

**NEW ENERGY METALS CORP.** (formerly Darien Resource Development Corp.)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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REPORT DATE

**November 26, 2018**

This Management Discussion and Analysis (this “MDA”) provides relevant information on the operations and financial condition of New Energy Metals Corp. (the “Company”) for the period ended September 30, 2018.

The Company is in the business of mineral exploration. Activities include the evaluation, acquisition and exploration of mineral exploration properties in search of economic mineral deposits. The Company recently changed its strategy to focus on *energy metals* (copper, cobalt and lithium) in Chile. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

The Company’s certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the consolidated financial statements together with other financial information included in these filings. The Board of Directors’ approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities.

This MDA should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the years ended June 30, 2018 and 2017.

The Company is registered in the province of British Columbia. The Company’s head office address is Suite 2300 – 1177 West Hastings Street, Vancouver B.C. V6E 2K3. The Company’s registered and records office is Suite 1170 – 1040 West Georgia Street, Vancouver, B.C. V6E 4H1.

OVERALL PERFORMANCE

The Company was incorporated on March 13, 2017 under the laws of British Columbia. Effective January 25, 2018, upon closing of the initial public offering, the common shares of the Company were listed on the TSX Venture Exchange (“TSX.V”) and on April 4, 2018 the Company changed its name to New Energy Metals Corp. and its trading symbol on the TSX.V to ENRG.

EXPLORATION PROPERTIES

The Company is engaged in the acquisition and exploration of mineral properties.

The Company currently has an option to acquire a 100% interest in the Exxeter Property. The Exxeter Property is comprised of thirteen mineral tenures located in Quebec.

The Company began working to identify attractive opportunities in strategic commodities in Chile and entered into an agreement to acquire a 100% interest in the Cristal Project located in northern Chile during the period. The Company also entered into option agreements to acquire a 100% interest in several Cobalt Projects and a Lithium Project in Chile.

### ***Exxeter Property***

The Exxeter Property is comprised of thirteen mineral tenures covering approximately 748 hectares and is located within the Abitibi Greenstone Belt (Northwestern Québec, Canada) in the township of Vauguelin, approximately 45km east of Val-d'Or. Exploration to date has identified three main exploration targets on the Exxeter Property, which exhibit anomalous values of gold, silver, copper and/or zinc. Future exploration programs will focus on determining whether sedimentary hosted or structurally hosted gold deposits exist on the Exxeter Property.

The Company has the option to acquire a 100% interest in the Exxeter Property pursuant to a mineral property option agreement dated March 27, 2017.

Gold mineralization in the area is typically found in quartz veins located proximal to feldspar porphyries associated with shear zones and sulfide mineralization. At the Chimo Mine 3km to the south, gold was formed within an iron formation and subsequently remobilized and re-deposited.

The Abitibi region has been extensively explored and mined since the early 20th century with exploration around the Exxeter Property dating back to the 1940's when positive results from drilling by Chimo Mines Ltd. created interest in the area. Since then, numerous exploration companies, individuals and government groups have completed multiple ground and airborne geophysical surveys (electromagnetic, VLF-EM and magnetic), geological mapping and sampling as well as diamond drilling and trenching. The property itself has been the subject of numerous geophysical and geological surveys.

Exploration in 2016 included ground-based geophysical surveys, geological mapping and sampling as well as small-diameter backpack diamond drilling. In the spring of 2017, a 20 line km cutting program and a 7.5 line km IP survey were completed. There has been no advanced exploration or mining performed on the property.

The 2016 and 2017 exploration work identified potential targets for further investigation. The soil sampling program returned multiple samples with anomalous gold-in-soil values of up to 185ppb Au. These anomalous values warrant further investigation through additional soil sampling on a tightly spaced grid to allow contouring for targeting purposes. The VLF-EM/Mag survey also identified several weak conductors that require follow up. The IP survey identified anomalies, some of which remain open.

The Company conducted a detailed soil sampling program in October 2018 focused on target areas where geophysical and geochemical anomalies were identified in earlier programs. In total, 366 deep soil samples were taken. The samples will be processed at ALS Global Laboratories, an accredited geochemical laboratory in Val D'Or Quebec.

(Refer to Technical Report on the Exxeter Property Val-d'Or Mining Camp, Québec, Canada, dated May 31, 2017 by Abby Peterson, B.Sc., P.Geo., "qualified person" under the terms of National Instrument 43-101).

