King's Bay Resources Corp.
(Formerly King's Bay Gold Corporation)
(An Exploration Company)

MANAGEMENT'S DISCUSSION and ANALYSIS

For the Year Ended December 31, 2018

Report date: April 10, 2019

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MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the financial position and results of operations for **KING'S BAY RESOURCES CORP**. (Formerly King's Bay Gold Corporation) (the "Company" or "King's Bay") should be read in conjunction with the audited financial statements for the year ended December 31, 2018, which are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

This discussion provides management's analysis of the Company's historical financial and operating results and provides estimates of the Corporation's future financial and operating performance based on information that is currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information on the Corporation is available on SEDAR at www.sedar.com and on the Corporation's website at www.kingsbayres.com.

CORPORATE OVERVIEW

King's Bay was incorporated pursuant to the Canada Business Corporations Act on March 20, 1998. The head office and registered office of the Company is Suite 1450 – 789 West Pender Street, Vancouver, BC, V6C 1H2. The Company changed its name from King's Bay Gold Corporation to King's Bay Resources Corp. on August 14, 2017. The Company is a mineral resource exploration company which has been assembling, exploring and rationalizing a portfolio of exploration projects over the last seventeen years.

The Company became a publicly traded entity on the TSX Venture Exchange ("TSX-V") in April 2002 (Symbol: "KBG"). Since that time, the Company has completed several prospective offerings and brokered and non-brokered private placement offerings, with the net capital being raised mostly used to conduct exploration and development programs on its properties.

On March 29, 2019, the Company entered into an arm's length agreement to acquire all of the issued and outstanding equity of S&S Company, LLC ("S&S"), which owns and operates the licensed S&S California cannabis production and extraction lab ("Proposed Transaction"). This Proposed Transaction is subject to the approvals from shareholders and TSX Venture Exchange and if it is successfully completed, the Company will change its business focus from exploration and evaluation of mineral resources to production and extraction of cannabis.

For additional details of the Company, visit the Company's website at www.kingsbayres.com or public filings at www.sedar.com.

KEY DEVELOPMENTS – 2019

On March 29, 2019, the Company entered into an arm's length agreement with Mr. Joshua Stimmel and others to acquire all of the issued and outstanding equity of S&S Company, LLC ("**S&S**"), which owns and operates the licensed S&S California cannabis production and extraction lab, with immediate plans for expansion with high-capacity extraction and distillation under the brand name *Elicit Labs*.

The Proposed Transaction is a Change of Business and a Fundamental Acquisition under TSX Venture Exchange policies. The agreement between the Company and S&S includes the following terms:

- In conjunction with a 5:1 consolidation of its share capital (the "**King's Bay Consolidation**"), the Company shall raise funds pursuant to a private placement offering (the "**Financing**"), which on closing will be invested through a the Company's subsidiary in the S&S business.

- The Company will reserve an aggregate of up to 23,000,000 common shares of the Company ("**Consideration Shares**") for issuance to the members of S&S upon the exercise of the Redemption-Exchange Right described below and in exchange for all the issued and outstanding securities of S&S. The value of the Consideration Shares for the purpose of the Proposed Transaction is $0.04 per share. The 23,000,000 shares are expected to represent 46.27% of the total issued and outstanding share capital of the Company after completion of the Proposed Transaction, including the Financing discussed below.

  In order to ensure that the S&S members don't have adverse tax consequences prior to taking possession of their Consideration Shares, the Company's wholly owned US subsidiary ("SubCo") which is purchasing S&S will create a new share class non- economic, non-voting Preferred Shares, each of which shares will be convertible into 1000 Consideration Shares.

- Members of S&S shall purchase special voting shares in the Company for a nominal price, each of which shall entitle the holder to exercise 1000 voting rights as compared to an existing common share. The number of these special voting shares are reduced in the same proportion as the Redemption-Exchange Right is exercised, so that 1000 Consideration Shares are issued whenever 1 SubCo Preferred Share and 1 special voting share are cancelled.

