

ALSET MINERALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Period Ended December 31, 2017

February 28, 2018

GENERAL

Alset Minerals Corp. (the "Company") is a public company engaged in exploration for mineral deposits in Canada and Mexico. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. On May 3, 2017, the Company further changed its name to Alset Minerals Corp. and retained the same ticker symbol "ION" on the TSX Venture Exchange. The Company is in the early exploration stage with respect to its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance to date and provides financial information for the period ended December 31, 2017. The discussion should be read in conjunction with the condensed consolidated financial statements of the Company for the period ended December 31, 2017, and the audit consolidated financial statements for the year ended June 30, 2017 including the notes thereto.

This MD&A was approved by the board of directors on February 28, 2018.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's consolidated financial statements) has been prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING INFORMATION

Certain information regarding the Company within Management's Discussion and Analysis (MD&A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OVERVIEW OF BUSINESS

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of the Champion Graphite project in Ontario as well as Lithium Salars in Mexico. In addition, the Company holds the Goodchild project in Ontario focusing on base metals and PGMs.

FINANCIAL & OPERATIONAL OVERVIEW

Overall Performance

Recent times have witnessed the drastic decline and continued volatility of the global financial markets. Share prices of junior exploration companies listed on the TSX Venture Exchange, including the Company, have experienced a significant impact as a result. Equity financing for the junior resource sector, its primary source of capital, can be difficult to obtain in such conditions.

The Company does not have enough working capital to fund its operations and needs to raise additional funds in the following months. The sustainability of the financial markets related to the mineral exploration sector cannot be determined. This continually poses a challenge for the Company to effectively manage its capital through these volatile conditions. Management has and will continue to evaluate strategic opportunities to aggressively acquire favourable advanced assets at depressed prices.

Overall, the Company feels it can effectively balance its growth opportunities with its need to raise additional funds and conserve capital at this time. Planned project expenditures are continually reviewed to ensure efficient and effective exploration is conducted and if needed, to reduce costs accordingly.

Financial Condition

The Company's cash and cash equivalents balance as at December 31, 2017 was \$31,706 compared to \$278,946 at June 30, 2017. Working capital deficiency of the Company as at December 31, 2017 was \$165,448 compared to working capital of \$46,024 as at June 30, 2017. The decrease in working capital was predominantly attributable to the acquisition and exploration of the Mexican Lithium Salars project, and general and administrative expenses during the current period.

Results of Operations

Three months ended December 31, 2017

The net loss for the three months ended December 31, 2017 ("2018Q2") was \$160,557 as compared to \$205,822 in the comparative quarter of the previous year ("2017Q2"). The decrease in net loss of \$45,265 was mainly due to the changes in the following items:

- i) Advertising and promotion expenses \$10,192 (2017Q2 - \$32,074) - decreased by \$21,882 due to significant promotion activity in the prior period related to the Company's new focus on lithium and graphite.
- ii) General administrative \$60,557 (2017Q2 - \$7,551) - increased by \$53,006 due to higher administration fees charged by a director's company during the current period and more general administrative expenses incurred in the Mexico after the Company acquired the Lithium Salar properties.
- iii) Professional fees \$46,422 (2017Q2 - recovery of \$31,720) - increased by \$78,142 mainly due to reclassification of legal fees relating to the acquisition of Lithium Salar properties in Mexico and share issue costs in the prior period.
- iv) Share-based payments \$27,298 (2017Q2 - \$171,863) - decreased by \$144,565 mainly due to stock options granted in the prior period while there were no options granted in 2018Q2.

Six months ended December 31, 2017

The net loss for the six months ended December 31, 2017 ("YTD 2018Q2") was \$203,541 as compared to \$662,650 in the comparative period of the previous year ("YTD 2017Q2"). The decrease in net loss of \$459,109 was mainly due to the changes in the following items:

- i) Advertising and promotion expenses \$16,091 (YTD 2017Q2 - \$129,766) - decreased by \$113,675 due to significant promotion activity in the prior period related to the Company's new focus on lithium and graphite.

- ii) Consulting fees \$70,573 (YTD 2017Q2 – \$139,624) – decreased by \$69,051 due to more consulting fees paid to the former CEO and consultants in the prior period.
- iii) General administrative \$78,269 (YTD 2017Q2 – \$23,226) - increased by \$55,043 due to higher administration fees charged by a director’s company during the current period and more general administrative expenses incurred in the Mexico after the Company acquired Lithium Salar properties.
- iv) Professional fees \$79,214 (YTD 2017Q2 - \$44,151) - increased by \$35,063 mainly due to reclassification of legal fees relating to the acquisition of Lithium Salar properties in Mexico and share issue costs in the prior period.
- v) Share-based payments \$23,261 (YTD 2017Q2 - \$306,004) – decreased by \$282,743 mainly due to stock options granted in the prior period while there were no options granted in YTD 2018Q2.

Cash Flows

The cash flows used in operating activities was \$266,373 in YTD 2018Q2 compared to \$306,309 in YTD 2017Q2.

Cash flows used in investing activities was \$177,999 in YTD 2018Q2 compared to \$497,366 in YTD 2017Q2. The decrease is due to proceeds from sale of the Wisa Lake property received in YTD 2018Q2, as well as less acquisition costs incurred for the acquisition of the Lithium Salars properties in Mexico in YTD 2018Q2 compared to the current period.

In October 2017, the Company closed a private placement of 2,500,000 units of the Company at \$0.08 per unit for gross proceeds of \$200,000. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable to acquire one additional common share at \$0.10 for 12 months.

In January 2018, the Company closed a private placement of 2,517,429 units of the Company at \$0.07 per unit for gross proceeds of \$180,000. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable to acquire one additional common share at \$0.10 for 24 months.

