



## Introduction

This Management's Discussion and Analysis ("MD&A"), dated May 27, 2021 relates to the financial condition and results of Matachewan Consolidated Mines, Limited ("Matachewan" or "the Company") for the three months ended March 31, 2021 and should be read in conjunction with the financial statements for the year ended December 31, 2020 and the notes thereto. Historical results, including trends which might appear, should not be taken as indicative of future results. The Company's common shares are listed on the TSX Venture Exchange, symbol MCM.A and its reporting currency is the Canadian dollar. The financial data contained in this discussion and analysis is in compliance with *International Financial Reporting Standards* ("IFRS").

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## Executive Summary

The Company was incorporated in the Province of Ontario, Canada, by letters patent dated July 10, 1933. The registered office of the Company is Suite 1910, 130 Adelaide Street West, Toronto, Ontario, Canada, M5H 3P5. Matachewan is a Canadian controlled Company engaged in the natural resource industry. It has investments in petroleum interests, as well as mineral resource properties all of which are located in Canada. The Company has indirect exposure to other natural resource opportunities by investing in natural resource based marketable securities and investment in other companies that are listed on recognized exchanges.

Additional information relating to Matachewan has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at [www.sedar.com](http://www.sedar.com).

The condensed financial statements and the notes thereto have been prepared under principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business.

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## Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking statements and "forward-looking information" under applicable Canadian securities laws. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "believe", "plan", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate", or the negative thereof or variations thereon or similar terminology concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Without limitation, statements about the Company's plans and intentions with regard to their continuing investment in petroleum interests and future prices and developments thereof, their purchase and sale of marketable securities and investment in other companies, future royalties from O3 Mining Corp. ("O3") on the Hislop Guibord Ontario property, currently in exploration, and future royalties from Alamos Gold Inc. ("Alamos") on the gold property located in the Matachewan Gold Camp, 50 miles southwest of Timmins, Ontario, which forms part of the Alamos Young-Davidson project, currently in production.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral and petroleum reserves and resources, the realization of mineral and petroleum reserve and resource estimates, prices of minerals and oil and gas, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing, environmental costs, and material costs, necessary to continue the development of the underlying investment the Company has in other companies, generating royalties from the gold property, and investment in petroleum interests, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, and other similar matters. While management considers these assumptions to be reasonable, based on information currently available to it, they may prove to be incorrect. See "Risks and Uncertainties", "Financial Instruments", and "Outlook" sections of this MD&A.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the securities of the Company should not place undue reliance on these forward-looking statements.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws and that the forward-looking statements contained in this MD&A are made as of the date hereof.

**Evaluation of Disclosure, Internal Controls, and Procedures****Disclosure, Controls and procedures**

Disclosure, controls, and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to the various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that timely decisions can be made regarding disclosure.

The Company's management, under the supervision of, and with the participation of, the CEO and the CFO, have designed and evaluated the Company's disclosure controls and procedures as defined in their signed certification of annual and interim filings venture issuer basic certificate. Based on this evaluation, the CEO and the CFO have concluded that, as of the date of this MD&A, the Company's disclosure controls and procedures were effective.

**Internal Control over Financial Reporting**

Designing, establishing and maintaining adequate internal control over financial reporting is the responsibility of the Company's management. Internal control over financial reporting is a process designed by, or under the supervision of management, and effected by the Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's condensed financial statements in conformity with IFRS. These controls include policies and procedures pertaining to the maintenance of records that, in reasonable detail, accurately reflect transactions pertaining to its assets, provide reasonable assurance that all transactions are recorded to permit the preparation of its condensed financial statements and that expenditures are being made only in accordance with authorizations by management of the Company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its condensed financial statements. Management is responsible for establishing and maintaining internal control over financial reporting and has designed and implemented such controls to ensure that the required objectives of these internal controls have been met. The management of the Company applied its judgement in evaluating the cost-benefit relationship to controls and procedures. The result of which was, because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Minor control deficiencies have been identified within the Company's accounting and/or finance departments and its financial information systems over segregation of duties and user access respectively. Specifically, as is common for companies of this size, certain duties within the accounting and/or finance departments were not adequately segregated due to the limited number of individuals employed in these areas. At the present time, the CEO and CFO oversee all material transactions and related accounting records. The audit committee reviews the condensed financial statements in detail, the key risks of the Company, and queries management about all significant transactions.