The Consideration Shares may be required to be escrowed pursuant to applicable stock exchange requirements. A finder's fee of 3,000,000 shares is payable in connection with the acquisition of S&S to an unrelated party.

The Proposed Transaction is expected to close in July, 2019 and is subject to the conditions set out in the purchase agreement between the Company and the S&S Members, including the completion of the Financing (described below), it is also the intention of the parties that the Company delist its common shares from trading on TSX Venture Exchange and list on the Canadian Securities Exchange ("CSE").

The King's Bay Financing

Prior to closing the acquisition of S&S, King's Bay will complete a financing (the "**Financing**") to raise proceeds to fund the operation of the purchased business and its further growth and development, including the capitalization of SubCo and S&S. The Financing shall be in an amount and at a price to be determined by the parties, acting reasonably and having regard to market conditions and the anticipated capital requirements of the Company and its business after Closing. Finder's fees may be payable in connection with the Financing.

The common shares of the Company issued pursuant to the Financing will be subject to resale hold periods under applicable Canadian and United States securities laws.

New Management

On Closing, the existing board and management of the Company shall resign, and subject to their acceptability to the CSE, the new board of directors shall include four of Joshua Stimmel, Joshua Hartsel, Tage Stimmel, David Hwang and other persons to be determined prior to Closing. Joshua Stimmel shall also serve as the Company's President and Chief Executive Officer. Current directors of the Company will be entitled to nominate one director to the board on behalf of current shareholders.

Name Change

In conjunction with the Consolidation, the Company intends to change its name from "King's Bay Resources Corp." to "Merced Holdings Corp." or such other name as may be selected by the Company's board of directors.

KEY DEVELOPMENTS – Year Ended December 31, 2018

January 16, 2018 – the Company announced its assay results from Phase 1 of the drilling program at the Lynx Lake Copper-Cobalt Project.

February 8, 2018 - The Company announced that despite some encouraging results and a great deal of potential still to be explored on the large Lynx Lake Copper-Cobalt Property, the Company is considering other business ventures. The Company has no current intention of abandoning the Lynx Lake property, but it has becoming involved in one of the industries which has recently become a great focus for certain capital markets: cannabis.

On June 8, 2018, the Company”) closed a non-brokered private placement financing consisting of 18,341,791 units (each, a “Unit”) at a price of $0.06 per Unit for gross proceeds of $1,100,507. Each Unit consists of one common share (each, a “Share”) and one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable into one common share at a price of $0.10 per Share until June 8, 2020. The Company paid cash finder’s fees of an aggregate of $34,080 to certain finders and issued an aggregate of 92,000 finder’s shares to certain finder’s in connection with the Financing.

On September 21, 2018, the Company amended the agreement pursuant to which the Company agreed to issue 600,000 common shares in place of the making a cash payment of $30,000, increasing the shares to be issued on the second anniversary of the agreement to 1,000,000 common shares.

On October 4, 2018, 1,000,000 common shares were issued pursuant to the Lynx Lake Property agreement.

On December 3, 2018, 1,000,000 common shares were issued to the vendors of the Lynx Lake Property pursuant to a debt settlement agreement to pay maintenance costs on all claims staked subsequent to the original agreement

On December 6, 2018, the Company announced that it had received TSX Venture Exchange approval to extend the expiry date of 12,550,300 warrants issued on December 30, 2016 to December 30, 2019.

EXPLORATION AND EVALUATION ASSETS

<u>Lynx Lake Cobalt-Copper Property</u>

On October 27, 2016, the Company announced it had entered into an agreement to acquire a 100% interest in 66 claim units known as the Lynx Lake Property, located 100 km southeast of Happy Valley-Good Bay, Newfoundland and Labrador. In consideration the Company shall:

- Pay $10,000 on signing (paid),
- Pay $30,000 on the first year anniversary of signing (paid),
- Pay $30,000 on the second anniversary of signing (amended to 600,000 common shares, issued October 4, 2018),
- Pay $30,000 on the third anniversary of signing.
- Issue 200,000 common shares upon TSX Venture Exchange (“TSX-V”) approval (issued),
- Issue 300,000 common shares on the first anniversary of signing (issued), and
- Issue 400,000 common shares on the second anniversary of signing (issued).

