

# **Anconia Resources Corp.**

(An Exploration Stage Company)

## **MANAGEMENT'S DISCUSSION & ANALYSIS OF THE UNAUDITED CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED RESULTS OF OPERATIONS**

**For the Three and six Months Ended March 31, 2020**

**This MD&A is dated May 29, 2020**

## Anconia Resources Corp. (an exploration stage Company)

### Management Discussion & Analysis; for the three and six months ended March 31, 2020

#### **Introduction**

This Management Discussion and Analysis (“MD&A”), dated May 29<sup>th</sup>, 2020 provides a review of the financial position and the results of operations of Anconia Resources Corp. (the “Corporation”, “Anconia” or the “Company”) and constitutes management review of the factors that affected the Company’s financial and operating performance for the three and six months ended March 31, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three months ended March 31, 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended March 31, 2020, and the audited consolidated financial statements of the Company for the years ended September 30, 2019 and 2018 together with the notes thereto. The Company’s financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of May 29<sup>th</sup>, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Anconia’s common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

#### **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
<p>Potential of the Company's properties to contain economic deposits of precious and base metals.</p>	<p>Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.</p>	<p>Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.</p>
<p>The Company's ability to meet its working capital needs at the current level for the twelve-month period ending March 31, 2021. The Company expects to incur further losses in the development of its business.</p>	<p>The operating and exploration activities of the Company for the twelve-month period ending March 31, 2021 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations. This is also augmented by the RTO in progress.</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.</p>	<p>The exploration activities of the Company for the next twelve months ending March 31, 2021, and the costs associated therewith, will be consistent with the Company's current expectations as it relates to the RTO being contemplated</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.</p>
<p>Asset values for the three months ended March 31, 2020.</p>	<p>Management believes that no further write-down is required for its exploration and evaluation assets resulting from</p>	<p>If the Company does not obtain equity or debt financing (or a combination of both) on terms favourable to the</p>

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	continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programmes on the Company's projects.	Company or at all, a decline in asset values that could be determined to be other than temporary, may result in future impairment losses.
Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will focus its exploration efforts on the new deal announced with Avalon and the existing Grenfell property	New targets that are not discovered will not take precedence over existing targets.	Management may change its plans based on future exploration results.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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#### **Background**

Anconia Resources Corp. (formerly Citadel Gold Mines Inc.) was incorporated under the Ontario Business Corporation Act (“**OBCA**”) on March 22, 1962. The fiscal year end of the Company is September 30.

On June 15, 2011 Anconia completed a reverse takeover transaction (the “Transaction”) pursuant to which Anconia (then Citadel) acquired all of the issued and outstanding common shares (the “Purchased Shares”) in the capital of 2215107 Ontario Inc. (“221”), a private Ontario company with an interest in a mineral property in Nunavut (the “Property”), from the shareholders of 221 (the “221 Shareholders”), and completed a private placement financing for gross proceeds of approximately \$3,510,100.

221 was incorporated under the OBCA on August 18, 2009 for the purpose of acquiring the Property. The Property was 221’s sole material asset.

Concurrently with the closing of the Transaction, Anconia: changed its name from Citadel Gold Mines Inc. to Anconia Resources Corp.; consolidated its common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares (the “Consolidation”); and completed a private placement of units and flow-through units for gross proceeds of approximately \$3,510,100 (the “Financing”).

On closing of the Transaction: the 221 Shareholders were issued 12,276,000 Anconia Shares (on a post-Consolidation basis); MO-KAR Holdings Inc. received 613,800 Anconia Shares (on a post-Consolidation basis) as a finder’s fee in connection with the acquisition of the Property, and 1,650,000 Anconia Shares (on a post-Consolidation basis) were issued to Dr. Bernard Sherman and to a company controlled by Dr. Sherman pursuant to the conversion of \$625,000 aggregate principal amount of convertible debentures previously issued to them.

Anconia is an exploration and development focused company. The Company currently has one exploration project in Canada. This project is known as the Grenfell property which is located in the Kirkland Lake area.

#### **Exploration and Evaluation Assets**

The Company completed the reverse takeover transaction to which Anconia acquired 221, a private Ontario company holding an option to acquire a 100% interest in certain mining claims – the Atlas properties (formerly known as the “ZAC property” and the “Marce property”) – located in the Territory of Nunavut. The Atlas properties are located approximately 170 kilometres south of Baker Lake.

During the last 45 months no work of a significant nature was carried out on the Marce and Zac properties.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer seek financing to develop the Nunavut/Atlas project in that this project is no longer considered viable. As a result, the Company has written off this project.