For the period covered by this MD&A there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Summary of Quarterly Results**

The summary for each of the eight most recently completed quarters is as follows:

For the quarter ended \$000's (except per share)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Total revenue (loss)	(410)	548	(189)	2,172	(947)	548	47	169
Net income (loss)	(462)	507	(240)	2,137	(1,015)	458	(20)	80
Income (loss) per share	(0.04)	0.04	(0.02)	0.17	(0.08)	0.04	0.00	0.00
Total assets	5,386	5,941	5,417	5,739	3,379	4,697	4,001	4,037

This data is derived from the Company's financial statements.

### **Executive Compensation**

The compensation committee is responsible for making recommendations to the Board of Directors with respect to the compensation of the executive officers of the Company as, among other things, with respect to the Stock Option Plan and any other employee benefits and/or plans. The Board of Directors reviews such recommendations and gives final approval.

The executive officers receive nominal compensation for management services performed.

### **Financial Highlights of Operations**

#### **Three months ended March 31, 2021**

The net loss recorded by the Company for the year ended March 31, 2021 was \$461,677 compared to net loss of \$1,014,991 for 2020. The items that contributed to the 2021 decrease in net loss of \$553,314 were, an increase in investment income from petroleum interests of \$5,635, a decrease in royalty income of \$75,008, an increase from other income of \$5,446 an increase in realized income from investment in other companies/marketable securities of \$23,498, a decrease in unrealized depreciation of investment in other companies and marketable securities of \$577,526, a decrease in administrative expenses of \$20,090, and an increase in amortization expense of \$3,873.

### **Related Party Transactions**

Included in accounts receivable as at March 31, 2021, are amounts due from a related party totalling \$16,759 (December 31, 2020 – \$9,890). The amounts payable were the result of the Company's oil and gas investment in petroleum interests which are in the normal course of business. Mr. McCloskey is President, CEO and Director of Boanne Investments Limited ("Boanne") and the Company, Mr. Dumond is the Corporate Secretary of Boanne; CFO, Corporate Secretary and Director of the Company. Administrative fees were paid to a related party in the amount of \$547 (2020 - \$368).

Included in accounts payable as a March 31, 2021 is an amount due to a related company that has a common director and officer of \$18,762 (December 31, 2020 - \$12,508). The amount payable was the result of a prepayment of the Company's lease for head office space.

Related party expenditures paid to Messrs. McCloskey and Dumond, management executives and Directors of the Company, for the year ended March 31, 2021 were \$16,000 (March 31, 2020 – 16,000). These expenses were charged to administration.

Included in other income, are dividends in the amount of \$18,428 (2020 - \$9,214) that were received from a related party that share common directors and officers.

These amounts were paid in the normal course of business.

### **Liquidity and Capital Resources**

The global economy continues to be in a constantly changing environment, and forecasting future trends is both challenging and uncertain. Management continues to adjust and readjust strategies to meet the challenges presented in these uncertain economic conditions that confront the Company.

The Company is dependent upon cash flow generated from royalties and its investment in the petroleum industry. This income and cash flow was affected by the current natural gas price environment, operating costs and production levels.

Working capital was \$3,682,916 at March 31, 2021, compared to \$4,240,640 at December 31, 2020. The decrease in working capital of \$557,724 was related to a decrease in cash of \$21,422, a decrease in marketable securities of \$630,107 due to fluctuations in their fair value, an increase in accounts receivable of \$3,277, a decrease in accounts payable of \$17,728, and a decrease in loans payable of \$72,800.

#### **Cash Flow used in Operating Activities**

The Company recorded net loss of \$461,677 for the three months ended March 31, 2021, which when increased for non cash items of \$480,944 and decreased for changes in working capital items of \$21,005 resulted in cash used in operating activities of \$1,738.