EXPLORATION AND EVALUATION ASSETS

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the period ended December 31, 2017 are summarized in the tables below:

| | Lithium Salars | Wisa Lake | Champion Graphite | Goodchild | Total |
|---|-------------------|-----------|----------------------|-----------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Acquisition costs | | | | | |
| Balance, June 30, 2017 | 831,985 | - | 130,026 | 1 | 962,012 |
| Acquisition - cash paid (recovery) | 116,687 | (50,000) | - | - | 66,687 |
| Acquisition - common shares issued | 340,000 | - | - | - | 340,000 |
| Balance, December 31, 2017 | 1,288,672 | (50,000) | 130,026 | 1 | 1,368,699 |
| Exploration and evaluation costs | | | | | |
| Balance, June 30, 2017 | 539,650 | - | 55,689 | - | 595,339 |
| Assays and analysis | 21,711 | - | - | - | 21,711 |
| Depreciation | 353 | - | - | - | 353 |
| Field supplies and miscellaneous | 20,141 | - | 172 | - | 20,313 |
| Geological consultants | 58,499 | - | 4,500 | - | 62,999 |
| Legal and administration | 1,838 | - | - | - | 1,838 |
| Permitting | 6,361 | - | - | - | 6,361 |
| Travel and accomodation | 2,366 | - | - | - | 2,366 |
| | 650,919 | - | 60,361 | - | 711,280 |
| Additional proceeds from exploration and evaluation assets | - | 50,000 | - | - | 50,000 |
| Total, December 31, 2017 | 1,939,591 | - | 190,387 | 1 | 2,129,979 |

For details of the exploration evaluation costs, please see note 4 of the condensed consolidated financial statements for the period ended December 31, 2017.

(a) Lithium Salars – Mexico

Acquisition

By agreement dated July 28, 2016 and subsequently amended on April 7, 2017, the Company acquired 100% interest in Mexican lithium, potassium and boron soils and brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caligüey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. The Company agreed to pay the outstanding mining taxes on the four concessions in the amount of \$143,870 (paid) and pay the vender US\$210,000 in cash. The Company paid the vender US\$20,000 and settled the balance of US\$190,000 by issuing 2,101,514 common shares of the Company during the year ended June 30, 2017.

In addition, the Company paid \$44,587 in finder's fee to an unrelated individual who subsequently was elected as director of the Company during the year ended June 30, 2017.

The property is subject to a total of 2.25% NSR in favour of the vender and the finder, of which 1% in favour to the vendor can be purchased by the Company for US\$250,000.

In June 2017, the Company entered into another agreement to acquire a 100% interest in 5new salars in Mexico. In consideration, the Company issued 4,000,000 common shares of the Company in August 2017. The Company also agreed to pay the outstanding mining taxes on the two concessions totaling \$180,998. The salars are subject to a 2.5% NSR of which the Company has the right to purchase up to 1.5% for \$1,500,000.

Additional Staking

In November 2017, the Company completed the staking and filing of mineral claims for nearly 1 million acres of prospective lithium-rich salars in the State of Coahuila, Mexico. Alset has a 100-per-cent interest in these properties and they are free of all royalties. The three project areas are located in the infrastructure rich region of La Laguna, and include Yaki 1 (98,307 hectares), Yaki 2 (266,422 hectares), and Yaki 3 (36,929 hectares). The new salars are hosted in a classic closed-basin, and formed through the evaporation of a series of paleo-lakes.

These new acquisitions complement the Company's other salars which are also 100-per-cent owned by Alset where strong chemistry and the potential for very good leaching characteristics exists.

Total prospective land package held 100-per-cent by Alset now exceeds one million acres.

Highlights of the New Salars:

- Size: the three salars cover a total of 401,658 hectares, the largest being 266,422 hectares;
- Infrastructure: roads and power up to the salars;
- Setting: salars hosted in an arid, closed-basin; areas under license have an overall north-south strike of some 150 kilometres and an east-west strike of approximately 125 kilometres;
- Brines: history of commercial brine extraction from the Yaki-1 area (La Viesca Salar) by Sulfatos de Viesca;
- Underexplored: region is underexplored in regard to lithium potential. Known data is limited to controlled surface sampling by Radius Gold Inc. (Radius Gold Ltd, News Release Dated: 12th September 2016), which returned up to 189 ppm lithium at La Viesca salar;
- Hydrogeology: hydrogeological survey carried out at the Viesca salar by Universidad Nacional Autonoma de Mexico;
- Chemistry: historical geochemical analysis documented in peer-reviewed paper;
- Opportunity: makes Alset a major player in lithium exploration;

The areas covered by these claims are the Viesca salar (Yaki-1), the Mayran salar (Yaki-2) and the Los Remedios salar (Yaki-3); all of which formed in closed-basin conditions from the evaporation of the ancient, saline Viesca, Mayran and Los Remedios lakes. A hydrogeological survey was carried out on the Viesca salar under the auspices of the Universidad Nacional Autonoma de Mexico. The work is reported in the Journal of Hydrology, 284 (2003), pp 26-43. Water samples were collected from brine production wells, water production wells, and springs in 1998 and analyzed at MSD Environmental Services Limited, Toronto, Canada. Results and procedures of this work are detailed in the paper mentioned above. Samples were analyzed for multi-elements however this work did not include lithium. Groundwater flow cross-sectional modelling was carried out in combination with major ion and trace element chemistry.

The La Laguna Region is at the end of a large closed basin and is characterized by a lower, regional carbonate aquifer. This aquifer is overlain by salars in the low-lying regions that correspond to ancient lakes, and a granular aquifer in the higher portions of the basin. Data from boreholes drilled by Sulfatos de Viesca and modelling reported in the paper mentioned above indicate a maximum thickness of 350 metres for the Viesca salar, which is host to the brines previously extracted by Sulfatos de Viesca. Thickness of the underlying carbonate aquifer is unknown, although geological information from the area indicates that the carbonate aquifer is made up of two cretaceous formations both having an approximate thickness of approximately 500 metres.