### ***Cristal Property***

On March 1, 2018, the Company entered into an agreement (the "Agreement") to acquire a 100% interest in the Cristal project (the "Project") located in northern Chile. The Project is situated in a geologic setting that is noted for the occurrence of significant copper projects, is considered prospective for the potential discovery of a buried porphyry copper deposit.

The Company subsequently signed a letter of intent (the "Letter of Intent") with Wealth Minerals Ltd. ("WML"), whereby WML or its wholly-owned subsidiary (collectively, "Wealth") can acquire a 70% interest in the Project.

Subject to satisfactory completion of due diligence by Wealth and acceptance by the TSX.V of the transaction contemplated by Letter of Intent, the parties expect to enter into a definitive assignment and assumption agreement for the assignment of a 70% interest in the Project to Wealth upon terms to be agreed upon by the parties.

The West Fissure and related structures that host many significant porphyry copper deposits in Chile trend through the Project area, and northwest of the Project area, the Incapuquio fault system in Peru hosts additional significant porphyry copper deposits similar to those of northern Chile. These two important fault systems are projected to

intersect near the Project area and provide a geologic environment favorable for the occurrence of buried porphyry deposits.

Early exploration work in the Project area was conducted by various exploration companies in the 1990's, with the first significant work on the Project conducted by BHP Billiton ("BHP") under an option agreement in 2012. BHP conducted airborne magnetics, gravity, EM studies, and limited drilling and terminated the option in 2014. In the BHP summary report, it was stated that an enhancement of the magnetics data had identified a 2-3km diameter circular doughnut feature with a weak magnetic high core surrounded by a magnetic low, accepted by geologists and geophysicists as typical of buried porphyry copper deposits. This significant anomaly was not tested and occurs near where the West Fissure undergoes an abrupt change in direction from N-S to N45W at the intersection with the NE-SW regional structure. No exploration work has been conducted on the property since, however, the Project area is now surrounded by large land positions held by several senior copper producers.

The Project comprises 9 square kilometers of concessions on Chilean public land held by the ultimate vendor near Arica, Chile.

The initial exploration focus on the Project will be on the area where the large geophysical anomaly (aeromagnetic low and gravity high) was identified by the previous exploration activities. The anomaly, which measures several kilometers across, shows a weak magnetic high surrounded by a magnetic low, and could potentially represent a buried porphyry copper deposit. A coincident northwest trending gravity high could represent a topographic high within a potential porphyry copper system.

Dr. Thomas A. Henricksen, an independent consultant geologist, is a qualified person as defined by National Instrument 43-101. Mr. Henricksen has reviewed the scientific and technical information that forms the basis of the information above and has approved the disclosure herein. Mr. Henricksen is independent of the Company.

### ***Cobalt Properties***

On April 4, 2018, the Company announced that it had entered into option agreements to acquire a 100% interest in two cobalt exploration projects (La Sufrida and Pirula) located within Chile's past-producing San Juan cobalt district.

On April 11, 2018, the Company announced that it had entered into option agreements to acquire a 100% interest in three additional cobalt exploration projects (Onix, Codiciada and Consuelo/Amelia), also located within Chile's past-producing San Juan cobalt district. The Company received approval from the TSX.V for the acquisitions on June 4, 2018.

On May 29, 2018, the Company announced that it had entered into a final option agreement (together with the option agreements described above, the "Cobalt Agreements") to acquire a 100% interest in a sixth cobalt exploration project (Victoria) located within Chile's past-producing San Juan cobalt district. The Victoria project acquisition was conditionally accepted by the TSX.V on August 15, 2018.

The Cobalt Agreements outlined in the table below were amended; a large portion of the cash due at the 6-month payment date was deferred to the next payment date, and the 12-month payment date was extended by 2 months. The chart below outlines the revised payment terms for the Cobalt Agreements. The options to purchase Codiciada and La Sufrida have been relinquished.