**Cash Flow provided by Investing Activities**

The Company during the three months ended March 31, 2021, purchased marketable securities for \$56,154 and had proceeds from the sale of marketable securities of \$112,093, invested \$1,886 in other companies, invested \$937 in petroleum interests, resulting in net cash provided by investing activities of \$53,116.

**Cash Flow used in Financing Activities**

For the three months ended March 31, 2021, the Company paid down its loan payable thus using \$72,800 in financing activities.

**Share Capital**

Shareholders' equity at March 31, 2021 was \$4,636,138 compared to \$5,097,815 at December 31, 2020, a decrease of \$461,677, resulting from net loss for the period.

The Company's share capital was comprised of the following as:

	March 31, 2021	December 31, 2020
<b>Authorized:</b> Unlimited number of common shares		
<b>Issued:</b> Common shares	12,445,025	12,445,025

The Company has no stock options outstanding.

Please refer to Notes 10 and 12 of the Company's condensed financial statements dated December 31, 2020 for further information regarding share capital.

**Contributed Surplus**

The contributed surplus of the Company at March 31, 2021 was \$363,800 (December 31, 2020 - \$363,800).

**Risks and Uncertainties**

An investment in the securities of the Company is subject to a number of risks. In addition to the other information contained in the MD&A and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Any of the matters highlighted in these risk factors could have a material adverse effect on the Company's business prospects or financial condition.

**Investment in Petroleum Interests**

The prices for oil and natural gas together with the quantities produced affect the revenue reported by the Company for investment in petroleum interests.

The operator of the Company's oil and gas participations, Signalta Resources Limited ("Signalta"), reports that the current low natural gas price environment continues to challenge all operators' investment abilities. Fundamentally Signalta believes in the potential for superior rates of returns in the oil and gas business over the medium to long term. The strategy is to continue to reposition holdings during this challenging portion of the cycle. Above average assets that present themselves in these difficult periods generally have the staying power to benefit from a sizeable upswing in gas prices in the future.

In reviewing the performance of our investments with Signalta over a thirty year period through many cycles of varying magnitude it is fair to say that large advances of our values have resulted from continued investment throughout difficult periods that we have recently experienced.

**Royalty and Option interests****The Matachewan Property**

The Company has a royalty interest in the Matachewan property consisting of 24 mining claims that forms part of the Young Davidson Mine operated by Alamos Gold Inc.

The base royalty on the property is \$1.1025 U.S. per tonne of ore mined and processed from the property. When applicable, an additional royalty is paid when the price of gold exceeds \$270 U.S. per ounce. This will amount to 5% of the increase per ounce recovered above the base rate of \$270 U.S. The royalties are paid quarterly.

The sliding scale royalty relates to the eastern portion of the potential open pit and a small portion of the underground resource currently estimated to be 600,000 tonnes. The Young – Davidson mine commenced commercial production effective September 1, 2012.

### **The Hislop Property**

Under the terms of the Option and Joint Venture Agreement dated June 21, 2011, by arrangement O3 Mining Corp (“O3”) has earned a 50% interest and the Company retains a 50% interest, in 8 mining leases located in Hislop Guibord Townships near Matheson, Ontario. O3 will earn an additional 10% interest by completing a feasibility study or spending an additional \$1,000,000 in exploration expenditures on the property, O3 will earn a final 10% interest by obtaining financing to construct a mining operation on the property or spending an additional \$2,000,000 in exploration expenditures on the property. The Company will retain a 30% assessable interest in the property together with a 2% net smelter royalty of which 1% can be repurchased for \$1,000,000. The Company receives an annual \$25,000 advance royalty.

### **Marketable Securities and Investment in Other Companies**

The Company's investments are represented by shares of companies predominately listed on a recognized exchange and are primarily natural resource based. The Company uses this method to get exposure to resource opportunities that normally would not be available to it.

The three months ended March 31, 2021, reflected a decrease in investment income of \$601,024 that was attributed to the change in market value and changes in the investment portfolio holdings when comparing 2021 to 2020.

The Company's position in marketable securities and investment in other companies had a combined fair value of \$4,525,105, at March 31, 2021, (December 31, 2020 - \$5,058,882) a decrease of \$533,777.

