited historical volatility of MG's common shares, expected volatility is based on the historical performance of the common shares of other similar companies.

- d) As part of the Transaction, certain officer and directors of MG will cancel 540,000 stock options that had been issued to them and were outstanding as at the date hereof.
- e) The effective consolidated pro forma tax rate is expected to approximate 27%.

### 3. Share Capital

	<b>Number of Shares</b>	<b>Share Capital</b>
Share capital of MG prior to the transaction	5,510,000	\$ 351,847
Share capital of DLP prior to the transaction	32,000,000	90,000
Eliminations	<u>(32,000,000)</u>	<u>(351,847)</u>
	5,510,000	90,000
Issued to complete the transaction	32,000,000	551,000
Issued to Haywood for finders fee	1,925,000	192,500
Private Placement common shares	11,123,131	1,062,007
Fair value of Warrants Issued		(254,112)
Flow Through Shares Liability		<u>(39,694)</u>
	<u>50,558,131</u>	<u>\$ 1,601,701</u>

### 4. Options and Warrants

<b>Type</b>		<b>Number</b>	<b>Exercise</b>		<b>Expiry Date</b>
			<b>Price</b>		
Agent's Options from MG IPO	(1)	250,000	\$ 0.10		May 3, 2020
Broker Warrants common shares	(2)	735,000	\$ 0.10		June 30, 2021
Broker Warrants flow-through shares	(2)	99,235	\$ 0.13		June 30, 2021
Private placement shareholder warrants	(2)	<u>4,900,000</u>	\$ 0.15		June 30, 2021
		<u>5,984,235</u>			

(1) issued to an investment dealer upon completion of MG's initial prospectus offering ("IPO")

(2) Assumes the broker and shareholder warrants were issued on June 30, 2019.

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**CERTIFICATE OF THE COMPANY**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of the Company assuming completion of the Transaction.

October 31, 2019

“Peter McKeown”

Chief Executive Officer and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“Jamie McVicar”

Director

“Glenn Jamieson”

Director

**CERTIFICATE OF DLP RESOURCES INC.**

The foregoing, as it relates to DLP Resources Inc., constitutes full, true and plain disclosure of all material facts relating to the securities of DLP Resources Inc.

October 31, 2019

“James (Jim) Stypula”  
\_\_\_\_\_  
Chief Executive Officer

“Leslie Anne (Robin) Sudo”  
\_\_\_\_\_  
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“Richard Zimmer”  
\_\_\_\_\_  
Director

“William Bennett”  
\_\_\_\_\_  
Director