Historical Geological Information

According to a 1992 government study prepared by the Mexico's former Mineral Resource Council, (now the Geologic Society of Mexico) on the San Jose de Caligüey salar located within one of the Company's concessions in San Luis Potosi, Mexico. The purpose of the study was to improve efficiency of a common salt (sodium chloride, NaCl) production operation within the salar. The salt production process began with pumping salar brine from a well 20 meters deep to a number of evaporation ponds "where it remains for a number of days (a minimum of 90 days) to evaporate the water through the sun's energy. This concentrates and crystallizes the sodium chlorides and

sulfates and, to a lesser extent, potassium. They are harvested as a solid and separated into first, second, and third quality, depending on how pure they are.”

As part of the study, the Resource Council collected a number of samples, both sediments, and liquid from facility evaporation ponds and the surface lagoon adjacent to the operation and sent for salt and lithium (Li) analyses, the results of which are shown in Table 1:

Table 1: Results of samples collected by the Resource Council

| Sample No. | Thickness(m) | NaCl % | Li % |
|------------|--------------|--------|------|
| SJC – 1 | 1 | 0.98 | 0.07 |
| SJC – 2 | 1 | 1.65 | 0.08 |
| SJC – 3 | 1 | 1.81 | 0.09 |
| SJC – 4 | 1 | 1.48 | 0.09 |
| SJC – 5 | 1 | 0.82 | 0.08 |
| SJC – 6 | 1 | 26.38 | 0.08 |
| SJC – 7 | 1 | 0.66 | 0.03 |
| SJC – 8 | Water | 0.38 | 1.2 |
| SJC – 9 | 1 | 1.98 | 0.05 |
| SJC – 10 | 1 | 1.65 | 0.15 |
| SJC – 11 | 1 | 0.66 | 0.13 |
| SJC – 12 | 1 | 0.49 | 0.09 |
| SJC – 13 | 1 | 0.99 | 0.14 |
| SJC – 14 | 1 | 0.16 | 0.05 |
| SJC – 15 | Water | 0.43 | 1.4 |
| SJC – 16 | 1 | 4.45 | 0.02 |
| SJC – 17 | 1 | 19.29 | |
| SJC – 18 | 1 | 0.16 | |
| SJC – 19 | 1 | 0.16 | 0.02 |
| SJC – 20 | 1 | 1.00 | 0.02 |
| SJC – 21 | Water | 0.44 | 1.4 |
| SJC – 22 | 1 | 1.65 | |
| SJC – 23 | Water | 3.56 | 2.1 |

A map showing the water sample locations and the Mexican Council report is available on the Company’s website.

Samples SJC-8 (1.2% or 12,000ppm Li) and SJC-15 (1.4% or 14,000ppm Li) were collected from evaporation ponds. Samples SJC-21 (1.4% or 14,000ppm Li) and SJC-23 (2.1% or 21,000ppm Li), came out of what appears to be the outer lagoon, perhaps designed to collect water decanted from the evaporation ponds in order to harvest the salt. It is clear that all four water samples showed extremely high lithium content, almost certainly due to solar evaporation of brines pumped from beneath the salar.

These lithium concentrations are equivalent to the levels in concentrated solutions fed to lithium battery chemical production processes elsewhere. For comparison Rockwood’s Silver Peak operations in Nevada concentrate lithium to about 7,000 ppm prior to processing.

Thus, the salt production process at San Jose Caligüey lagoon inadvertently proves not only that lithium-rich brines can be pumped in useable quantities from this the Company salar, but it also proves that production of lithium chemicals is possible from those brines.

Two of the Company's other salars host similar salt production operations. The Company believes the Caligüey evaporation process could potentially be replicated and refined at those locations to deliberately produce commercial quantities of lithium and potassium. Planning is now underway to evaluate the solution chemistry and hydrogeology at all lagoons. It should be noted that these results from the above government study are believed to be reliable but have not yet been duplicated or verified by the Company.

Work Program

The Company intends to engage a consultant to perform Mineral Resource estimates (MREs) in order to compile 43-101 compliant technical reports for the Santa Clara, La Salada and Caligüey salars, and to provide recommendations for further work required to perform MREs on the Company's other salars in Zacatecas and San Luis Potosi, Mexico. In addition, the Company intends to commence further metallurgical and mineralogical testing of the soil samples recovered in 2017 to test for recovery of lithium, potassium and other minerals of interest. The goal of this testing will be to work towards a pilot plant. The Company also intends to initiate an exploration program on the salars acquired in November 2017; this program will likely include environmental and drill permitting, surface sampling of soils and brines, sampling of historical water wells, and ground geophysics.

On April 19, 2017 the Company announced drilling has commenced on this property. The exploration program includes two deep holes to test for brine horizons, sediment composition and depth to basement; followed by a shallow subsurface sampling program. Material from this work will be sent for geochemical and mineralogical analysis, leach testing, and scoping metallurgical testing to assess grade and recovery characteristics. Total cost of this work program is estimated to be about \$300,000.

On August 9, 2017, the Company reported that phase one drilling program has been completed; a reconnaissance auger sampling program was initiated on 13 additional salars to investigate mineralization of soils in the first 1 metre layer. On October 2, 2017, the Company reported further results from sampling of the salars and all of these salars returned positive lithium and potassium results.

Preliminary Drilling Results

Two diamond drill holes were intended to determine depth to bedrock and to evaluate the geology of the salar infill material. However, due to slow drilling and poor recovery the first hole ended at a depth of 53.15 metres (m) in limestone. The second drill hole has been postponed until more productive and efficient drilling equipment is available. Upon completion of drilling, a perforated PVC casing was placed throughout the entire length of the hole in order to monitor and sample brine horizons intersected during drilling. This hole will be purged and sampled to determine the water composition at depth. The conductivity of the water measured high on site, which may indicate the presence of brine.

