



**1-604-641-1241**

**HI HO RESOURCES INC.**

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September 25, 2020

**VIA SEDAR**

British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC V7Y 1L2

Attn: Financial Reporting

Dear Sirs/Mesdames:

**Re: Hi Ho Silver Resources Inc. (the “company” or “Hi Ho”)**  
**Amended and Restated MD&A for the Three and Nine Months Ended April 30, 2020**  
**SEDAR Project # 03097888**

We write to confirm that the company is filing amended and restated MD&A for the three and nine months ended April 30, 2020 for the following reasons:

1. the Forward-Looking Statements disclaimer has been amended to comply with Section 4A.3 of National Instrument 51-102; and
2. the Summary of Quarterly Results has been amended to ensure compliance with Item 1.5 of Form 51-102F1 by providing a discussion of the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

Yours truly,

William Jorgenson, CEO

**HI HO SILVER RESOURCES INC.**



AMENDED AND RESTATED MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019

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## **A. INTRODUCTION**

The following Amended and Restated Management Discussion and Analysis of the operating results and financial position of Hi Ho Silver Resources Inc. (the “Company” or “Hi Ho Silver”), dated for reference September 25, 2020, constitutes management’s view of the factors that affected the Company’s financial and operating performance for the three and nine months ended April 30, 2020. This discussion should be read in conjunction with the audited financial statements and related notes of the Company for the year ended July 31, 2019 and condensed interim financial statements and related notes for the three and nine months ended April 30, 2020.

All dollar amounts are in Canadian currency unless otherwise specified.

The Company’s website can be found at [www.hihoresources.com](http://www.hihoresources.com). Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). This Amended and Restated Management Discussion and Analysis (“MD&A”) is prepared in conformity with National Instrument 51-102 F1 and was approved by the Board of Directors on September 25, 2020 .

## **B. FORWARD-LOOKING STATEMENTS**

This MD&A contains “forward-looking information” and “forward-looking statements” (together, “forward looking statements”) within the meaning of Canadian securities legislation. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements also relate to the ability of the Company to obtain all government approvals, permits and third party consents in connection with the Company’s exploration and development activities; the Company’s future exploration and capital costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations; general business and economic conditions; and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates, if any, may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward looking statements. While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of the Company’s future performance and are subject to risks, uncertainties, assumptions, and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, the supply and demand for gold and other precious and base metals the level and volatility of prices of precious and base metals, the availability of financing to fund the Company’s ongoing and planned exploration and possible future mining operation on reasonable terms, changing foreign exchange rates and actions by government authorities, market competition, risks involved in mining, processing, exploration and research and development activities, the Company’s ongoing relations with its employees, if any, and with local communities and local governments, and uncertainties associated with legal proceedings and negotiations, if any, and misjudgments in the course

of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause actual events or results to differ from those expressed or implied by the forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described in this MD&A under "Risk Factors". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Forward-looking statements are made based on management's experience, beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by law.

Investors are cautioned against attributing undue certainty to forward-looking statements.

## **C. STRUCTURE AND BUSINESS DESCRIPTION**

The Company was incorporated under the Canada Business Corporations Act on April 7, 2005. All of the Company's efforts are currently devoted to developing exploration properties in Canada. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The Company's head office is located at Box 21199, Maple Ridge Square, Maple Ridge, BC, V2X 1P7 and its registered and records office is located at Suite 600, 1090 West Georgia Street, Vancouver, BC V6E 3V7. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the Canadian Securities Exchange ("CSE") under the symbol "HHS". The Company is also listed on the Frankfurt Stock Exchange under the symbol "H9T".

## **D. CORPORATE DEVELOPMENTS**

The following were corporate developments for the nine months ended April 30, 2020:

Management continued its focus on improving the financial position of the Company and made significant progress towards the objective of reducing its financial obligations.

- The Company received \$144,300 in non-interest bearing, demand loans to assist with working capital requirements; and
- the Company received \$8,000 in proceeds related to a private placement share subscription. As of September 25, 2020, the underlying shares remain issuable; and
- As a result of a subsequent settlement agreement, and as management reviews and confirms valuation and existence of aged liabilities, existing accounts payable balances were written down by a total of \$198,379; and
- The Company received a \$100,000 loan, \$50,000 of which to make an option payment on the Norbeau Gold property, and \$50,000 for general working capital.