Projects	Date	Original Payment Schedule			Revised Cash, Shares Payment Schedule					
			Cash (US\$)	Shares	Date	Cash (US\$)	Shares			
Pirula 1, 2	3.8.2018	Paid	\$150,000		July 1, 2018 May 8, 2019	\$65,250 \$484,750				
	9.8.2018	6 months	\$250,000							
	3.8.2019	12 months	\$300,000							
		Total	\$700,000							
Onix	1.31.2018	Paid	\$300,000	250,000	July 1, 2018 March 31, 2019	\$78,300 \$621,700	550,000			
	7.31.2018	6 months	\$300,000	250,000						
	1.31.2019	12 months	\$400,000	300,000						
		Subtotal (12Mth)	\$1,000,000	800,000						
	7.31.2019	18 months	\$400,000	300,000						
	Total	\$1,400,000	1,100,000							
Amelia	2.9.2018	Paid	\$40,000	40,000	July 1, 2018 April 9, 2019	\$10,440 \$89,560	100,000			
	8.8.2018	6 months	\$40,000	40,000						
	2.9.2019	12 months	\$60,000	60,000						
		Subtotal (12Mth)	\$140,000	140,000						
	2.9.2020	24 months	\$60,000	60,000	February 1, 2020	\$60,000	60,000			
	Total	\$200,000	200,000							
Consuelo	3.8.2018	Paid	\$160,000	160,000	July 1, 2018 May 8, 2019	\$41,760 \$358,240	400,000			
	9.8.2018	6 months	\$160,000	160,000						
	3.8.2019	12 months	\$240,000	240,000						
		Subtotal (12Mth)	\$560,000	560,000						
	9.8.2019	18 months	\$240,000	240,000	September 1, 2019	\$240,000	240,000			
	Total	\$800,000	800,000							
Victoria, Blanca	3.8.2018	Paid (except shares)	\$300,000	300000*	July 1, 2018 May 6, 2019	\$104,400 \$695,600	800,000			
	9.8.2018	6 months	\$400,000	400,000						
	3.8.2019	12 months	\$400,000	400,000						
		Subtotal (12Mth)	\$1,100,000	1,100,000						
	3.8.2020	24 months	\$500,000	500,000				March 1, 2020	\$500,000	500,000
	3.8.2021	36 months	\$500,000	500,000				March 1, 2021	\$500,000	500,000
	3.8.2022	48 months	\$500,000	500,000				March 1, 2022	\$500,000	500,000
	Total	\$2,600,000	2,600,000							

\*Awaiting TSXV Approval

In November 2017, Chile's Corporation for the Promotion of Production ("CORFO") and the Chilean National Service of Geology and Mining (SERNAGEOMIN) published a report that reviewed the cobalt mineralization resources in Chile. Meaningful primary cobalt production has historically been developed in two districts in Chile, one of which is the San Juan cobalt district in the Atacama Region.

The Company reviewed available regional and district-scale datasets in the San Juan cobalt district and selected the cobalt projects based on geological characteristics, abundance of historic workings, evidence of mineralization, and proximity to past production.

The San Juan cobalt district includes several historical producing mines, which produced cobalt (and copper) for several decades at the turn of the 20th century. The past-producing Cobaltera Mine was the last to close in the mid-1940's at the end of the Second World War. At the peak of production there were three processing plants in the area and several small-scale operations.

Cobalt production and smelting in the district started in 1885 but no statistics are available prior to 1903. From 1903 to 1944 the district produced approximately 300,000 tonnes of cobalt ore grading up to 4% cobalt (plus copper) ("El Cobalto en Chile, Caja Credito Minero", H. Hornkohl, 1944).

The known San Juan cobalt district measures approximately 4km by 10km. Numerous small-scale mines, historical shafts and adits exist in the region, indicating the existence of an extensive network of mineralized structures and past high-grade mining activity. Numerous ruins and slags from the past producing cobalt-copper smelters also exist in the district.

Upon completion of the option payments, the Company will be deemed to have exercised the options and will have earned an undivided 100% legal and beneficial interest in and to the Cobalt projects. The Cobalt projects are not

subject to underlying royalties. During the option period, the Company will be responsible for maintaining the concessions comprising the projects in good standing. There are no work commitments and all work carried out on the projects will be at the sole discretion of the Company.

The Company completed the first phase of its initial field exploration program in July 2018. The program was comprised of compilation of historical data, regional mapping and prospecting, and sampling to identify priority areas for detailed follow up.

The results of the current field exploration program will provide priority areas for the Company's initial focus as it works to delineate high grade cobalt mineralization on its projects.