#### **Sault Ste. Marie Property (“SSM 2016”)**

On July 15, 2016, the Company entered into an option agreement (the “SSM 2016 Agreement”) with three individuals (the “Owners”) whereby Anconia will have the option to acquire up to a 100% interest in certain claims in the Sault Ste. Marie area (the “SSM 2016 Property”). The Agreement was approved by the TSX Venture Exchange on August 15, 2016. On October 24 the Company paid \$75,000 of the outstanding amount due by way of a share for debt exchange. As off the date on this MD&A \$30,000 is outstanding as the final payment on the option agreement. This will be settled when the Company is adequately funded.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer pursue or develop this property. As a result, the Company has written off this project.

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**Grenfell Property**

On September 2, 2014, the Company entered into an option agreement (the "Grenfell Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon: (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac. As of September 30, 2015, the Company has completed these conditions and now has a 60% interest in the Grenfell property.

Anconia has exercised its option to acquire the remaining 40% interest in the Property for \$300,000. In fiscal 2017 the Company renegotiated this part of the original agreement and acquired the additional 40% for the issuance of 5,000,000 common shares of the Company to Cadillac. This has been recorded in the books of the Company as at September 30, 2017.

Cadillac retains a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

The Grenfell property consists of 16 patented claims and two staked claims for a total land position of approximately 4.3 square kilometers. The two staked claims are 67% owned by Cadillac, the remaining 33% being registered to a company that no longer exists. Cadillac will use its best efforts to obtain the remaining 33%, which upon completion will become part of the earn-in option agreement at no additional cost to Anconia. The Property is located west of the Town of Kirkland Lake, Ontario, and approximately four kilometers west of the currently producing Macassa Mine.

A preliminary review of Ontario Assessment records and a technical report filed on SEDAR under the profile of Richview Resources (which was acquired by Cadillac), has led to the following initial conclusions:

- The Kirkland Lake Main Break (04) has been mapped to approximately 500m from the eastern boundary of the property.
- The Larder Lake Break is within 100 meters of the southern boundary of the property.
- The southern portion of the property is underlain by Timiskaming-Type Clastic Meta-sedimentary rocks, the same rock type which underlies many of the mines and deposits of the Kirkland Main Break.
- Previous work on the southern portion of the property included detailed mapping uncovered the contact between the Timiskaming and Huronian sediments, which is interpreted to be a fault. This is located about 150m south of and parallel to Highway 568. This feature may relate to reactivation of the Kirkland Main Break (04) to the east, with a similar strike.
- The property encompasses the historic Four Nations Shaft. The Four Nations area has undergone several exploration campaigns, which included the deepening of the shaft to 536 feet (163 m), with lateral development on several levels between 1926 and 1928, along with surface trenching.
- Since 1934, when the Four Nations Shaft closed, the property has had sporadic exploration with a total of only 34 drill holes totaling 6842m having been completed in 4 campaigns between 1934 and 2004.

The Company has completed a grab sample and a drill programme of 6 holes for a total of 663 meters drilled. The results of which are published on SEDAR.

During the year ended September 30, 2018 the Company was able to sell some of the lumber on the property. This resulted in a net generation of cash in the amount of \$40,474. Since the Company is in the exploration stage this cash was applied to reduce the exploration and evaluation asset.

During the three months ended March 31, 2020, the Board approved a settlement of Debt by assigning approximately 49.94% of the Grenfell property to be used against a settlement of debt. The amount of debt settled will be approximately \$ 586,700 for \$350,500 of the book value of the Grenfell property. This transaction will be completed As soon as possible. The Grenfell property is subject to a mortgage on this property (see note 7 in the interim financial statements for the six months ended March 31, 2020).

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The exploration activities for the three months ended March 31, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Others	\$ 1,093	\$ -	\$ -	\$ 1,093
Disposal for Debt settlement (1)	\$ (350,500)	-	-	\$ (350,500)
	\$ (349,407)	\$ -	\$ -	\$ (349,407)

1) See note above

The exploration activities for the three months ended March 31, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Acquisition costs	-	75,000	-	75,000
Others	2,049	-	-	2,049
	2,049	75,000	-	77,049

The exploration activities from inception to March 31, 2020 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Geology	279,067	66,790	2,244,837	2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	127,160	-	144,213	271,373
Acquisition costs	225,000	123,000	30,000	378,000
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
Disposal for debt settlement	-	-	-	-
Recovery	(40,474)	-	-	(40,474)
	702,916	-	-	702,916

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### Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at March 31, 2020, the Company had yet to generate revenues from operations and had an accumulated deficit of \$10,389,605, (September 30, 2019 - \$10,208,785). As at March 31, 2020, the Company had Cash and cash equivalents of \$3,963 (September 30, 2019 - \$3,810) and a working capital deficit of, \$1,037,974 (September 30, 2019 - \$856,061).