## **E. PROPERTY EXPLORATION SUMMARY**

### **Fairview South Okanagan Property**

On August 24, 2012, the Company entered into an option agreement with William McKinney, Turnagain Resources Inc. and Knight-Castle Mercantile Inc. to acquire a 100% interest in a series of claims, collectively referred to as the Fairview South Okanagan Property located in British Columbia. The initial Property holding comprised 15 mineral claims covering approximately 762 hectares located 6.4 kilometres west of the town of Oliver BC, in the Okanagan mining division. On November 28, 2013, the Company acquired four additional tenures contiguous to the property that now form part of the Fairview South Okanagan Property.

Historical production from three parallel quartz vein systems on the property totaled 512,000 tonnes grading 3.99 grams per tonne gold and 49.1 grams/tonne silver (Barker and Trenaman, 1987). Initial production was started in the 1890s with the majority of production undertaken by Cominco Ltd. ("Cominco" now Teck Resources Limited) between 1946 and 1961. The material was utilized as flux by Cominco in the trail smelter.

Sufficient material remained within the mines at the time of shutdown in 1961 to encourage Cominco to subsequently evaluate a plan of operations at a projected gold price of \$400. That program, as summarized in a 1980 report, was based upon a historical resource and envisioned a production scenario of 255,000 tonnes per year or 700 tonnes per day for a period of 10 years. This plan was not implemented, and subsequent exploration and evaluation work was conducted by Oliver Gold, but operations were not continued and the property has remained dormant. These historical resources do not meet the criteria for an NI 43-101-compliant resource of any category as defined in CIM Definition Standards on Mineral Resources and Mineral Reserves, dated Nov. 27, 2010, and as such should not be relied upon. An updated current resource has been calculated for the property as discussed below.

The Company retained Apex Geoscience Ltd. ("Apex") to prepare a National Instrument 43-101 report on the Fairview gold property, near Oliver, in the Okanagan Valley of Southern British Columbia, Canada. Kristopher Raffle, BSc, PGeo, Senior Geologist, and Michael Dufresne, MSc, PGeo, President of Apex, co-ordinated compilation of historic exploration data and completion of the report.

The report is based on a voluminous historic exploration dataset, including work conducted by Highland Valley Resources Ltd. and Oliver Gold Corp. during the period 1985 to 1994, which included drilling of approximately 5,000 metres of core, 400 metres of underground drifting and extensive rock geochemical sampling. That work post-dated exploration and development by Cominco that consisted of drilling of numerous core holes, many hundreds of metres of underground drifts, and extensive stopping of production materials. The majority of surface plans, geologic logs and assay results from drilling, plus underground plans and sections are available for compilation.

This data has been digitized, compiled and used to create a modern 3-D geologic and mineralization model for the property which will guide future exploration to the ideal locations for bulk sampling and drilling work. The intent is to obtain a bulk sample and directly ship the material to a nearby mill for custom milling. Depending on the results obtained in the bulk samples, it is anticipated that additional preparations will be made for the eventual continued shipment of material from the underground target zones. This will allow a sequential evaluation of a number of the higher-grade zones suggested by historical drilling and mining data, to eventually develop into a mining plan as exploration advances and as funding is obtained.

On August 21, 2013, the National Instrument 43-101 Technical Report prepared by Apex was filed on SEDAR. The mineral resource estimate comprises an inferred mineral resource of 334,000 tonnes averaging 2.9 g/t Au and 17.9 g/t Ag, based on a cut-off grade of 1.0 g/t Au. This includes a higher-grade core zone of 51,000 tonnes grading 11 g/t gold and 38g/t silver.

On February 24, 2015, the Company entered into an agreement with Turnagain Resources Inc. and 0998601 B.C Ltd. to acquire a 100% interest in an additional ten mineral claims comprising 760.1 hectares. As consideration, the Company issued 3,000,000 common shares valued at \$30,000, representing the fair value of the shares at the time of issuance.

On August 6, 2015, the Company entered into a purchase agreement with Turnagain Resources Ltd and 0998601 BC Ltd to acquire 100% undivided interest in one mineral title comprising 21.12 hectares located in British Columbia. As consideration, the Company has issued 60,000 of its common shares valued at \$6,000, representing the fair value of the shares at the time of issuance.

The Company purchased additional claims to expand the Fairview property and to consolidate the land holdings for purposes of assessment work distribution. The property has had a small amount of surface work conducted to facilitate the addition of newly acquired properties in order to expedite filings of assessment work.