Forty auger holes were completed; both near surface brine samples and extensive soil samples were recovered. Auger holes ranged from 4.5 to 26.0 metres and averaged 14.4 metres in depth, they were completed on a 150-200 metre grid covering the entire salar for a total area of some 1,800 metres by 900 metres.

The brine results showing high potassium, high sulphate, low calcium and low magnesium suggest the possibility of producing potassium salts at La Salada using solar evaporation.

Composite soil samples were taken along 1.0 to 3.0m intervals in the deep hole, and along 1.5 metre intervals in the auger holes. To date assays for samples from 5 of these auger holes and the deep hole, 74 samples in total, have been completed with 33 holes pending. Assays returned significant lithium and potassium values. Lithium results ranged from 79 to 1,860 ppm, with a weighted average of 724 ppm, potassium ranged from 1.52% to 6.45% with a weighted average of 3.73% (Table 2).

Table 2: Summary of ‘Soil Data by Drill Hole

| Hole ID | Location | Depth (m) | Max | | | Weighted Averages | | |
|-----------------|----------|--------------|----------|-------------|------------|-------------------|-------------|------------|
| | | | K (%) | Li (ppm) | B (ppm) | K (%) | Li (ppm) | B (ppm) |
| LS17-AG005 | south | 15.6 | 3.76 | 1,840 | 790 | 3.01 | 1,633 | 630 |
| LS17-AG013 | south | 21.0 | 6.32 | 1,860 | 638 | 3.75 | 895 | 428 |
| LS17-AG019 | centre | 24.0 | 5.68 | 1,530 | 849 | 3.42 | 932 | 568 |
| LS17-AG028 | north | 11.5 | 5.21 | 1,270 | 823 | 3.87 | 629 | 440 |
| LS17-AG034 | north | 8.0 | 6.11 | 1,020 | 984 | 4.29 | 528 | 666 |
| ALL AUGER HOLES | | 14.4 (avg) | | | | 3.58 | 975 | 535 |
| LS17-TT01 | north | 51.4 | 6.45 | 790 | 574 | 4.05 | 196 | 249 |
| ALL SAMPLES | | | 6.45 | 1,860 | 984 | 3.73 | 724 | 443 |

Near surface brine samples were collected from 38 of the auger holes. These results returned high potassium and high sulphate values. For the brine samples, potassium peaked at 27,300 mg/L with an average of 12,718 mg/L, sulphate peaked at 40,000 mg/L with an average of 16,594 mg/L. These results are shown in Table 3. These results indicate that further work, to identify potential brines and aquifers at depth, depth to bedrock, brine volumes and recharge rates, is warranted.

Table 3: Summary of Brine Results

| Hole ID | Sample ID | Potassium (mg/L) | Sulphate (mg/L) | Boron (mg/L) | Lithium (mg/L) | Calcium (mg/L) | Magnesium (mg/L) |
|------------|-----------|------------------|-----------------|--------------|----------------|----------------|------------------|
| LS17-AG002 | 547 | 3,540 | 2,800 | 46.5 | 3 | 65.7 | 62.9 |
| LS17-AG003 | 544 | 575 | 1,300 | 23.2 | 2 | 49.4 | 45.9 |
| LS17-AG004 | 549 | 7,000 | 10,000 | 134 | 4 | 15.6 | 12.6 |
| LS17-AG005 | 504 | 7,750 | 9,200 | 156 | 4 | 21.7 | 22.1 |
| LS17-AG006 | 505 | 3,970 | 4,600 | 83.0 | 2 | 19.8 | 19.4 |
| LS17-AG008 | 543 | 683 | 490 | 19.4 | 7 | 395.0 | 266.0 |
| LS17-AG009 | 523 | 2,940 | 3,100 | 55.7 | 2 | 16.8 | 8.2 |
| LS17-AG010 | 517 | 3,530 | 3,200 | 61.5 | 3 | 79.0 | 18.2 |
| LS17-AG011 | 516 | 4,970 | 3,000 | 64.4 | 3 | 3.9 | 3.6 |
| LS17-AG012 | 508 | 4,900 | 3,800 | 82.3 | 3 | 3.6 | 4.2 |
| LS17-AG014 | 522 | 12,500 | 18,000 | 249 | 4 | 3.1 | 2.0 |
| LS17-AG016 | 518 | 17,800 | 18,000 | 284 | 8 | 7.6 | 10.0 |
| LS17-AG017 | 519 | 22,000 | 23,000 | 377 | 11 | 12.8 | 10.0 |
| LS17-AG018 | 521 | 23,800 | 31,000 | 465 | 13 | 68.7 | 97.0 |
| LS17-AG020 | 520 | 18,700 | 16,000 | 285 | 12 | 60.1 | 89.2 |
| LS17-AG021 | 542 | 2,080 | 3,800 | 78.3 | <1 | 39.2 | 42.8 |
| LS17-AG022 | 525 | 8,830 | 8,100 | 135 | 6 | 4.4 | 1.6 |
| LS17-AG024 | 541 | 711 | 610 | 12.2 | 1 | 20.9 | 30.9 |
| LS17-AG025 | 550 | 16,900 | 30,000 | 431 | 14 | 441.0 | 213.0 |
| LS17-AG026 | 528 | 23,100 | 36,000 | 497 | 13 | 7.7 | 3.6 |
| LS17-AG027 | 527 | 14,200 | 17,000 | 296 | 11 | 9.7 | 2.2 |
| LS17-AG028 | 513 | 8,860 | 09,800 | 145 | 6 | 22.3 | 9.8 |
| LS17-AG029 | 530 | 22,500 | 3,6000 | 544 | 16 | 4.7 | 5.2 |
| LS17-AG030 | 531 | 24,000 | 31,000 | 431 | 13 | 20.9 | 16.0 |
| LS17-AG031 | 532 | 22,800 | 34,000 | 515 | 20 | 30.8 | 17.6 |
| LS17-AG032 | 540 | 4,820 | 4,300 | 28.9 | 2 | 10.4 | 5.3 |
| LS17-AG034 | 511 | 27,300 | 40,000 | 677 | 22 | 3.4 | 1.1 |
| LS17-AG035 | 534 | 21,500 | 27,000 | 410 | 15 | 18.8 | 9.3 |
| LS17-AG036 | 539 | 7,010 | 7,900 | 96.8 | 3 | 49.6 | 21.6 |
| LS17-AG037 | 535 | 21,700 | 34,000 | 524 | 16 | 217.0 | 44.2 |
| LS17-AG038 | 537 | 22,800 | 33,000 | 565 | 21 | 19.7 | 8.0 |