There is a 1.5% Net Smelter Return (“NSR”) on future production payable to the vendors. The Company can buy back one half or 0.75% of the NSR at any time by paying $1,000,000 to the original vendors.

On September 21, 2018, the Company amended the agreement pursuant to which the Company agreed to issue 600,000 common shares in place of the making a cash payment of $30,000, so that 1,000,000 common shares are payable on the second anniversary of the agreement.

On November 16, 2018, the Company signed a debt settlement agreement with the vendors of the Lynx Lake Property to pay maintenance on all claims staked after October 27, 2016. In lieu of paying maintenance costs, the vendors agreed to settle the amount owing by receiving 1,000,000 common shares of the Company (issued December 3, 2018 with a fair value of $40,000).

On March 29, 2019, in conjunction with the proposed transaction, the Company fully impaired the Lynx Lake Property. The Lynx Lake property consists of 959 mineral claims encompasses 240 square kilometres and is located in southern Labrador, approximately 100 km southeast of Happy Valley-Goose Bay. The Property can be accessed along the Trans-Labrador Highway, a 1.5 hour drive from Happy Valley-Goose Bay. A three phase powerline runs directly adjacent to the property allowing access to power upon potential mine development.

The majority of the historical work has been completed by local prospectors. The work included grab sampling and a localized hand held electromagnetic survey. Most of the work has been carried out in two large quarry pits excavated by the Department of Transportation during construction of the highway. Geotech Ltd., of Aurora, Ontario, has completed 100% of the 382 line kilometer helicopter-borne Versatile Time Domain Electromagnetic Geophysical Survey over the Company's Lynx Lake Copper-Cobalt Project in southeastern Labrador. The VTEM results have identified an area of low resistivity south east of the west pit.

A drilling program consisting of 2 drill holes (501.9 Meters) commenced on November 8, 2017. The geochemical assays for the 2 holes indicated continuity between both holes grading an average 0.071% combined Ni + Co for a width of 40.0 to 116.0 meters.

ANNUAL FINANCIAL INFORMATION

Financial Data

The following table shows selected key financial information for the last three fiscal years:

	Year ended December 31, 2018	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Total revenues	-	-	-
Loss for the year before taxes	(1,281,541)	(1,242,973)	(660,725)
Weighted average number of shares outstanding	59,097,960	43,910,929	22,213,444
Loss per share	(0.02)	(0.03)	(0.03)
Total assets	459,108	745,989	512,395
Long term debt	Nil	Nil	Nil
Cash dividends	Nil	Nil	Nil

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit. The increased net loss in 2017 was due to share-based compensation expense.

OPERATING RESULTS

Net loss for the year ended December 31, 2018 was $1,281,541, compared to a net loss during the year ended December 31, 2017 of $1,218,423, for a difference of $63,118. The significant expense differences include:

- Accounting and audit fees (2018: $19,300, 2017: $15,500) increased due to more business activity;

- Advertising and promotions (2018: $65,090, 2017: $212,786) decreased as the Company engaged in multiple activities to promote the Company in the previous year;
- Consulting fees and salaries (2018: $263,252, 2017: $181,616) increased as the Company hired additional consultants in the current year to promote the private placement and work on potential transactions;
- Filing fees and transfer agent costs (2018: $27,378, 2017: $21,002) increased due to more regulatory filings in the current year;
- Investor relations (2018: $83,434, 2017: $112,811) decreased due to the reduction in promotional activities;
- Legal fees (2018: $38,419, 2017: $42,701) decreased slightly due to reduced business transactions during the current year;
- Share-based payments (2018: $nil, 2017: $303,395) decreased as there were no options were granted during the current year;
- Travel and meals (2018: $110,848, 2017: $86,611) increased due to the more travel of the Company's management team during the current year while working on potential business opportunities;
- Unrealized loss on marketable securities (2018: $nil, 2017: $113,581) decreased due to the adjustment of marketable securities to their fair market value at the end of last year;
- Realized loss on sale of marketable securities (2018: $642, 2017: $nil) increased due to the sale of marketable securities in the current year, and
- Impairment of mineral properties (2018: $514,391, 2017: $nil) increased as the Company impaired Lynx Lake, Trump Island, Hook Bay of Helena Lake, Broadback River, Ninuk Lake, and Roberge Claims due to the proposed change of business.