On July 9, 2018, the Company entered into an option agreement with 1150892 B.C. Ltd. (the "Optionee") whereby the Optionee can acquire up to a 100% undivided participating interest in certain mineral tenures comprising the Fairview South Okanagan Property by making periodic cash payments totaling \$1,500,000 to the Company and incurring exploration expenditures totaling \$975,000 on or before July 9, 2022. As at April 30, 2020, the Company has not received any cash payments in relation to this option agreement. The optionee is continuing to evaluate the project and conduct background investigations with indigenous band representatives in the area.

During the year ended July 31, 2019, the Company was notified by Parks Canada that a portion of the mining property comprising the Fairview South Okanagan Property is being considered for inclusion into a proposed Federal Park in the area. The Company is in discussions with Parks Canada personnel regarding future treatment of the mineral properties within and adjacent to the proposed South Okanagan Grasslands Park. The economic impact of this land debate on the Company is unknown at this time.

#### **Illite Clay- Kootenay Clay**

On October 25, 2017, the Company acquired 145.46 hectares in one claim unit located in central British Columbia containing significant quantities of illite clay outcropping at the service level.

In February 2018 an additional 4 claims comprising 290.95 hectares was acquired from the same vendors for an increased total of 436.41 hectares. Consideration for this purchase was \$13,500 and 750,000 shares of Hi Ho Silver Resources Inc. Additional land totaling 436.76 hectares was staked by Company personnel on June 18, 2018, bringing the current land position to a total of 873.17 hectares.

Exploration potential for the property is believed to be substantial. A site visit to the property was undertaken by Company representatives on June 17, 2018, and materials were removed and stored for additional testing.

An agreement for exclusive worldwide distribution rights for the clay was reached with NHP Industries ("NHP") of Burnaby, B.C. on March 18, 2018. Fulfillment of this agreement requires that NHP, or its associate partners, invest \$1,000,000 by way of a private placement subscription originally scheduled to be completed by March 31, 2018. Despite extensions, such funding has not been received. The agreement has been extended to allow NHP more time to secure funding. NHP has since increased the promised investment amount to \$3,000,000. Due to inclement winter weather, the Company originally granted an extension of the March 31, 2018 deadline until the removal of the clay which commenced on June 18, 2018. During the summer season at least 60,000 kg of clay was transported to the Company's storage facility near Vancouver. Delivery of a 10,000 kg sample shipment was made to NHP and partial payment has been received.

On June 5, 2018, a Strategic Investor (1166847 BC Ltd.) committed to invest \$1,000,000 by way of a private placement subscription at a price of \$0.10 per unit, as a pre-requisite to the exclusive world-wide distribution rights agreement for the Illite clay, the Company agreed to allow 1166847 BC Ltd. first Option to Joint Venture two properties which the Company owns and manages. These properties are 1) Bralorne Gold Property (near Lillooet BC) and 2) NIK Cobalt/Nickel Property located in north central BC. Both Options were for a limited period of 90 days, and both Option periods have expired.

There are no established reserves or resources on the Kootenay Clay property, and the Company will require exploration and development work to establish any resource or reserve. There can be no assurance that any resource can be established, or if established that such will be economically recoverable. There has been no Preliminary Economic Assessment or Feasibility Study conducted on the property. Any proposed production from the property will be conducted without the benefit of such study and consequently may present a higher risk to the investor.

A report on the property is in preparation with Apex Geoscience; the report will be completed in early 2020.

### **Bralorne Project, British Columbia**

The Company retains its core block of property in this area. Assessment work was conducted on some claims and filed for purposes of holding the claims. Some peripheral claims were abandoned as not pertinent to the exploration targets.

On February 16, 2018, the Company acquired two additional mineral claims totalling 122.8 hectares which extend the current Bralorne property to the southeast and cover the Red Hawk gold showing. The property was acquired from Turnagain Resources through the exchange of Title Nos 1056162 and 1047702 held by Turnagain, for two mineral claims Title Nos 1054291 and 1054289 designated as Hi Ho Silver's Trout Lake property. The exchange of 100% interest in the respective properties allows Hi Ho Silver to concentrate its exploration efforts on the keynote Bralorne gold prospect.

The Red Hawk prospect lies on the south side of Cadawallader Creek to the southwest of the Bralorne-Pioneer Mine workings and consists of a series of quartz veins trending northwest, and steeply dipping. The veins have historical sampling returning grades from trace to 0.34 grams/tonne gold (Minfile 092JNE012), and have been developed by 5 short exploratory tunnels, several open cuts and pits, and a shaft. Exploration proceeded from 1931 and resumed in 1987 and 1988.

