

# **Shine Mineral Corp.**

## **Management's Discussion and Analysis**

**For the six months ended**

**December 31, 2019 and 2018**

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## SHINE MINERALS CORP.

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TSX.V: **SMR**

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### Overview

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Shine Mineral Corp. ("the Company" or "SMR"), as prepared at February 18, 2020, should be read in conjunction with the interim consolidated financial statements and related notes for the period ended December 31, 2019, in addition to the audited consolidated financial statements and related notes for the year ended June 30, 2019.

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included in the following MD&A are expressed in Canadian dollars except where noted.

Additional information regarding the Company and its activities is available on SEDAR at [www.sedar.com](http://www.sedar.com), and also on the Company's web site at [www.shineminerals.ca](http://www.shineminerals.ca), or by requesting further information from the Company's head office located in Kelowna, British Columbia, Canada.

### Forward-Looking Statements

Statements in this report that are not historically based fact are forward looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably. Readers are cautioned not to place undue reliance on forward-looking statements.

### Description of Business

SMR is a Canadian company incorporated under the Business Corporation Act of British Columbia. The Company was formed on September 28, 2010 with the amalgamation of Papuan Precious Metals Corp. ("Papuan") and Jalna Minerals Ltd. ("Jalna"). With an effective date of April 20, 2015 the name of the Company was changed from Papuan Precious Metals Corp. to Ironside Resources Inc. Trading under the symbol "SMR" on the TSX Venture Exchange commenced on April 21, 2015. Previously, trading under the symbol "PAU.V" commenced on October 1, 2010. On November 28, 2018 the Company changed its name to Shine Minerals Corp. and continued trading under the symbol "SMR.V".

SMR is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties (exploration and evaluation assets). The Company's primary objective is to locate, acquire and evaluate mineral properties and to finance their exploration and potential development by way of joint venture, equity financing, option agreements or by other means. The Company is currently focussed on its Watts Lake project located north-east of the town of La Ronge, Saskatchewan and 20 km northwest of Missinipe, Saskatchewan.

There are a number of inherent risks and uncertainties related to exploration and development, including, but not limited to: the ability to raise sufficient capital to fund further exploration and development; changes in economic conditions and/or financial markets; increases in input costs; litigation, legislation, environmental and/or other judicial, regulatory, political and competitive factors; technological or operational difficulties, inability to obtain access and/or permits; labour relations matters and economic issues that could materially affect precious metals exploration and mining.

### Liquidity and Capital Resources

The Company is an exploration and evaluation company and has yet to determine whether its properties contain mineral resources that are economically viable. The recoverability of the amounts shown for exploration and evaluation assets, including acquisition costs and related exploration and evaluation costs, are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company has no significant source of revenue and has certain cash requirements to maintain its mineral property interests and to meet its administrative overhead. Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, the annual consolidated financial have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to secure equity, debt or joint venture financing and generate profitable future operations.

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The consolidated financial statements for the year ended December 31, 2019 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash until global market conditions improve.

The Company had cash and cash equivalents of \$43,197 as at December 31, 2019 (2019 - \$203,563) with a working capital balance deficit of \$625,811 (2019 - \$358,201 deficit). The decrease in working capital is due to the continual administrative expenses being recognized without continued increase in financial resources.

Accounts payable and accrued liabilities at December 31, 2019 were \$641,059 compared to \$573,116 as at June 30, 2019. The decrease is due to a repayment of certain payables from the available cash funds.

**Overall Performance**

The expenses incurred by the Company are typical of junior exploration and development companies that do not have an established cash flow from mining operations. Changes in these expenditures from quarter to quarter are impacted directly by non-recurring activities or events.