| Hole ID | Sample ID | Potassium (mg/L) | Sulphate (mg/L) | Boron (mg/L) | Lithium (mg/L) | Calcium (mg/L) | Magnesium (mg/L) |
|----------------|------------------|-------------------------|------------------------|---------------------|-----------------------|-----------------------|-------------------------|
| LS17-AG039 | 536 | 23,200 | 31,000 | 481 | 16 | 85.8 | 52.2 |
| | Max | 27,300 | 40,000 | 677 | 22 | 441.0 | 266.0 |
| | Average | 12,718 | 16,594 | 258 | 9 | 57.2 | 36.1 |

Analytical Work

The drilling program and associated analytical work was designed to better understand the geochemistry and deportment of lithium and other minerals in subsurface soils and the depth and chemistry of potential brine in the La Salada salar. With the new brine discovery, La Salada has the potential to become both a brine and soils resource. Results from this program will allow the Company to determine the best way to move forward in evaluating the potential of this salar.

The soils collected during the auger program will be used for scoping metallurgical testing, including geochemistry, mineralogy and leach testing. The first stage of analytical work includes head-grade geochemical analysis of soils from selected auger holes. Composite samples will then be generated based on geochemical results and lithology, and used for mineralogical characterization and leaching tests. The first phase of analytical work will add confidence to previous leaching tests that demonstrated 86% recovery of lithium from La Salada soils using a week acid leach; and allow the Company to move forward with more detailed metallurgical testing on the remaining soils recovered from the auger program.

Of the 13 salars sampled, 9 had average lithium grades exceeding 200ppm, with 4 salars averaging lithium grades of around 400ppm and higher (Table 4). Santa Clara, the largest salar, had an average lithium grade of 392ppm with a high of 890ppm. At Chapala salar, lithium grades reached a high of 530ppm with an average of 416ppm. Hernandez salar returned a high of 670ppm and average of 556ppm. The highest maximum and average lithium grades came from the Caligüey salar with a high of 1820ppm and an average of 769ppm.

Sampling also returned encouraging results for potassium (K). The average potassium grade for all 13 salars range from 1.20% to 3.38% K, with 9 of the salars exceeding an average grade of 2.00% K. At Caligüey, Santa Clara and El Salitral the average grade exceeded 3.38% K. Caligüey returned a maximum grade of 5.29% K, with an average grade of 3.38% K. Santa Clara, returned a maximum grade of 4.60% K. El Salitral returned a maximum grade of 4.28% K and an average grade of 3.78% K.

Table 4: Summary of Soils Data

| Salar | No. of Samples | Li (ppm) | | | K (%) | | |
|-----------------------|----------------|----------|-----|-------|-------|------|------|
| | | Avg | Min | Max | Avg | Min | Max |
| Caligüey | 36 | 769 | 210 | 1,820 | 3.38 | 1.73 | 5.29 |
| Santa Clara | 59 | 392 | 70 | 890 | 3.55 | 1.69 | 4.60 |
| Colorada | 30 | 234 | 80 | 310 | 2.34 | 1.80 | 2.73 |
| Saldivar | 28 | 139 | 80 | 200 | 2.22 | 1.83 | 2.67 |
| Hernandez | 5 | 556 | 440 | 670 | 1.62 | 1.46 | 2.02 |
| Chapala | 7 | 416 | 190 | 530 | 1.20 | 0.59 | 1.65 |
| El Salitral | 5 | 284 | 150 | 590 | 3.78 | 3.33 | 4.28 |
| La Prietta | 1 | 250 | - | - | 2.56 | - | - |
| Las Casas | 5 | 234 | 190 | 260 | 2.51 | 2.22 | 3.47 |
| El Agrito | 5 | 224 | 120 | 320 | 2.79 | 2.54 | 3.27 |
| El Cristalillo | 2 | 160 | 130 | 190 | 2.00 | 1.50 | 2.50 |
| La Doncella | 1 | 130 | - | - | 1.68 | - | - |
| Laguna Larga | 2 | 75 | 70 | 80 | 1.93 | 1.88 | 1.97 |

It is important to note that these samples were taken using a coarse grid, for example, at Santa Clara 59 samples were taken on a 500-metre grid. The reconnaissance auger sampling program was designed to obtain a series of near-surface samples from all of the salars to help with prioritizing future exploration.

Soil samples were collected using a hand-held motorized auger or a hammer and hollow-tube sampling method. Material recovered from the top portion of each hole was discarded and composite samples were collected from the 0.5m down to a maximum of 1.0m using the auger, and from 0.3 or 0.4 down to 0.7m in the case of the tube sampler. Reconnaissance-scale grids were completed at the Caligüey, Santa Clara, Colorada and Saldivar salars (Table 5). Due to flooding, only a small portion of the planned grid was completed at Chapala. 1 to 5 samples were collected from the other salars (Table 4).