Exploration potential for the property is believed to be substantial. A site visit to the property has been completed by a Company representative and Qualified Person. Assessment work was conducted on the property by Company personnel sufficient to hold certain tenures that required assessment work.

There are no established reserves or resources on the property, and the Company will require exploration and development work to establish any resource or reserve. There can be no assurance that any resource can be established, or if established that such will be economically recoverable.

As discussed above under Illite Clay section, a Strategic Investor (1166847 BC Ltd.) committed to invest \$1,000,000 by way of a private placement subscription at a price of \$0.10 per unit. As a result, Hi Ho Silver has agreed to allow 1166847 BC Ltd. first Option to Joint Venture two properties which the Company owns and manages. These properties are 1) Bralorne Gold Property (near Lillooet BC) and 2) NIK Cobalt/Nickel Property located in north central BC. The above discussed financing has not been completed as of September 25, 2020 to perfect the Illite Clay agreement or this first Option to Joint Venture. The Option was for a limited period of 90 days which has expired.

No activity occurred on the Bralorne property during the nine months ended April 30, 2020. Based on lack of activity and intent to further invest in the property the Company has recorded an impairment expense for the full value of the property. An impairment charge of \$41,066 was recorded in the statement of comprehensive loss for the year ended July 31, 2019.

#### **NORBEAU GOLD PROJECT: NORBEAU GOLD MINE, AND BEAUROX PROPERTIES**

The Company optioned two contiguous properties, the Beaurox property comprising 28 unpatented mining claims covering approximately 1000 Ha, and the Norbeau property covering 637 Ha in two claim groups, both located in McKenzie Township, have been optioned by the Company from two separate owners.

##### **Norbeau Gold**

On September 20, 2018, the Company entered into an agreement with Fayz and Ramy Yacoub to reacquire 100% interest in the property, subject to a 2% NSR, requires annual cash payments, periodic issuance of stock, and annual work commitments. This property, previously held by Hi Ho, was subject to forfeiture, and is being reacquired together with additional claims from the previous vendor. The Norbeau property covers 637 Ha in two claim groups, located in McKenzie Township, Quebec covering the Norbeau mine and adjacent properties.

The Norbeau mine has a history of gold production as well as substantial potential material yet to be mined from several undeveloped levels. From 1965 to 1969 the Norbeau mine produced 419,029 tonnes grading 13.77 g/t (0.38 oz/t) from eight levels spaced 150 feet apart yielding a total of 5,101 kilograms of gold and 632 kilograms of silver. The mine shaft was sunk to just below the undeveloped 9th and 10th levels. The host rocks are a gabbro sill and diorite, with five orogenic auriferous quartz veins associated with shear zones and fault structures discovered and mined.

Exploration potential for the property is believed to be substantial. A site visit to the property has been completed by a Company representative and Qualified Person. There are no established reserves or resources on the property, and the Company will require exploration and development work to establish any resource or reserve. There can be no assurance that any resource can be established, or if established that such will be economically recoverable.

The option for 100% interest on the Norbeau property with Fayz and Ramy Yacoub requires payments of \$25,000 on effective date of Sept. 20, 2018, \$25,000 before January 2019, an additional \$50,000 on first anniversary, \$60,000 second anniversary, and \$60,000 third anniversary. It also requires 750,000 shares

15 days after effective date, 750,000 shares on first anniversary and 1,000,000 on each of second and third anniversary dates. Additionally, 1,000,000 shares will be issued subject to calculated proven economic reserve solely on the property. Work commitments are \$300,000 before first anniversary, additional \$1,500,000 before second anniversary, and additional \$2,000,000 before the third anniversary. A 2% NSR royalty is reserved to vendors, of which the Company has the right to purchase 1% for \$1,000,000.

On November 9, 2018, the Company issued a total of 500,000 common shares as finders' fees for the Norbeau option at a fair value of \$25,000 and 750,000 common shares at a fair value of \$37,500 as the second periodic payment.

During the year ended July 31, 2019 the company paid the first and third installments totaling \$50,000. On November 4, 2019 the Company issued 750,000 shares at a fair value of \$33,750 related to the first anniversary share instalment. During the nine months ended April 30, 2020 the Company paid the fourth installment of \$50,000.