**Summary of Quarterly Results (unaudited)**

|                                       | Q2 2020   | Q1 2020   | Q4 2019   | Q3 2019  | Q2 2019   | Q1 2019  | Q4 2018   | Q3 2018   |
|---------------------------------------|-----------|-----------|-----------|----------|-----------|----------|-----------|-----------|
|                                       | \$        | \$        | \$        | \$       | \$        | \$       | \$        | \$        |
| Total assets                          | 1,760,318 | 1,766,409 | 1,875,088 | 921,875  | 952,968   | 973,792  | 121,341   | 15,092    |
| Working capital (deficit)             | (625,811) | (510,095) | (358,201) | 150,795  | 258,019   | 516,539  | (547,620) | (503,011) |
| Net loss for the period               | (82,097)  | (100,616) | (108,883) | (55,699) | (365,313) | (86,800) | (45,965)  | (131,675) |
| Basic/Diluted (loss) income per share | (0.00)    | (0.00)    | (0.00)    | (0.01)   | (0.01)    | (0.00)   | (0.00)    | (0.01)    |

**Analysis of Three and Six Months Ended December 31, 2019**

The Company's net loss was \$82,097 and \$182,713 for the three and six months period ended December 31, 2019 compared to \$365,313 and \$452,113 net loss for the comparable periods. The decrease is primarily due to a reduction of overhead activity and non-recurring stock-based compensation in the efforts to preserve working capital as the Company assesses its operational activity and future financings.

**Selected Annual Information (audited)**

The Company's net loss and comprehensive loss for the period ended June 30, 2019 was \$688,210 compared to the corresponding previous comparable net loss period of \$305,616.

| For the year ended June 30,             | 2019         | 2018         | 2017         |
|-----------------------------------------|--------------|--------------|--------------|
| Net loss and comprehensive loss         | \$ (688,210) | \$ (305,616) | \$ (896,461) |
| Total assets                            | 1,875,088    | 121,341      | 27,396       |
| Total liabilities                       | 613,074      | 668,961      | 341,900      |
| Shareholders' equity (deficit)          | 1,262,014    | (547,620)    | (314,504)    |
| Basic and diluted loss per common share | \$ 0.02      | \$ (0.03)    | \$ (0.09)    |

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**Exploration and Evaluation Assets**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge the title to its properties are in good standing.

|                                     | <b>Watts Lake</b> |
|-------------------------------------|-------------------|
|                                     | \$                |
| <b>Balance at June 30, 2018</b>     | -                 |
| Acquisition costs                   | 1,000,000         |
| Geological                          | 132,384           |
| Geologist                           | 124,000           |
| Drilling                            | 349,552           |
| Permitting                          | 417               |
| Wages                               | 19,213            |
| Administration                      | 969               |
| <b>Balance at June 30, 2019</b>     | <b>1,626,535</b>  |
| Geological                          | 15,811            |
| Geologist                           | 60,000            |
| Permitting                          | 140               |
| Wages                               | 2,584             |
| <b>Balance at December 31, 2019</b> | <b>1,705,070</b>  |

**Watts Lake:**

On October 26, 2017, the Company entered into a letter agreement ("LOI") with Edge Geological Consulting Inc. ("Edge") to acquire a 100% interest in the Watts Lake property located north-east of the town of La Ronge, Saskatchewan. Under the terms of the LOI, the Company issued 10,000,000 common shares (issued September 17, 2018), valued at \$950,000 and made a cash payment of \$50,000 upon completion of a formal agreement. The parties entered into a formal option agreement on January 11, 2018. The owner of Edge is a Board member of the Company.

The property is subject to a royalty in favour of Edge equal to 2% Net Smelter Royalty, one half of which may be purchased for cash payment of \$1,000,000. To exercise the option, the Company must meet cash, and exploration expenditures as follows:

| <b>Date for Completion</b> | <b>Cash Payment<br/>Expenditure</b> | <b>Cumulative Exploration<br/>Expenditure</b> |
|----------------------------|-------------------------------------|-----------------------------------------------|
| By July 1, 2019            | \$50,000                            | \$500,000                                     |
| By July 1, 2020            | \$Nil                               | \$1,200,000                                   |

**Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel.

The Company has identified its directors and certain senior officers as its key management personnel.

|                                   | <b>December 31,<br/>2019</b> | December 31,<br>2018 |
|-----------------------------------|------------------------------|----------------------|
|                                   | \$                           | \$                   |
| Consulting                        | <b>95,000</b>                | 100,000              |
| Exploration and evaluation assets | <b>60,000</b>                | 64,000               |

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As at December 31, 2019, the Company owed \$558,330 (2019 - \$402,390) to certain related parties which has been included in accounts payable and accrued liabilities. As at December 31, 2019, the note payable to a related party of \$40,000 (2019 - \$40,000) due to a private company owned by the CEO and director of the Company is due on demand with no fixed term of repayment or stated interest. Refer to Note 5 for further related party disclosures.