### **Capitalization and Dilution**

The Company currently has cash flow that provides sufficient funding to meet its obligations. The Company's capital and expenditure needs have been generated internally from its investment in oil and gas, marketable securities, and investment in other companies and royalties earned. If the Company required major funding in the form of debt and/or equity there is no assurance that the additional funding would be available. The terms of any additional funding obtained by the Company could result in substantial dilution to the present shareholders of Matachewan.

### **Future Profitability**

The Company derives its income from investment in petroleum interests, royalties, investment in marketable securities, and investment in other companies. There are no assurances that the Company will continue to generate income from the preceding.

### **Outlook**

The Company will continue to implement the following strategies:

- remain in the natural resource industry
- retain the Company's royalty interest on the Alamos Young-Davidson property
- retain the Company's interest on the Hislop Guibord mining claims
- selectively invest in marketable securities and investment in other companies that are natural resource based

### **Other Information**

#### **Contractual Obligations**

The Company does not have any contractual obligations.

**Off-Statements of Financial Position Items**

As at March 31, 2021, the Company had no material arrangements off its statements of financial position

**Going Concern**

Management has prepared its condensed financial statements using accounting principles applicable to a going concern which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. Should the going concern assumption no longer be valid, adjustments would be required to the carrying values of assets and liabilities and to the reported revenues, expenses, and statement of financial position classifications.

**Critical Accounting Policies and Estimates**

The condensed financial statements are reported in Canadian dollars and, they may include management's estimates and assumptions that affect amounts reported in the condensed financial statements and accompanying notes. If estimates and assumptions were made, actual results could differ from these estimates and assumptions. The condensed financial statements have been prepared using careful judgment within the significant accounting policies summarized below.

**Revenue Recognition**

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The operators of the various petroleum interests recognize the revenue from the sale of petroleum and natural gas when the product passes through the sales outlet meter of the processing plants. The Company recognizes the earnings from its investment in petroleum interests to the extent it is earned and receivable from these operations and is not subject to a significant reversal in revenue. The Company does not operate any of the interests it has in oil and natural gas.

Any change in fair value on investment in petroleum interests is also included as part of revenue.

Royalty income is recognized as earned as per the terms of the overriding royalty agreement in accordance with IFRS 15. Revenue is recognized when it is no longer susceptible to market factors and is no longer subject to significant reversal of revenue.

Investment transactions are accounted for as of the settlement date. Realized gains and losses from investment transactions are calculated on an average cost basis. The difference between fair value and average cost is included in the Statements of Operations and Comprehensive Income (loss) as part of the "Unrealized appreciation (depreciation) of investment in other companies and marketable securities".

**Income (loss) per share**

Basic income (loss) per share is calculated by dividing the income (loss) for the period by the weighted average number of common shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently are not included in the income (loss) per share calculation. Diluted income (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options, warrants and other similar instruments outstanding that may add to the total number of common shares.

**Income taxes**

The Company accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are not discounted. The tax expense includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or of equity, in which case the tax expense is recognized in other comprehensive income or equity respectively.

Current income tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. This calculation is made using tax rates and laws enacted at the end of the reporting period.

On the statements of financial position all deferred tax assets and liabilities must be classified as non-current under IFRS.

### **Accounting for share-based compensation**

The grant date fair value of options allotted to directors, officers, and employees is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the grantee becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The fair value of the options is measured at grant date, using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected forfeitures and the expected volatility of the underlying shares, the expected dividend yield, forfeiture rate and the risk free rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount with a corresponding charge to share capital.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

### **Use of estimates**

The preparation of the condensed financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the condensed financial statements and the reported amount of expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from these estimates.

### ***New accounting standards adopted by the Company***

#### **IFRS 16 Leases**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

The Company presents right-of-use assets in "Capital assets" and lease liabilities in "Lease liabilities" in the statement of financial position.

#### ***Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate

**Right-of-use assets**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless the costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at commencement date of the lease.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

**IFRIC 23 Uncertainty over Income Tax Treatments**

In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretations Committee (IFRIC) interpretation, incorporated into Part 1 of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2017, to specify how to reflect the effects of uncertainty in accounting of income taxes. IAS 12 *Income Taxes* provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstances is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognise and measure tax liability or tax asset when there is uncertainty over income tax treatments. For the year beginning January 1, 2019 the implementation of IFRIC 23 did not have a material effect on the condensed financial statements.