In March 2020, the COVID-19 was declared a pandemic by the World Health Organization. The situation is Dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonable estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

### Proposed Transaction

On October 10, 2019, Anconia Resources Corp. (TSXV: ARA) ("Anconia" or the "Company") and Avalon Investment Holdings Ltd. ("Avalon") announced the execution of a definitive amalgamation agreement dated October 9, 2019 (the "Agreement"). The proposed transaction contemplated by the Agreement (the "Transaction"), affirms Anconia's agreement to acquire all of the issued and outstanding securities of Avalon, by means of a three-cornered amalgamation between Anconia, Avalon, and a subsidiary to be incorporated under the Companies Act of Barbados which will be wholly owned by Anconia ("Anconia Subco"). The resulting entity from this completed Transaction (the "Resulting Issuer"), will continue domestic activities and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

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The Transaction constitutes a “reverse takeover (“RTO”)” of Anconia under the policies of the TSX Venture Exchange (the “Exchange”), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm’s length transaction. Completion of the Transaction is subject to certain conditions including the approval of shareholders of Anconia (“Anconia Shareholders”), and is expected to close in early 2020. Matters to be approved by Anconia Shareholders will be described in further detail in a management information circular (the “Circular”) of Anconia relating to an annual and special meeting of Anconia Shareholders expected to be held in early 2020.

Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly-owned operating subsidiary, Avalon Gold Exploration Inc. (“Avalon Exploration”), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida. There are no Control Persons of Avalon as defined in the Securities Act (Ontario). Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. In addition, Avalon also holds an option to acquire a 100% interest in a prospecting license known as “Kaburi South”, covering approximately 5,235 acres, located adjacent to Troy Resources Limited’s Karouni mine in Guyana.

#### The Transaction

Pursuant to the Transaction, Anconia will issue common shares (“Anconia Shares”) to the holders of common shares in the capital of Avalon (“Avalon Shares”) on the basis of one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. Anconia and Avalon anticipate that approximately 108,000,000 million post-Consolidation Anconia Shares will be issued pursuant to the Transaction, based on the current capital structure of Avalon. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares. Anconia, Avalon, and Anconia Subco will amalgamate to form the Resulting Issuer. The parties anticipate that, upon completion of the Transaction, the Avalon shareholders will hold approximately 108,000,000 Anconia post-Consolidation Shares, representing 93% of the issued and outstanding Anconia post-Consolidation Shares on an undiluted basis, and 139,069,900 Anconia post Consolidation Shares, representing approximately 94% of the issued and outstanding Anconia post-Consolidation Shares on a fully diluted basis. The foregoing shareholdings contemplate the closing of Avalon’s private placement financing on October 17, 2019.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the approval of Anconia Shareholders in connection with the Transaction, including the Consolidation; the completion of the Transaction in early 2020 and the approval of the Exchange and other applicable regulatory authorities.

Trading in the Anconia Shares will remain halted pending the satisfaction of all applicable requirements of Policy 5.2 of the Exchange. There can be no assurance that trading of Anconia Shares will resume prior to the completion of the Transaction. Anconia will hold a meeting of its shareholders to vote on the Transaction and will require that a majority of the votes of its shareholders vote in favour of the Transaction in order to proceed with it. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

#### Name Change

Upon completion of the Transaction, Anconia will change its name to “Omai Gold Mines Corp.” or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

#### Consolidation

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common share.

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**Results of operations**

A summary of selected financial information of the Company for recently completed periods is provided below:

***Selected quarterly information***

The following table sets forth selected financial information of the Company for the quarters ended as noted below:

For the quarter ended	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019	June 30, 2019
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (94,889)	\$ (85,931)	\$ (43,051)	\$ (5,339,150)
Basic & diluted gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.05)
Cash and cash equivalents	\$ 3,963	\$ 862	\$ 3,810	\$ 6,037
Exploration and evaluation assets	\$ 702,916	\$ 702,916	\$ 701,823	\$ 701,823
Total Assets	\$ 712,345	\$ 710,502	\$ 707,531	\$ 711,818
Shareholder's equity	\$ (335,058)	\$ (240,169)	\$ (154,238)	\$ (111,187)
For the quarter ended	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	June 30, 2018
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (95,278)	\$ 495,850	\$ (88,645)	\$ (84,267)
Basic & diluted (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 4,734	\$ 29,765	\$ 5,811	\$ 10,274
Exploration and evaluation assets	\$ 5,942,052	\$ 5,940,003	\$ 5,865,003	\$ 5,863,503
Total Assets	\$ 5,977,899	\$ 5,991,141	\$ 5,877,477	\$ 5,879,235
Shareholder's equity	\$ 5,227,963	\$ 5,320,691	\$ 4,710,064	\$ 4,798,709