Based on the results of this program, follow up work will include acid leach testing for lithium and potassium liberation. Further drilling and sampling to investigate the lithium and potassium potential of the soils at depth and to test for brines will also be planned for a number of the salars.

Table 5: Sample Grid Sizes

| Salar | Grid Size (m) | No. of Samples |
|--------------------|---------------|----------------|
| Caligüey | 200 x 400 | 36 |
| Santa Clara | 500 x 500 | 59 |
| Colorada | 200 x 200 | 30 |
| Saldivar | 200 x 200 | 28 |
| Chapala | 400 x 400 | 7 |

Emily Hanson, PGeo, Vice-President of Exploration, is the qualified person who has prepared, supervised and approved the preparation of the scientific and technical disclosure as above.

Wisa Lake Lithium

The Company held via staking a 100% interest in the Wisa Lake lithium project located 80km east of Fort Frances, Ontario. The property is connected to Highway 11 (Trans Canada) located 65km north via an all weather road that crosses the centre of the project.

The property is comprised of 5 claims totaling 75 units and covers the Wisa Lake deposit that is host to a historical resource of 330,000 tonnes grading 1.15% Li₂O (Lexindin Gold Mines Ltd., Manager's Report, 1958; Ontario Geological Survey, Open File Report 6285, Report of Activities 2012). In 1956, Lexindin completed a total of 20 drill holes (backpack and AQ-sized core) over a strike length of 335m and to a depth of approximately 65m to define the Wisa Lake lithium deposit. The diamond drill log of the most easterly hole intersected 6.4m containing 20% of the lithium-bearing mineral spodumene suggesting the mineralization is open at depth and to the east. It should be noted that the historical resource estimate for the deposit was calculated prior to CIM National Instrument 43-101 guidelines and as such should only be considered from a historical point of view and not relied upon. A qualified person has not completed sufficient work to classify the historical estimates as current mineral resources. Further diamond drill programs are required to bring the mineralization into a proper NI 43-101 compliant category.

As part of the Company's due diligence, five grab samples were collected from the two historical zones at Wisa Lake. Two grab samples collected from the North Zone graded 1.4% and 0.95% Li₂O which are comparable to the grade of the non-NI 43-101 compliant historical resource of 330,000 tonnes grading 1.15% Li₂O. Three additional grab samples were collected in the South Zone, located 900m south and parallel to the North Zone, which graded 1.75%, 1.47% and 1.45% Li₂O. Both zones were drilled in the 1950's but very little work has been completed since. The Company has now collected and submitted for assay, an additional 56 grab samples from various pegmatites occurring on the property. Of particular interest is a newly discovered spodumene-bearing dyke located 100m south of the South Zone. Once received, these results will help guide the next phase of exploration.

North Zone

The North Zone, which contains the non-NI43-101 compliant resource of 330,000 tonnes grading 1.15% Li₂O has been traced on surface by the Company personnel for nearly 200m, and was defined by historic drilling over 350m. The historic drill logs show that the deposit is open to the east and there is plenty of room to complete a number of drill holes in hopes of adding to the resource.

South Zone

The South Zone was also drilled in the 1950's but not to the extent of the North Zone. This area of interest appears to have the highest spodumene content discovered on the property and will continue to be a focus of the company's exploration efforts.

Option Agreement with Ardiden Limited

On December 14, 2016, the Company entered into an option agreement with Ardiden Limited ("Ardiden") whereby Ardiden has an option to acquire 100% interest of the Wisa Lake property for a total amount of \$300,000 as follows:

- a) \$30,000 within five days of signing (received);
- b) \$50,000 on the due diligence completion date on June 30, 2017
- c) \$220,000 worth of common shares of Ardiden with Ardiden having the right to pay \$220,000 in a combination of cash and shares at their discretion;

In July 2017, the Company agreed to transfer the Wisa Lake property to Ardiden Limited for a total cash amount of \$80,000 (received) instead of \$300,000.

(b) Champion Graphite

The 100% owned Champion Graphite property is located 60km north of Kenora, Ontario, Canada and consists of 29 units in 2 unpatented mining claims. The Company acquired the project in May 2016 from Benton Resources Inc. (“Benton”, a company related by common directors and officers) by paying to Benton 1 million common shares of the Company and subject to a 2% Net Smelter Royalty (“NSR”) in favour of Benton, one-half of which (1%) can be bought back by the Company for \$500,000.

The staked ground covers a large concentration of airborne electromagnetic (EM) anomalies hosted in metasediments. The airborne survey was conducted by Dighem Surveys & Processing Inc in 1989 on behalf of Champion Bear Resources Ltd. Dighem describes the anomalous area as consisting of numerous sub-parallel bedrock conductors of variable strength associated with a highly complex magnetic unit (MNDM assessment files). A year prior to the airborne geophysical survey, historical trenching was conducted by Bellwether Resources Ltd. in 1988. The trenching uncovered graphite occurrences where channel samples returned weighted average grades of up to 1.76% carbon over 25.0m (MNDM assessment files).

The Company’s field personnel made an initial visit to the property in the spring of 2016 to ground truth a number of the EM anomalies. Using a geophysical instrument designed by Geonics Limited in 1963 known as the Ronka EM 15, the Company identified and confirmed multiple individual conductive zones associated with flake graphite in overburden covered areas. Seven small individual holes dug to bedrock at a depth of approximately 1m over a distance of approximately 1.3km across stratigraphy has identified flake graphite that graded from 1.7% to 8.98% Carbon. the Company is very encouraged with these initial grab samples yet cautions that all the sampling results above are selective grab samples and may not be reflective of the average grade of any of these identified zones.