SUMMARY of QUARTERLY RESULTS

	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) from continuing operations	(203,908)	(137,509)	(266,866)	(158,212)	(135,403)	(314,252)	(175,734)	(504,003)
Net income (loss) & comprehensive income (loss)	(718,314)	(137,509)	(266,866)	(158,852)	(215,282)	(310,941)	(180,607)	(511,593)
Basic and diluted net income (loss) per share	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)
Cash	454,408	608,553	734,735	22,322	78,596	273,718	12,069	120,633
Current assets	459,108	612,672	753,014	84,101	202,207	543,646	155,621	336,875
Working capital	423,359	594,103	731,612	(130,974)	29,938	389,028	79,688	257,027
Total assets	459,108	1,084,813	1,225,155	629,943	745,989	915,144	511,888	647,159
Current liabilities	35,749	18,569	21,402	215,075	172,269	154,618	75,933	79,848
Total liabilities	35,749	18,569	21,402	215,075	172,269	154,618	75,933	79,848
Share capital	19,866,545	19,791,116	19,791,116	18,735,365	18,735,365	18,612,839	18,046,554	18,047,303
Accumulated deficit	19,867,436	19,149,122	19,011,613	18,744,747	18,585,895	18,370,613	18,059,672	17,879,065

Over the course of the last two fiscal years, the Company’s loss from continuing operations had been fairly consistent with the exception of share-based payments issued for stock options granted during the quarters ended March 31, 2017, and September 30, 2017 which caused significantly increased expenses, and the impairment of mineral properties during the quarter ended December 31, 2018.

Capital Resources

The Company’s present cash resources are not sufficient to meet all of its current liabilities and administrative and overhead expenses for the next eighteen months. The Company will need to raise the additional for general working capital requirements.

The Company will continue to require funds to further the exploration of its resource properties. As a result, the Company may have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

The Company’s financial success will be dependent on the economic viability of its resource properties and the extent to which it can discover and develop new mineral deposits. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine.

All of the Company’s properties are in the exploration stage only. Development of each of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company’s exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company’s operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2018 and 2017, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

Key management compensation	**2018 $**	**2017 $**
Salaries and benefits	109,000	112,500
Share-based compensation	-	82,485
Total	109,000	194,985

Amounts due to related parties	**December 31, 2018 $**	**December 31, 2017 $**
Kevin Bottomley (a)	-	8,500

a) Kevin Bottomley is the President, CEO, and a director

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest bearing, and have no specific terms of repayment.

COMMITMENTS

On January 1, 2016, the Company signed a Management Services Agreement with Zimtu Capital Corp. (“Zimtu”) to provide management and administrative services at a rate of $12,500 per month expiring November 30, 2016, and then renewed on December 1, 2016, for an additional twelve months. The agreement was subsequently renewed on December 1, 2017 for a further twelve months. On April 1, 2019, the agreement was terminated by mutual consent.

DISCLOSURE OF OUSTANDING SHARE DATA

The following is a breakdown of the share capital of the Company, on an annual basis and the date of this report:

	April 10, 2019	December 31, 2018	December 31, 2017
Common Shares	68,810,214	68,810,214	48,376,423
Warrants	34,148,491	34,148,491	17,840,300
Stock Options	1,325,000	1,941,128	3,541,128
Fully Diluted Shares	104,283,705	104,899,833	69,757,851

For additional details of outstanding share capital, refer to Notes 7 and 8 of the audited financial statements for the year ended December 31, 2018.

FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) 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 its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

(d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at December 31, 2018, the Company's shareholders' equity was $423,359 (2017 - $573,720). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. 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 Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

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

(e) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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 following is an analysis of the Company's financial assets measured at fair value as at December 31, 2018 and 2017:

	As at December 31, 2018		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 454,408	$ -	$ -
Total	$ 454,408	$ -	$ -
	As at December 31, 2017		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 78,596	$ -	$ -
Marketable securities	$ 4,017	$ -	$ -
Total	$ 82,613	$ -	$ -

FORWARD LOOKING STATEMENT

Certain information set forth in this Management Discussion and Analysis ("MD&A"), including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive there from. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RISKS AND UNCERTAINTIES

Going Concern

The Company has not generated any revenues and has incurred accumulated losses of $19,867,436 (2017 – $18,585,895) since inception. As at December 31, 2018, the Company has working capital of $423,359 (2017 – $29,938). These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its diamond and fluorspar mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There is, primarily as a result of the conditions described above, cast significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuring twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

Raising Capital Funding and Dilution

The profitability of the Corporation is affected by business risks including the price of gold, the normal risks associated with open pit and underground mining, which affects production rates and costs, and the exchange rate between the Canadian dollar and United States dollar. Once the Corporation commences production, outside financing will be required. While the Corporation has been successful in the past, there is no assurance that funding will be available under terms that are satisfactory to management. The ability of the Corporation to achieve its operational objectives is dependent in large measure on the results of the exploration activities and the ability to raise capital funding for continued exploration. The Corporation frequently issues Common Shares to finance its operations and for working capital purposes. It is possible that the Corporation will enter into more agreements to issue Common Shares and warrants and options to purchase Common Shares. The impact of the issuance of a significant amount of Common Shares, along with warrant and option exercises, could place downward pressure on the market price of the Common Shares and at a minimum such issuances will dilute the existing shareholders' interests in the Corporation

Mineral Commodities Price Volatility

The Corporation's business is continuing to be affected by the world market prices of mineral commodities. The prices of mineral commodities are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Corporation's control. These include industry factors such as: demand; speculative trading; and costs of and levels of global production by producers of gold and mineral commodities. Mineral commodities prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the US dollar, the currency in which the price mineral commodities are generally quoted, and other currencies; interest rates; and global or regional, political or economic uncertainties. A decline in the world market price of mineral commodities could affect the Corporation's ability to raise additional financing and could make exploration and / or development of the Corporation's mineral properties uneconomical.

Mining Risks and Insurance Risks

The operations of the Corporation are subject to significant risks and hazards, incidental to the exploration, development and production of gold including environmental hazards, industrial accidents, unusual or unexpected rock formations, pressures, cave-ins and flooding, most of which are beyond the Corporation's control. These risks and hazards could result in: damage to, or destruction of, mineral properties or producing facilities; personal injury or death; environmental damage; delays in production; and monetary losses and possible legal liability for such damage.

Competition Risk

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with other mining companies and individuals, including competitors with greater financial, technical and other resources than the Corporation for mining claims and leases on exploration properties, acquisition of mineral assets, capital and qualified employees. Competition could adversely affect the Corporation’s ability to raise capital, acquire suitable properties, sufficient equipment and qualified personnel for exploration in the future. The Corporation cannot assure that it will continue to be able to compete successfully with its competitors in acquiring such properties, capital and employees or terms it considers acceptable, if at all.

Environmental, Health and Safety Regulations

The Corporation's operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and protected species. Environmental legislation is evolving in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation’s operations. Environmental hazards may exist on the properties on which the Corporation holds interests that are unknown to the Corporation at present and that have been caused by previous existing owners or operators of the properties. There may be costs and / or delays associated with compliance with these laws and regulations. The unknown nature of possible future additional regulatory requirements creates uncertainties related to future environmental, health and safety costs. Any amendment to current laws and regulations governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation's financial condition and results of operations.