**Capital disclosures**

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of its underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the Company.

The Company does not have any externally imposed capital requirements to which it is subject.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable considering the nature and relative size of the Company.

There were no changes in the Company's approach to capital management during this reporting period.

**Investment in petroleum interests**

This investment represents participation agreements with Signalta, a Canadian controlled private company and other similar operators based in Calgary, Alberta. As this amount represents residual interests it has been considered as an investment in equity interests. Typically, the Company's proportionate share of specific yearly investment programs would range up to 1%. The Company, by agreement, does not exercise joint control or significant influence over Signalta, as operator of the petroleum participations.

Accordingly, this investment has been classified as fair value through profit and loss. This investment is legally held by Boanne Investments Limited, a Canadian controlled private company which is a related party that owns approximately 12.7% of the Company.

**Financial Instruments**

The Company's financial risk exposure and the impact of the Company's financial instruments are summarized below:

**Credit risk**

The Company's credit risk is attributable to its accounts receivable and loan receivable. The accounts receivable are the result of

investment in petroleum interests. The loan receivable represents an advance to a private corporation. In the opinion of management the credit risk with respect to these instruments is low.

**Liquidity risk**

The Company's approach to managing its liquidity risk is to ensure that it has sufficient liquidity to meet its liabilities when they come due. The Company, as at March 31, 2021 had cash of \$226,669 marketable securities having a fair value of \$4,077,661, taxes receivable of \$77,069, accounts receivable in the amount of \$47,620 totaling \$4,429,019 available to settle its current liabilities of \$746,103. Management considers the Company's liquidity risk to be low.

**Interest rate risk**

The Company has loans to supplement its investment strategies. The preceding exposes the Company to interest rate risk which management considers to be low.

**Foreign currency risk**

The Company is not exposed to foreign currency risk.

**Price risk**

The Company is exposed to price risk. The volatility of commodity prices received affect the amount received by the Company from the operator and therefore its available cash and profits. The value of the Company's marketable securities and investment in other companies are carried at fair value. The value of these investments would be affected by increases and decreases in the share prices recorded for them on the respective stock exchanges and thus exposes the Company to a marketable securities and investment in other companies price risk.

**Public trading risk**

The public trading market for the Company's common shares is the TSX Venture Exchange symbol MCM.A. Various factors including economic conditions could cause significant fluctuations in the price and volume of trading in the Company's common shares.

**Sensitivity analysis**

Based on managements' knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

Cash and cash equivalents are in cash only at March 31, 2021. If they were in deposits and a sensitivity of plus or minus 1% change in rates were applied over the period ended March 31, 2021 there would not be a significant effect on the Company's net income for the period ended March 31, 2021.

As at March 31, 2021 had the prices on the respective stock exchanges for marketable securities and publicly held investments in other companies raised or lowered by 5%, with all other variables held constant, the equity of the Company would have increased or decreased by \$214,170 (December 31, 2020 - \$238,828).

**Fair value of financial instruments**

Fair value is determined using the following methods and assumptions:

The carrying value of accounts receivable, loans receivable and accounts payable and accrued liabilities approximate their fair value due from the relatively short periods to maturity of these instruments. The carrying value of the floating rate loans payable is assumed to approximate its fair value as interest is based on market related variable rates.

The Company has classified its financial instruments as follows:

The financial instruments of the Company were reclassified as follows:

	IFRS 9	
	Classification	Measurement
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Loan receivable	Amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value
Investment in petroleum interest	FVTPL	Fair value
Investment in other companies	FVTPL	Fair value
Loan payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Lease liability	Other financial liabilities	Amortized Cost

### Directors and Officers

Richard D. McCloskey  
Edward G. Dumond  
Douglas C. Bolton  
Richard B. German  
Michael T. Zurowski

Director – President and CEO  
Director – Corporate Secretary and CFO  
Director  
Director  
Director

May 27, 2021