Permit applications for stripping/trenching and eventual drilling have been obtained from the Ministry of Northern Development and Mines (MNDM).

In August 2016, the Company received the results of the surface channel sampling program completed on the project. A total of 5 trenches were completed intermittently over a distance of approximately 1km, ranged from 9m to 94m long and 2m wide and were excavated perpendicular to the strike of the stratigraphy. Each trench, oriented in a northwesterly direction, tested a separate parallel airborne electromagnetic anomalies with the exception of Trench 1 which was oriented east west and designed to cross folded stratigraphy. A total of 114 channel samples, of which 112 were 2m in length, were cut from the bedrock and composite assays are listed in the following table:

| Trench No | Graphitic Carbon % | Length (m) | Comments |
|-----------------|--------------------|------------|-------------------------|
| Trench 1 | 2.89 | 4.0 | open to NW and SE |
| and | 4.19 | 4.0 | open to NW and SE |
| and | 5.96 | 1.5 | open to NW and SE |
| and | 1.86 | 14.0 | |
| incl | 3.01 | 8.0 | |
| Trench 2 | 1.16 | 18.0 | |
| incl | 1.40 | 12.0 | |
| incl | 2.00 | 4.0 | |
| and | 2.37 | 8.0 | open to south |
| Trench 3 | 2.70 | 18.0 | open to south |
| incl | 2.33 | 8.0 | |
| and | 6.51 | 4.0 | open to south |
| and | 2.50 | 30.0 | open to north |
| incl | 3.65 | 6.0 | open to north |
| incl | 3.96 | 12.0 | |
| and | 4.76 | 16.0 | open to south |
| incl | 6.40 | 6.0 | open to south |
| Trench 4 | 1.10 | 4.0 | open to south |
| Trench 5 | 3.23 | 8.0 | open to north and south |

Individual assays of the 2m cut samples ranged from trace to 8.19% graphitic carbon. Many of the highly mineralized zones ended due to deeper overburden conditions and remain open for expansion. The graphitic mineralization is vertically dipping or close to it and as such the lengths of the composites listed above are close to true thickness. As well, a minimum of 7 strong parallel airborne electromagnetic anomalies ranging from 500 to 2000m long have yet to be investigated.

The surface channel samples were submitted to Activation Laboratories Ltd. (“Actlabs”), that is ISO 17025 accredited, in Thunder Bay, ON where they were prepped. The pulverized samples were then sent to Actlabs in Ancaster where the samples were analyzed using their 4F-C graphitic carbon infrared technique.

Channel sample rejects have been sent for metallurgical testing that will include graphite recoveries, impurities analysis, and flake size distribution.

(c) Goodchild Cu-Ni-PGM Property

The 100% owned Goodchild copper-nickel property was acquired by the Company by staking. The property consists of 209 claim units located 10km north of the town of Marathon, Ontario. At December 31, 2017, the Company had deferred exploration and evaluation costs totalling \$1 (June 30, 2017 - \$1).

The Goodchild property covers a very large airborne magnetic anomaly measuring approximately 5km by 8km and represents the Goodchild ultramafic intrusion. A geophysical airborne survey flown in the late 1980’s showed multiple coincidental electro-magnetic anomalies throughout the centre and along the margins of the intrusion. Early limited prospecting by the Company yielded values as high as 12.6% Ni, 2.4% Cu, 0.3% Co and 2 g/t PGE’s in select grab samples.

The Company completed a 957 line km airborne VTEM survey, linecutting, geological mapping, prospecting and ground geophysics to help prioritize diamond drill targets. Diamond drilling of priority targets was completed in October of 2008. This first phase of drilling identified several areas of anomalous Nickel and Copper and a second phase drill program was completed in the spring of 2009. To date drilling has confirmed that the property has consistent anomalous zones of mineralization but additional targets need to be tested to take the property further.

Visual and microscopic analysis of the Company’s Goodchild drill core has identified abundance of the mineral Awaruite. The Company has received results from 7 core samples that represent 45m of serpentized ultramafic material sampled from historical drill hole GC08-08. The samples, sent to Activation Laboratories Ltd in Thunder Bay, Ontario, were analyzed using fusion x-ray fluorescence (XRF) followed by Davis tube magnetic separation. The XRF returned assays ranging from 0.291 to 0.314% NiO (nickel oxide) and the subsequent magnetic concentrates recovered by the Davis tube method returned nickel grades of 0.303 to 1.48% NiO equating to 0.035 to 0.105% recoverable nickel. The Company currently has no further exploration plans for the project given its proposed acquisition of Folium. The project will be sold, optioned or allowed to lapse.

Clinton Barr (P. Geo.) is the qualified person who has reviewed the above information.

SUMMARY OF QUARTERLY RESULTS

| Three Month Period Ending | Net Earnings/(Loss) | Net Earnings/(Loss) per Share Basic and Diluted (1) (2) |
|----------------------------------|----------------------------|--|
| | \$ | \$ |
| December 31, 2017 | (160,557) | - |
| September 30, 2017 | (42,984) | - |
| June 30, 2017 | 38,661 | - |
| March 31, 2017 | (401,753) | (0.01) |
| December 31, 2016 | (213,732) | - |

| | | |
|--------------------|-----------|--------|
| September 30, 2016 | (444,173) | (0.01) |
| June 30, 2016 | (312,047) | (0.01) |
| March 31, 2016 | (16,837) | - |

- (1) Basic per share calculations are made using the weighted-average number of shares outstanding during the period.
- (2) Earnings (loss) per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company has a net working capital deficiency of \$165,448 (June 30, 2017 - \$46,024), cash and cash equivalents on hand of \$31,706 (June 30, 2017 - \$278,946), and a deficit of \$9,939,885 (June 30, 2017 - \$9,736,344).