Exploration

Mineral exploration is highly speculative in nature. The Corporation's exploration work involves many risks and may be unsuccessful. Substantial expenditures are required to establish proven and probable reserves and to complete the related mine development. It may take several years from the initial phases of exploration until drilling and / or production is possible. As a result of these uncertainties, there is no assurance that current or future exploration programs will be successful and result in production or result in the discovery of new ore bodies.

Dependence on Management

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company. The Corporation does not maintain any key man insurance on any of its employees.

Conflicts of Interest

Certain of the directors and officers of Corporation are also directors and / or officers of other companies, and may be shareholders of those companies. Such associations or relationships may give rise to conflicts of interest from time to time. The Corporation's directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict must disclose his interest and abstain from voting on such matters in accordance with applicable corporate laws, and may be required to resign as a director of one of the companies.

Payment Obligations

The Corporation is, or may in the future become, a party to certain contractual agreements pursuant to which the Corporation is or may become subject to payments and be required to comply with other obligations. If such obligations are not complied with when due, in addition to any other remedies that may be available to the other parties, this could result in dilution or forfeiture of interests held by the Corporation. The Corporation may not have, or be able to obtain, financing for all such obligations as they arise.

Title to Properties

The validity of unpatented and patented mining claims, which constitute the Corporation's property holdings, can be uncertain and may be contested. Although the Corporation has attempted to acquire satisfactory title to its properties, some risk exists that some titles, particularly title to undeveloped properties, may be subject to prior unregistered agreements, transfers and / or First Nations land claims the Corporation’s title to its property holdings may be affected by other undetected defects and may be defective.

Future Capital Requirements

The Corporation may encounter significant unanticipated liabilities or expenses. The Corporation's ability to continue its planned exploration activities depends in part on its ability to obtain additional financing in the future to fund exploration and development activities or acquisitions of additional projects. Since incorporation on March 20, 1998, the Corporation has raised capital primarily through equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. There can be no assurance that the Corporation will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

Dividends

No dividends on the Common Shares have been paid to date. The Corporation does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Corporation's Board of Directors, after taking into account many factors, including the Corporation's operating results, financial condition and current and anticipated cash needs.

Estimates and Assumptions employed in the preparation of financial statements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- The assumptions and inputs used in the Black-Scholes pricing model to calculate the fair value of share based payments;

Management Judgments

The critical judgments that the Company’s management has made in the process of applying the Company’s accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company’s financial statements are as follows:

- Economic recoverability of exploration and evaluation assets
  The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- Going concern
  Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company’s ability to continue as a going concern.

CAPITAL MANAGEMENT

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company’s capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the company’s ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements or restrictions. Management is of the opinion that the amounts and changes in the company’s capital are readily determinable from information provided in its financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

STOCK-BASED COMPENSATION PLAN

The Company has a Stock Option Plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company’s Annual and Special General Meeting on October 17, 2018, the shareholders approved the “2018 Stock Option Plan”, and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

FUTURE ACCOUNTING STANDARDS

For details of the Company’s New Accounting Standards Adopted and New Accounting Pronouncements, please refer to Note 4 of the Company’s audited financial statements for the year ended December 31, 2018.

CORPORATE GOVERNANCE

The Board of Directors is currently comprised of the four individuals as appointed, elected or re-elected and as noted below. The Corporations by-laws provide that each director is elected to serve until the next Annual and Special Meeting of Shareholders or until a successor is elected or appointed. The Board of Directors has established two committees: the Audit Committee and the Compensation Committee. Directors, Officers and Committee Members are identified as follows:

- Kevin Bottomley** – Director, President, CEO
- Dusan Berka** – Director
- Nicholas Rodway – Director
- Jody Bellefleur** – Director, CFO

** member of the audit committee