**Outstanding Share Data**

As at the date of this report, the Company had 37,938,677 common shares outstanding, 12,500,000 share purchase warrants, and 3,500,000 stock options issued and outstanding.

**Private Placement Financings**

On September 7, 2018, the Company closed a private placement of 12,500,000 units at a price of \$0.08 per unit for gross proceeds of \$1,000,000. Each unit comprises one common share and one share purchase warrant expiry two years from date of issuance and are exercisable at \$0.11 per share.

On September 17, 2018, the Company closed a private placement of 4,775,000 flow-through shares at a price of \$0.08 per share for gross proceeds of \$382,000. In addition, the Company issued 238,000 finders shares valued at \$23,800.

**Financial Instruments and Capital Management**

The Company's objectives when managing capital, being its share capital, are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company is dependent on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statements of changes in equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. Any issuance of common shares requires approval of the Board of Directors.

In order to facilitate management with its capital requirements, the Company prepares annual expenditure budgets which are approved by the Board of Directors and updated as necessary depending on various factors including capital deployment and general market and industry conditions.

The Company anticipates continuing to access equity markets to fund the sustained exploration of its Exploration and Evaluation assets and to ensure the future growth of the business. The Company is not subject to any externally imposed capital restrictions.

**Financial Instruments and Risk Management**

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

*Level 1:* quoted (unadjusted) prices in active markets for identical assets and liabilities

*Level 2:* inputs other than quoted direct prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable and payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company does not currently have any active hedging or derivative trading policies to manage these risks as it has been determined by management that the current size, scale and pattern of its operations would warrant such hedging activities.

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(a) *Credit Risk*

Credit risk is such that a counterparty to a financial instrument will not discharge its obligations resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to trade and other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from cash and cash equivalents and amounts receivable. The Company's maximum exposure to credit risk is minimal as cash and cash equivalents are deposited with reputable financial institutions.

(b) *Liquidity Risk*

Liquidity Risk is the risk that the Company will be unable to meet its financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and its current cash flow position to meet current obligations by monitoring and maintaining sufficient cash and cash equivalents to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts payable and accrued liabilities, arise as a result of expenditures directly related to exploration of its exploration and evaluation assets and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and generally do not bear interest. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

| <b>Maturity dates &lt;6 months</b> | <b>December 31,<br/>2019</b> | <b>June 30,<br/>2019</b> |
|------------------------------------|------------------------------|--------------------------|
|                                    | \$                           | \$                       |
| Accounts payable                   | 20,468                       | 164,406                  |
| Accrued liabilities                | 620,591                      | 415,390                  |
| Notes payable                      | 40,000                       | 40,000                   |
|                                    | 681,059                      | 619,796                  |

(c) *Market Risk*

Market risk is the potential that the fair value for assets will fluctuate due to changes in market conditions on items classified as held-for-trading, available-for-sale or future cash flows from assets or liabilities considered to be held-to-maturity, other financial liabilities and loans or receivables of a financial instrument. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not exposed to interest rate risk as it does not hold debt balances and is not generally charged interest on accounts payable balances.

(d) *Foreign Exchange Risk*

The Company operates domestically in Canada and is exposed to minimal foreign exchange risk.

### **New Standards, Amendments and Interpretations**

The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2018. No new or revised standards or amendments are expected to have any significant impact to the Company's financial statements.

#### ***New Standard IFRS 16 "Leases"***

IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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**Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with IAS 3 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require significant estimates as the basis for determining the stated amounts include exploration and evaluation expenditures and share-based payments. The assessment of any impairment of exploration and evaluation assets is based on the estimated recovery of future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. Share-based payment expense is calculated using Black-Scholes pricing model which requires significant judgment as to considerations such as stock option lives and stock volatility.

**Off-balance Sheet Arrangements**

There are no off-balance sheet arrangements

**Proposed transactions**

There are no proposed transactions