Mr. Enrique Reichhard Barends, P.Geo., Comisión Calificadora de Competencias en Recursos y Reservas Mineras (Chilean Mining Commission) is a qualified person as defined by National Instrument 43-101. He has reviewed the scientific and technical information above and has approved the disclosure herein. Mr. Enrique Reichhard Barends is not independent of the Company.

#### SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its seven completed financial quarters ended September 30, 2018.

<b>Quarter Ended Amounts in 000's</b>	<b>Sept. 30, 2018</b>	<b>June 30, 2018</b>	<b>Mar. 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>Sept. 30, 2017</b>	<b>June 30, 2017</b>	<b>Mar. 31, 2017</b>
Net income (loss)	(1,111)	(1,691)	(789)	(10)	(42)	(26)	-
Earnings (loss) per share – basic and diluted	(0.03)	(0.08)	(0.03)	(0.00)	(0.01)	(0.00)	-
Total assets	2,921	3,945	4,802	450	460	507	2
Working capital	420	1,310	2,061	313	323	390	2

During the quarter ended September 30, 2018 the Company incurred general and administration expenditures of \$1,110,967 including impairment of mineral properties in the amount of \$725,108 and had expenditures on exploration and evaluation assets of \$455,444.

During the quarter ended June 30, 2018, the Company received \$107,500 from the exercise of warrants and incurred general and administration expenditures of \$1,360,634 including \$517,333 in stock-based compensation and impairment of mineral properties in the amount of \$352,095.

During the quarter ended March 31, 2018, the Company completed its initial public offering ("IPO"). The Company completed private placements for gross proceeds of \$4,866,500 and paid finder's fees of \$373,156 and received \$172,500 from the exercise of warrants. The Company had \$2,449,860 of property advances on exploration and evaluation assets on projects in Chile, and general and administration expenditures of \$788,888.

During the quarter ended September 30, 2017, the Company incurred general and administration expenses of \$41,896.

During the quarter ended June 30, 2017 the Company completed a private placement for gross proceeds of \$505,000 which included \$100,000 in flow-through funds.

During the quarter ended March 31, 2017, the Company was incorporated.

#### ***Three Months ended September 30, 2018 compared to three months ended September 30, 2017***

The Company's general and administrative costs were \$1,110,967 (2017 - \$41,896), and reviews of the major items are as follows:

- Consulting fees of \$81,245 (2017 - \$Nil) consisting of CFO fee of \$13,500 (2017 - \$Nil), Corporate Secretary of \$7,500 (2017 - \$Nil), business development of \$21,000 (2017 - \$Nil) and Country Manager in Chile of \$39,245 (2017 - \$Nil);
- Investor relations and promotion of \$80,855 (2017 - \$Nil) consisting of investor relations promotions of \$64,000 (2017 - \$Nil) and other of \$16,855 (2017 - \$Nil);
- Impairment on exploration and evaluation assets in the amount of \$725,108 (2017 - \$Nil) on the Tres Salares Lithium property;
- Professional fees of \$45,846 (2017 - \$25,000) consisting of legal of \$34,698 (2017 - \$25,000) and accounting and audit of \$11,148 (2017 - \$Nil);
- Regulatory fees of \$22,595 (2017 - \$Nil) consisting of transfer agent of \$3,593 (2017 - \$Nil) and TSX.V, securities commission and other regulatory fees of \$19,002 (2017 - \$Nil);
- Property investigation costs of \$65,850 (2017 - \$Nil) for costs on exploration evaluation expenditures on properties in Chile prior to acquisition; and
- Salaries of \$48,225 (2017 - \$Nil) which consisted of the salaries for the CEO.

## LIQUIDITY AND CAPITAL RESOURCES

Because of economic conditions, globally, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector may have limited access to capital. The Company continually monitors its financing alternatives and expects to finance its fiscal 2019 operating overhead and acquisition and exploration expenditures through private placements.

The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. There can be no assurance that such funds will be available on favorable terms, or at all.

As at September 30, 2018, the Company reported cash of \$486,553 compared to \$1,239,733 as at June 30, 2018. The change in cash on hand and working capital was the result of cash used in operating activities of \$297,736 and cash used in investing activities of \$455,444.

On January 25, 2018 the Company completed its IPO by issuing 5,000,000 common shares at a price of \$0.10 per common share for gross proceeds of \$500,000. In connection with the IPO, the Company paid a cash finder's fee of \$40,000 issued 400,000 agent Warrants, valued at \$21,163 and incurred other finance costs of \$27,501.