The major changes in the quarterly numbers can be explained as follows:

For the quarter ended March 31, 2020: Cash and cash equivalents decreased by \$3,101 from the previous quarter. Total assets increased by \$1,843. . The decrease in Shareholders' equity of \$94,889 is as a result of a net loss for the period.

For the quarter ended December 31, 2019, cash and cash equivalents decreased by 2,948 from the previous quarter. Total assets increased by \$2,971 mainly as a result of an increase in current assets of \$1,878 and an increase in exploration and evaluation assets of \$1,093. The decrease in Shareholder's equity of \$85,931 is as a result of the net loss for the period.

For the quarter ended September 30, 2019: cash and cash equivalents decreased by \$2,227 from the previous quarter. Total assets decreased by \$4,287 as a result of a decrease in current assets. The decrease in Shareholders' equity of \$43,051 is mainly due to the loss for the period.

For the quarter ended June 30, 2019: cash and cash equivalents increased by \$1,303 from the previous quarter. Total assets decreased by \$5,266,081 as a result of a decrease in current assets of \$2,479 and a decrease in exploration and evaluation assets of \$5,240,229. The major reason for the decrease in the exploration and evaluation assets is that the Board of Directors and the Management of the Company decided as at June 30, 2019, in light of the recent announcement with regards to the Company's new direction, the Company will no longer seek financing to develop the Nunavut/Atlas project and the SSM property in that these projects are no longer considered viable. As a result, the Company has recorded in the Company's books an impairment of 100% of these assets. The decrease in Shareholders' equity of \$5,339,150 is mainly as a result of the impairment noted above and the loss for the period.

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For the quarter ended March 31, 2019: Cash and cash equivalents decreased by \$25,031 from the previous quarter. This (decrease) was as a result of a net (decrease) in cash used in operating activities of \$22,982 and net cash used in investing activities of \$2,049 primarily in exploration and evaluation assets. Total assets decreased by \$13,242 as a result of a decrease in current assets of \$15,264, and an increase in exploration and evaluation assets of \$2,049. The decrease in shareholders' equity of \$92,728 is as a result of the net loss for the period.

For the quarter ended December 31, 2018: cash and cash equivalents increased by \$23,954 from the previous quarter. This increase was mainly due to an increase from operating activities of \$63,954, cash used in investing activities of \$75,000 and proceeds from a loan from a related party of \$35,000. Total assets increased by \$113,664. This increase was due to an increase in current assets from the previous period of \$38,664, and an increase in exploration and evaluation assets of \$75,000. The shareholders equity increased from the previous period by \$610,627 which is mainly as a result of the net income and comprehensive income for the quarter ended March 31, 2018 of 493,300 and common shares issued for debt (at a market value of \$0.01 per share) in the amount of \$117,327.

For the quarter ended September 30, 2018: cash and cash equivalents decreased by \$4,463 from the previous quarter. This decrease was mainly due to a decrease from operating activities of (\$4,378). Total assets decreased by \$1,758. This decrease was due to a decrease in current assets from the previous period of \$3,258 offset by an increase of exploration and evaluation assets of \$1,503. The shareholders equity decreased from the previous period by \$88,645. This decrease is as a result of the net loss for the quarter ended September 30, 2018.

For the quarter ended June 30, 2018: Cash and cash equivalents increased by \$1,687 from the previous quarter. This increase was as a result of a net (decrease) in Cash provided by operating activities of (\$5,165) and net cash provided in investing activities of \$6,852 primarily in exploration and evaluation assets as a result of a sale of some lumber from the Grenfell property. Total assets increased by \$9,104 as a result of a increase in current assets of \$5,456, and an increase in exploration and evaluation assets of \$3,648. The decrease in Shareholders' equity of (\$73,767) is as a result of a net loss for the period of \$84,267 offset offset by shares issued as per the option agreement re the SSM2016 property valued at \$10,500.