The Company's condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. The condensed consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

The recovery of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain adequate financing to complete development, and upon future profitable operations from the properties or proceeds from the dispositions thereof.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short-term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital (deficiency) and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated financial statements for the period ended December 31, 2017 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the date of the statement of financial position 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:

- i. the recoverability of amounts receivable which are included in the consolidated statements of financial position;
- ii. the carrying amount and recoverability of exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available; and

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage; and
- Going concern assumption.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not participated in any off-balance sheet or income statement arrangements.

RELATED PARTY TRANSACTIONS

For details, please refer to note 6 of the condensed consolidated financial statements.

RISKS AND UNCERTAINTIES

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as a unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required carrying on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploration and mining 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 and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

MANAGEMENT

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services. Changes in management since the beginning of the period are summarized as follows:

| | | | |
|--------------------|-----------------------|-----------------------|-----------------------------|
| Current directors: | John Harper | Director | Appointed May 23, 2012 |
| | William Harper | Director | Appointed March 23, 2009 |
| | Allan Laboucan | Director | Appointed November 24, 2016 |
| | Gennen McDowall | Chairman and Director | Appointed November 25, 2016 |
| | Emily Hanson | Director | Appointed January 19, 2017 |
| | Gilberto Z. Castaneda | Director | Appointed September 6, 2017 |
| Former director: | Brian Robertson | Director | Resigned September 6, 2017 |
| Current officers: | Allan Laboucan | President and CEO | Appointed October 27, 2016 |
| | Gilberto Z. Castaneda | CFO | Appointed December 16, 2016 |
| | Emily Hanson | VP Exploration | Appointed January 29, 2017 |

MATERIAL CONTRACT

On October 25, 2016, the Company entered into a Consulting Agreement with Allan Laboucan (“Consultant”) whereby the Consultant agreed to act as President and Chief Executive Officer of the Company. In consideration, the Company agreed, among other terms, to pay the Consultant an annual salary of \$100,000 for a period of one year, renewable annually. Under the agreement, the Consultant is eligible to earn bonus shares as follows:

- (a) 200,000 bonus shares if the Company reaches a market capitalization of \$20,000,000 for 10 consecutive trading days;
- (b) a further 200,000 bonus shares if the Company reaches a market capitalization of \$40,000,000 for 10 consecutive trading days;
- (c) a further 200,000 bonus shares if the Company reaches a market capitalization of \$60,000,000 for 10 consecutive trading days;
- (d) a further 200,000 bonus shares if the Company reaches a market capitalization of \$80,000,000 for 10 consecutive trading days;

The Consultant is also eligible for stock options to be granted by the Company from time to time. The Company may terminate the agreement at any time by giving a Notice of Termination. If the Company terminates the agreement for any reason other than cause, the Company will pay the Consultant an amount equal to six months salary. If the Company terminates the agreement for any reason other than cause after change of control, the Company will pay the Consultant 200,000 shares. In addition, the Consultant is entitled to exercise his stock options the later of one year from the date of change of control and the date which is three months after the Consultant’s stock options have been vested.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

LATEST OUTSTANDING SHARE DATA

Share capital as of date of this report:

Authorized:

Class A common - unlimited
 Class B common - unlimited
 Common shares - unlimited

Issued:

Class A common - nil
 Class B common - nil

Effective February 28, 2018, the Company completed a share consolidation on the basis of 3 pre-consolidation common shares for 1 post-consolidation common share. This report has not been retrospectively adjusted to reflect this consolidation, except as stated below.

Common shares - The Company has the following common shares issued and outstanding:

| Common Shares | Number of Shares |
|---|-------------------------|
| Balance, December 31, 2017 | 56,340,538 |
| Private placement | 2,571,429 |
| Balance, date of this report – pre share consolidation | 58,911,967 |
| Balance, date of this report – post share consolidation | 19,637,322 |

| Stock Options | Number of Options | Average Exercise Price |
|--|--------------------------|-------------------------------|
| Balance, December 31, 2017 and date of this report – pre share consolidation | 5,044,535 | \$ 0.15 |
| Balance, date of this report – post share consolidation | 1,681,512 | \$ 0.45 |

Options outstanding and exercisable at date of this report, post share consolidation, are as follows:

| Expiry Date | Exercise Price - post consolidation | Number of Options – post consolidation |
|---|--|---|
| February 3, 2019 | \$ 0.60 | 112,500 |
| April 21, 2021 | \$ 0.21 | 191,667 |
| July 27, 2021 | \$ 1.17 | 100,000 |
| December 12, 2021 | \$ 0.39 | 497,667 |
| March 29, 2022 | \$ 0.45 | 83,333 |
| May 10, 2022 | \$ 0.45 | 696,345 |
| Balance, date of this report – post share consolidation | | 1,681,512 |

| Warrants | Number of Warrants | Average Exercise Price |
|---|---------------------------|-------------------------------|
| Balance, December 31, 2017 | 9,865,014 | \$ 0.17 |
| Private placement | 2,671,429 | 0.10 |
| Balance, date of this report – pre share consolidation | 12,536,443 | \$ 0.16 |
| Balance, date of this report – post share consolidation | 4,178,814 | \$ 0.48 |

Warrants outstanding at date of this report, post share consolidation, are as follows:

| Expiry Date | Number of Warrants – post consolidation | Exercise Price – post consolidation |
|---|--|--|
| October 17, 2018 | 633,245 | \$ 0.60 |
| November 7, 2018 | 856,278 | \$ 0.60 |
| May 11, 2018 | 965,482 | \$ 0.60 |
| October 31, 2018 | 833,333 | \$ 0.24 |
| January 15, 2020 | 890,476 | \$ 0.30 |
| Balance, date of this report – post share consolidation | 4,178,814 | |

EVENTS SUBSEQUENT TO THE DATE OF THIS REPORT

None