On March 12, 2018, the Company issued 16,994,749 Common Shares at a price of \$0.25 for gross proceeds of \$4,248,687 and paid a cash finder's fee \$305,655 and issued 523,978 agent warrants valued at \$250,599. The Company also issued 471,251 Common Shares as part of a finance expense in connection to loan payables to various lenders. A finance expense of \$214,419 was recorded.

During the year end June 30, 2018, the Company had 5,600,000 warrants exercised and received \$280,000.

During the year ended June 30, 2018 the company issued 900,000 common shares for property acquisition valued at \$168,000.

The Company has no long-term debt obligations.

## SHARE CAPITAL

- (a) As of the date of the MDA the Company has 41,066,001 issued and outstanding common shares. The authorized share capital is unlimited no par value common shares.

- (b) As at the date of the MDA the Company has 2,700,000 incentive stock options outstanding.
- (c) As at the date of the MDA the Company has 5,423,978 share purchase warrants outstanding.

#### RELATED PARTY TRANSACTIONS

Key management personnel compensation for the period ended September 30, were:

	2018	2017
<b>Short-term benefits paid or accrued:</b>		
Salary paid to Grant Ewing (CEO and Director) (*)	\$ 48,000	\$ -
Consulting fees paid to Marla Ritchie (Corporate Secretary)	7,500	-
Consulting fees paid to Blaine Bailey (CFO)	13,500	-
Stock based compensation (Directors)	478,733	-
Legal fees paid to O'Neill Law Corporation (Charles Hethey Director)	<u>518</u>	<u>7,824</u>
<b>Total remuneration</b>	<b>\$ 69,518</b>	<b>\$ 7,824</b>

(\*) Grant Ewing resigned as a director and CEO as of November 1, 2018.

Accounts payable and accrued liabilities as at September 30, 2018 included \$532 (June 30, 2018 - \$4,725) owed to directors and companies controlled by a director or officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

#### INVESTOR RELATIONS

The Company has engaged Future Money Trends, LLC to provide financial publishing and digital marketing services to raise public awareness of the Company and promote its business. A payment of \$250,000 (paid) was due on signing of the one-year agreement.

#### PROPOSED TRANSACTIONS

Currently the Company is not a party to any material proceedings. The Company continually evaluates new opportunities, including new properties by staking, acquisition or joint venture, and corporate consolidation or merger opportunities.

#### CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated interim financial statements, and the reported amounts of revenues and expenses during the reporting year. Areas requiring the use of estimates in the preparation of the Company's condensed consolidated interim financial statements the carrying value and the recoverability of the exploration and evaluation assets included in the Condensed Consolidated Interim Statement of Financial Position, the assumptions used to determine the fair value of share-based payments in the Condensed Consolidated Interim Statement of Comprehensive Loss, and the estimated amounts of reclamation and environmental obligations. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in the Company's significant accounting policies during the period ended September 30, 2018 that had a material effect on its condensed consolidated interim financial statements. The Company's significant accounting policies are disclosed in Note 2 to its audited annual consolidated financial statements for the years ended June 30, 2018 and 2017.

### New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 *Financial Instruments: Recognition and Measurement* for classification and measurement. Effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.
- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*, effective for annual periods beginning on or after January 1, 2018.

The adoption of these new standards is not expected to have a significant impact on the Company's condensed consolidated interim financial statements

## RISKS AND UNCERTAINTIES

The Company's business is mineral exploration. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, mineral prices, political, and economical.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production. If the Company's efforts do not result in any discovery of commercial minerals, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### **Financial risk factors**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to receivables is remote as they are due from the Government of Canada. The Company's cash is deposited in accounts held at a large financial institution in Canada. As such, the Company believes the credit risk with cash is remote. Receivables comprise input tax receivables due from the Government of Canada. The Company considers the credit risk of receivables to be low.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of September 30, 2018, the Company had a cash balance of \$486,553 (June 30, 2018 - \$1,239,733) to settle current liabilities of \$208,690 (June 30, 2018 - \$121,306). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company intends to raise additional equity financing in the coming fiscal year to meet its obligations.

#### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not subject to significant exposure to interest rate risk.