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Results of Operations**

***Six months ended March 31<sup>st</sup>, 2020***

The operating result for the six months ended March 31<sup>st</sup>, 2020 is compared to those for the six months ended March 31<sup>st</sup>, 2019 as follows:

***General and administrative costs***

Six months ended March 31,	2020	2019
Salaries and benefits	\$ 11,350	\$ 20,000
Professional fees	100,630	37,373
Consulting fees	14,400	76,800
Shareholder and investor relations	719	1,216
Reporting issuer costs	11,984	21,567
Travel	-	16,437
Administrative expense	42,357	41,740
General and administration expenses	\$ 180,820	\$ 215,133

***Other significant Items***

Six months ended March 31,	2020	2019
Foreign exchange gain (loss)	\$ -	\$ 41
Gain on debt settlement	-	469,309
Other income	-	146,355
Net Income (loss) and comprehensive loss for the period	\$ (180,820)	\$ 400,572

For the six months ended March 31, 2020 the Company incurred a net income (loss) and comprehensive income (loss) of (\$180,820) compared with an income of 400,572 for the six months ended March 31, 2019.

The major items which resulted in the loss for the six months ended March 31, 2020 were;

- Gain on debt settlement \$Nil (2019 - \$469,309). In the 6 months of the previous period, the Company completed a share for debt transaction. The total debt extinguished pursuant to this transaction was \$586,636 for 11,732,720 common shares of the Company at \$0.05 per share. At the date of conversion, the market value of the Company shares was \$0.01. In accordance with IFRS the difference between the market value on the Company's shares and the converted price was recorded as other comprehensive income.
- Other income \$Nil (2019- \$146,355). During the six months ended March 31, 2019 the Company was able to use up the majority of its tax losses carry forward which resulted in a net gain as indicated.
- Net gain (loss) from foreign exchange: 2020 \$Nil (2019 - (\$41);
- General and administrative costs for the six months ended March 31, 2020 was \$180,820 (2019 - \$215,133) and the major items are discussed below:
  - Professional fees of \$100,630 for 2020 (2019 - \$37,373), (these fees are comprised of mainly legal, audit, accounting and corporate secretarial services).. the main reason for the increase is the increase legal work pertaining to the contemplated RTO;
  - Consulting fees of \$14,400 for 2020 (2019 - \$76,800). See related party note below;
  - Reporting issuer costs for 2020 of \$11,984 (2019- \$21,567).
  - Travel expenses for 2020 was \$Nil (2019 - \$16,437) in 2019 the Company actively looking for a potential acquisition.
  - Administrative expenses for 2020 were \$42,357 (2019 - \$41,740) and
  - Salaries and benefits (director fees) \$11,350 for 2020 (2019 - \$20,000). See related party below

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Results of Operations**

***Three months ended March 31<sup>st</sup>, 2020***

The operating result for the three months ended March 31<sup>st</sup>, 2020 is compared to those for the three months ended March 31<sup>st</sup>, 2019 as follows:

***General and administrative costs***

Three months ended March 31,	2020	2019
Salaries and benefits	\$ 1,350	\$ 10,000
Professional fees	59,435	17,761
Consulting fees	-	38,400
Shareholder and investor relations	-	719
Reporting issuer costs	5,833	12,294
Travel	-	1,011
Administrative expense	28,271	16,535
General and administration expenses	\$ 94,889	\$ 96,720

***Other significant Items***

Three Months ended March 31,	2019	2019
Foreign exchange gain (loss)	\$ -	\$ 1,442
Gain on debt settlement	-	
Net Income (loss) and comprehensive Income ( loss) loss for the period	\$ (94,889)	\$ (95,278)

For the three months ended March 31, 2020 the Company had a net (loss) and comprehensive (loss) of (\$94,889) compared with a (loss) of \$95,278) for the three months ended March 31, 2019.

The major items which resulted in the gain for the quarter ended March 31, 2020 were;

- Net gain from foreign exchange: 2020 \$Nil (2019 - \$1,442);
- Gain on debt settlement for the three months ended March 31, 2020 was \$Nil (2019 - \$Nil).
- General and administrative costs for 2020 was \$94,889 (2019 - \$96,720); the major items are:
  - Professional fees of \$59,435 for 2020 (2019 - \$17,761), (these fees are comprised of mainly legal, audit and accounting).the main reason for the increase over the comparative period in 2019, is the increase legal fees as a result of the work being done for the RTO;
  - Consulting fees of \$Nil for 2020 (2019 - \$38,400). See related party note below;
  - Reporting issuer costs for 2020 of \$5,833 (2019- \$12,294).;
  - Travel expense for 2020 was \$Nil (2019 - \$1,011);
  - Administrative expenses for 2020 were \$28271 (2019 - \$16,535) and
  - Salaries and benefits (director fees) \$1,350 for 2020 (2019 - \$10,000) see related party note below

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Consolidated Financial position**

This section should be read in conjunction with the unaudited Consolidated statement of financial position and the unaudited Consolidated Statement of Changes in Shareholder's Equity as at March 31, 2020 and the unaudited Consolidated statements of Cash Flows for the six months ended March 31, 2020 and the audited Consolidated Statements of Financial Position and the audited Consolidated Statement of Changes in Shareholders' Equity as at September 30, 2019 and the audited Consolidated Statements of Cash Flows for the year ended September 30, 2019.

The Company's cash and cash equivalents as at March 31, 2020 were \$3,963 (September 30, 2019 - \$3,810).

Consolidated current assets of the Company as at March 31, 2020 were \$9,429 (September 30, 2019 - \$5,708), comprising of cash and cash equivalents and HST tax receivables. Total consolidated assets as at March 31, 2020 were \$712,345 (September 30, 2019 - \$707,531), which are comprised of current assets of \$ 9,429 (September 31, 2019 - \$5,708), and exploration and evaluation assets of \$702,916. (September 30, 2019 - \$701,823).

***Consolidated Liabilities***

Consolidated current liabilities as at March 31, 2020, were \$1,047,403 (September 30, 2019 - \$861,769) which are comprised largely of accounts payable and accrued liabilities of \$868,509 (September 30, 2019 - \$743,949), Loan from related parties of \$82,648 (September 30, 2019 - \$78,135) and Loan payable to Avalon of \$96,246 (September 30, 2019 - 39,685).

***Consolidated Cash Flows***

The net cash provided by (used in) operating activities during the six months ended March 31, 2020, was (\$55,315) (2019 - \$40,972). This amount was as a result of net (loss) for the six months ended March 31, 2020 (\$180,820) (2019 - \$400,572). In the period ended March 31, 2020, the total loss was attributed to General and administrative expenses of \$180,820 (2019 - \$215,133), Offset by a gain on debt settlement of \$Nil) (2019 - 469,309) and other income of \$Nil for the six months ended March 31, 2020 (2019 - \$146,355). . This was offset by a net (increase) in receivables of \$3,568 (2019 - \$24,450) and a net decrease payable of \$124,560 (2019 - \$129,916). There was no revenue during the period.

Cash used in investing activities during the six months ended March 31, 2020 was \$1,093 (2019 - \$77,049) which is attributable to expenditures on exploration and evaluation assets. In the six months ended March 31, 2020 the Company's financing activity consisted of a loan payable from Avalon of \$56,561 and in the comparative period in 2019 a loan from a related party in the gross amount of \$35,000.

**Liquidity**

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

During the quarter ended March 31, 2020, the Company did not complete any equity financing. As at March 31, 2020 the Company's current assets are comprised of Cash and cash equivalents of \$3,963 and other receivables of \$5,466 (mainly comprising of HST receivable and prepaid expenses). As at March 31, 2020, the Company had a working capital deficiency of \$1,037,974 and Shareholders' deficit of \$335,058.

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Related Party Disclosure**

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. The CEO and President has volunteered to take a reduction of 20% of his contract for the 2020 fiscal year and similarly for the 2019, 2018, 2017, 2016 and 2015 fiscal year until the Company has adequate funding. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below. During the six months period ended March 31, 2020, Mr. Brewster spent all of his time and effort on fund raising efforts and related items for Avalon and was compensated as such by Avalon. As a result, the Company recorded no expense for Mr. Brewster in this period.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. Clement, see table below. From the period dated April 1, 2019 to March 31, 2020 and for the future until the completion of the RTO, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. Mr. McKenzie has volunteered to take a reduction of 20% of his contract for the fiscal years 2020, 2019, 2018, 2017, 2016 and 2015, this reduction in fees will continue until the Company has adequate funding. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. McKenzie. During the three months ended March 2020, Mr. McKenzie has spent most of his time working on the Avalon deal and as such has been compensated by them.