#### *Foreign currency risk*

The Company's exploration work will be conducted primarily in Chile. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Chile and are denominated in either United States dollars or Chilean Pesos. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss, the ability to obtain financing, or the ability to obtain a public listing due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

### CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' deficiency, consisting of issued common shares, stock options and warrants included in reserves, and subscriptions receivable.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

### FORWARD-LOOKING STATEMENTS

This MDA contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in preliminary economic analyses or prefeasibility studies also may be deemed to be forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining that mineralization if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company's exploration programs;
- the Company's estimates of the quality and quantity of the resources and reserves at its mineral properties;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of result thereof;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and

- the Company's expectation that it will be able to add additional mineral projects of merit to its existing property portfolio.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to raise the necessary capital to be able to continue in business and to implement its business strategies, to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, and other risks identified herein under "Risks and Uncertainties".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MDA. Such statements are based on several assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of commodities;
- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration;
- conditions in the financial markets generally;
- the Company's ability to attract and retain key staff;
- the nature and location of the Company's mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs; and
- the ongoing relations of the Company with its regulators.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. The current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

#### CHANGE IN MANAGEMENT

On November 1, 2018, the Company announced that Grant Ewing has resigned as the President, Chief Executive Officer and a Director of the company, effective November 1, 2018.

On November 11, 2018, the Company announced the appointment of Stefan Schauss as a director. Mr. Schauss has over 20 years of sales and business development experience, with a focus, in recent years, on the integration of electric vehicle infrastructure in both residential and industrial areas. He has also served in product management and business development roles for several companies regarding semiconductors, integrated circuits and other electronic goods. Mr. Schauss is currently an independent consultant. Prior to that, he was head of sales for Gildemeister Energy Storage GmbH, Austria, which was a world leader in the development of vanadium redox flow batteries. Mr. Schauss has an MSc in physics from The University Mainz, Germany. His experience will be an asset to the company.

On November 16, 2018, the Company announced the appointment of David Cross as CFO, effective December 1, 2018.

On November 26, 2018, the Company announced the appointment of Cesar Lopez as President and Chief Executive Officer of the Company. Mr. Lopez has over 25 years of experience in the natural resources sector, with a strong focus on mining and mineral exploration within Latin America and Eurasia. From 2015 to mid-2018 he served as Executive Chairman at Southern Pioneer Resources, a private Canadian mineral exploration company with silver and copper projects in Chile. Prior to that, Mr. Lopez served as President and CEO of Aegean Metals Group, where he successfully led the senior exploration team that discovered the Hot Maden project in Turkey. Hot Maden is a high-grade gold asset, with an NPV of approximately \$1.4 billion.

A founding partner and the former CEO of AQM Copper Inc., Mr. Lopez successfully managed the acquisition and development of the Zafranal copper and gold deposit in Southern Peru, which resulted in the acquisition of AQM Copper Inc. by Teck Resources Limited in November of 2016. With an estimated 401 Mt of reserves and 488.7 Mt of resources, the Zafranal Copper-Gold project has a post-tax NPV of approximately \$496 million.

Prior to these positions, Mr. Lopez acted as director of Centenario Copper Corporation from 2004 to 2009. During his tenure, the company successfully acquired, developed and built the Franke SX/EW heap leach project in northern Chile. In 2009, Quadra Mining Ltd. acquired Centenario Copper Corporation.

Mr. Lopez holds a Law Degree from Universidad Gabriela Mistral in Chile and a master's degree in International Commercial Law from Golden Gate University in San Francisco. He holds a Diploma in Marketing from UC Berkeley and is also a candidate for a Master of Science in Mineral Economics from Universidad de Chile and Curtin University of Perth (Western Australia). A member of the Chilean Bar Association and the Rocky Mountain Mineral Law Foundation, Mr. Lopez was named a member of the Board of Advisors of Mines and Money Americas in 2016.

#### DISCLOSURE OF MANAGEMENT COMPENSATION

In accordance with the requirements of Section 19.5 of TSX.V Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period:

1. During the period ended September 30, 2018, the Company did not enter any standard compensation arrangements made directly or indirectly with any directors or officers of the Company, for their services as directors or officers, or in any other capacity, with the Company or any of its subsidiaries except as disclosed under "Related Party Transactions".
2. During the period ended September 30, 2018, officers of the Company were paid for their services as officers by the Company as noted above under "Related Party Transactions".
3. During the period ended September 30, 2018, the Company did not enter any arrangement relating to severance payments to be paid to directors and officers of the Company and its subsidiaries.

#### APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.