<b>Related Party Fees</b>	<b>3 months ended March 31, 2020</b>	<b>3 months ended March 31, 2019</b>	<b>6 months ended March 31, 2020</b>	<b>6 months ended March 31, 2019</b>
<b>Fees for 218 Inc. (Jason Brewster)</b>	\$ -	24,000	\$ -	\$ 48,000
CFO consulting fees - Harvey McKenzie	-	14,400	14,400	28,800
Directors fees	1,350	10,000	11,350	20,000
<b>Total related party transactions</b>	<b>\$ 1,350</b>	<b>48,400</b>	<b>\$ 25,750</b>	<b>\$ 96,800</b>
<b>Related party payables by the Company</b>			<b>As at March 31, 2020</b>	<b>As at September 30, 2019</b>
218 Inc. (Jason Brewster) all fees			\$ 289,900	\$ 289,900
CFO Harvey McKenzie			158,962	144,562
Directors			79,133	67,783
<b>Total Related party payables</b>			<b>\$ 527,995</b>	<b>\$ 502,245</b>

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company. The table above details the directors' fees and the amounts due to them. At a recent Board meeting the Board decided that directors will only earn fees (on a go forward basis) based on \$150.00 per meeting attended, this change came into effect on January 1, 2020. In addition, all of the director's fees payable to December will be part of the debt settlement as noted above in relation to the Grenfell property.

Similarly, all of the consulting fees payable, as at March 31, 2019, by the Company to 218 Inc (Jason Brewster); Harvey McKenzie and Denis Clement will be settled as part of the debt settlement in relation to the Grenfell property. In addition, Mr. Brewster agreed to waive all of his fees from April 30, 2019 to September 30, 2019.

To the knowledge of the directors and senior officers of the Company, as at March 31, 2020, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights to all common shares of the Company other than the Estate of Dr. Bernard C. Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

On March 31, 2016, The Estate of Dr. Bernard Sherman loaned the Company \$25,000. This loan bears an annual interest rate of 15% and matures on March 31, 2017 and is subject to annual extensions. As of March 31, 2020, this loan has been extended and \$15,010 of interest expenses has been accrued on the loan.

On November 22, 2018 the Company entered into a loan arrangement with a company owned by a director of the Company for an aggregate principal amount of up to \$100,000, secured against the Grenfell property. The loan bears an annual interest rate of 15% and matures in April 2020. As at March 31, 2020, the amount loaned is \$35,000, the amount due is \$42,638 (September 30, 2019 - \$40,005), which includes \$7,638 (September 30, 2019 - \$5,005) of accrued interest expense.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, except for the RTO discussed above, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Outstanding Share Data**

Authorized Share capital: unlimited common shares without par value.

- Issued and outstanding: 117,589,409 common shares as of the date of this MD&A.
- The following table sets out the fully diluted share capital of the Anconia.

<b>Total shares outstanding as at September 30, 2017</b>	<b>105,156,689</b>
Shares issued for exploration and evaluation assets on April 2018	700,000
<b>Total shares outstanding as at September 30, 2018</b>	<b>105,856,689</b>
Shares issued for settlement of debt on October 24, 2018	11,732,720
<b>Total shares outstanding as at September 30, 2019 and March 31, 2020</b>	<b>117,589,409</b>
<b>Total warrants outstanding as at September 30, 2017</b>	<b>26,758,980</b>
The warrants expiring in March 2018, expired unexercised	(18,400,000)
<b>Total warrants outstanding as at September 30, 2018</b>	<b>8,358,980</b>
Warrants associated with the July 4, 2016, placement and expired unexercised on July 4, 2019	(2,000,000)
Warrants associated with the July 27, 2016, placement and expired unexercised on July 27, 2019	(4,300,000)
Warrants associated with the August 3, 2016, placement and expired unexercised on August 3, 2019	(1,250,000)
<b>Total warrants outstanding as at September 30, 2019</b>	<b>808,980</b>
Warrants associated with a December 23, 2016 private placement, expired unexercised on December 23, 2019	(808,980)
<b>Total warrants outstanding as at March 31, 2020</b>	<b>NII</b>
<b>Total Options outstanding as at September 30, 2017 and 2018</b>	<b>2,300,000</b>
Options expired unexercised	(2,300,000)
<b>Total Number of options outstanding as at September 30, 2019 and March 31, 2020</b>	<b>NII</b>
<b>Total Number of Diluted Securities as at March 31, 2020</b>	<b>117,589,409</b>

As at the date of this MD&A, May 29<sup>th</sup> 2020, 117,589,409 common shares are issued and outstanding. The increase / (decrease) in shares, warrants and options outstanding, are identified in the table above.

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

**Financial and Other Instruments**

The Company's financial instruments and liabilities consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

**Significant accounting judgments and estimates**

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements of the Company include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates**

Significant assumptions about the estimates that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project;
- management assessment of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period;
- the valuation of share-based payments. Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk-free interest rate and the life of the stock options granted. These assumptions are highly subjective and materially affect the calculated fair value; and
- the determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

**Critical accounting judgments**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether there are indicators of impairment. When such indicators exist, an impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to dispose and their value in use.

**Anconia Resources Corp. (an exploration stage Company)**

**Management Discussion & Analysis; for the three and six months ended March 31, 2020**

The amount of deferred tax assets to recognize and the extent of impairment allowance for the deferred tax asset also requires management to make judgments.

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1 of the audited consolidated financial statements for the year ended September 30, 2019.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

**Share-based payment transactions**

The fair value of share options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest. The Company has no share-based payments capitalized in exploration and evaluation assets. For those options that expire after vesting, the recorded value is retained in the reserve.

**Fair value of financial instruments**

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

**Taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

**Exploration and evaluation expenditures**

Exploration and evaluation asset acquisition costs and related direct exploration costs may be deferred until the assets are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where an exploration and evaluation asset is to be sold or abandoned; or exploration activity ceases on an exploration and evaluation asset due to unsatisfactory results or insufficient available funding.

As the Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in

## Anconia Resources Corp. (an exploration stage Company)

### Management Discussion & Analysis; for the three and six months ended March 31, 2020

value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the recommencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

### **Impairment of nonfinancial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its nonfinancial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

### **Accounting Policies**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies and method of computation followed in Anconia's consolidated financial statements are set out in detail in Note 2 of the September 30, 2019 audited consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Accounting, and they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by the International Financial Reporting Committee.

**Anconia Resources Corp. (an exploration stage Company)**

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### **Changes in accounting policies**

Certain new pronouncements were issued by the IASB and IFRIC that are mandatory for accounting periods after September 30, 2019. The following new standards have been adopted:

Effective October 1, 2019, the Company adopted IFRS 16 - Leases ("IFRS 16") was issued on January 2016 and replaces IAS 17- Leases as well as some lease interpretations, With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lease recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial costs. After a lease commencement, the lease shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that the lessor classify each lease as an operating lease or a finance lease. A lease is classified as a as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The adoption of IFRS 16 had no impact to the Company's consolidated financial statements.

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

There are no off-balance sheet arrangements at the date of this MD&A.

### **Commitment**

There are no commitments at the date of this MD&A.

### **Management's Responsibility for Financial Statements**

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

### **Risk Factors**

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

### **Mineral Exploration Risks**

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be

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obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavourable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### **Country Risk**

The Company could be at risk regarding any political developments in the country which it operates. At present, the Company is active only in Canada and possibly other areas outside Canada. The Company's mineral exploration may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labour disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### **Regulatory Requirements**

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. 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 be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

#### **Reliability of Historical Information**

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

#### **Title Matters**

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

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#### **Licenses and Permits**

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

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 exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

#### **Commodity Price Fluctuations**

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### **Current Global Financial Conditions**

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

#### **Currency Fluctuations**

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in Canadian dollars and the majority of its funds are held in Canadian dollars at a major Canadian Bank. The majority of the Company's costs to date are in Canadian dollars. However, if the Company expands its activities outside Canada the Company will have increased exposure to fluctuations in the Canadian dollar against foreign currencies.

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#### **Uninsured Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

#### **Environmental Regulations**

The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

#### **Access to Transportation Infrastructure**

Access to transportation infrastructure to ship mineral products economically within Nunavut and to export mineral products internationally is currently limited. Lack of access to transportation may hinder the expansion of production at the Property and the Company may be required to use more expensive transportation alternatives.

#### **Competition**

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

#### **Limited Operating History and Financial Resources**

The Company has a limited operating history, has little operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely

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basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

#### **Dependence upon Key Management Personnel and Executives**

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

#### **Possible Conflicts of Interest of Directors and Officers of the Company**

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

#### **Absence of Dividends**

The Company does not expect to pay any dividends in the foreseeable future.

#### **Source of Future Funds**

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

#### **Risk of Dilution**

Under applicable Canadian law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

#### **Price Volatility and Lack of Active Market**

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such

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market trends and that the value of such securities may be affected accordingly. There is no assurance that an active market for the Company's securities will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline.

**Events after the reporting period (Six months ended March 31, 2020)**

During the three months ended March 31, 2020, the Board approved a settlement of Debt by assigning approximately 49.94% of the book value of Grenfell property to be used against a settlement of debt. The amount of debt to be settled is approximately \$586,700 for \$350,500 of the book value of the Grenfell property. It is anticipated that this transaction will be completed soon after the RTO is completed. In addition, the Grenfell property is subject to a mortgage on the property, details are explained in note 7 of the Condensed Interim financial statements for the three and six months ended March 31, 2020.

**Other Information**

Additional information about the Company is available on SEDAR at ([www.sedar.com](http://www.sedar.com)) or the Company's website ([www.anconia.ca](http://www.anconia.ca)).