### **Beaurox**

The agreement for 100% interest, signed October 28, 2018, with Beaurox Mines Limited, covers 28 unpatented mining claims in McKenzie Township, Quebec. The agreement calls for payment of \$50,000 on signing, additional \$70,000 in year one, additional \$70,000 in year two, and additional \$60,000 in year 3. Payment of 750,000 shares is due within 30 days of effective date, and additional 750,000 shares before first anniversary, an additional 1,000,000 shares before second anniversary, and an additional 1,000,000 shares before the third anniversary. An additional 1,000,000 shares is to be issued upon reaching a drill indicated economic reserve or upon sale of the project. Expenditures on the property must be \$300,000 by the first anniversary date, additional \$1,500,000 by the second anniversary, and an additional \$2,000,000 before the third anniversary date. There is a 2.5 % NRS due vendor of which one half may be purchased for \$3,000,000.

Annual advanced royalty payments must be made payable as one kilogram of fine gold no less than 99.9% annually commencing on the 3<sup>rd</sup> anniversary of the agreement and continuing until commencement of commercial production. This payment in gold may be substituted by payment in free and tradeable shares as shares for debt at a 25% discount to market.

On November 9, 2018, the Company issued a 500,000 common shares as finders' fees for the Beaurox option at a fair value of \$25,000, and 750,000 common shares at a fair value of \$37,500 as the second periodic payment.

During the year ended July 31, 2019 the company paid the first installment of \$50,000, but the Company did not make the third cash instalment prior to the deadline. The default was not cured in the permitted time frame, so the Company lost the option on the Beaurox property. As a result, the Company wrote off 100% of the acquisition costs related to the Beaurox property. The Company recorded an impairment charge of \$112,500 in the statement of comprehensive loss for the year ended July 31, 2019. The property remains fully impaired.

On November 4, 2019 the Company issued 750,000 shares with a fair value of \$33,750 related to the first anniversary share instalment, no further cash payments on options on the Beaurox property have been made.

The following tables summarize costs of expenditures on exploration and evaluation assets for the nine months ended April 30, 2020 and year ended July 31, 2019:

|                                  | Fairview<br>South<br>Okanagan | Bralorne    | Norbeau Gold      | Illite Clay       | Beaurox<br>Mines<br>Limited | Total             |
|----------------------------------|-------------------------------|-------------|-------------------|-------------------|-----------------------------|-------------------|
| <b>Acquisition costs</b>         |                               |             |                   |                   |                             |                   |
| July 31, 2018                    | \$ 196,526                    | \$ 20,000   | \$ 1              | \$ 62,250         | \$ -                        | \$ 278,777        |
| Additions                        | -                             | -           | 112,500           | -                 | 112,500                     | 225,000           |
| Impairment                       | -                             | (20,000)    | -                 | -                 | (112,500)                   | (132,500)         |
| July 31, 2019                    | 196,526                       | -           | 112,501           | 62,250            | -                           | 371,277           |
| Additions                        | -                             | -           | 83,750            | -                 | 33,750                      | 117,500           |
| Impairment                       | -                             | -           | -                 | -                 | (33,750)                    | (33,750)          |
| <b>April 30, 2020</b>            | <b>\$ 196,526</b>             | <b>\$ -</b> | <b>\$ 196,251</b> | <b>\$ 62,250</b>  | <b>\$ -</b>                 | <b>\$ 455,027</b> |
|                                  | Fairview<br>South<br>Okanagan | Bralorne    | Norbeau Gold      | Illite Clay       | Beaurox<br>Mines<br>Limited | Total             |
| <b>Exploration costs</b>         |                               |             |                   |                   |                             |                   |
| July 31, 2018                    | \$ 341,710                    | \$ 13,667   | \$ -              | \$ 34,681         | \$ -                        | \$ 390,058        |
| Geological consulting            | 6,510                         | -           | 20,650            | 26,993            | -                           | 54,153            |
| Sample analysis                  | 402                           | -           | -                 | -                 | -                           | 402               |
| Sampling                         | -                             | -           | -                 | 33,078            | -                           | 33,078            |
| Site travel and maintenance      | 5,654                         | 7,399       | -                 | (860)             | -                           | 12,193            |
| Incidental revenue               | -                             | -           | -                 | (38,880)          | -                           | (38,880)          |
| Impairment                       | -                             | (21,066)    | -                 | -                 | -                           | (21,066)          |
| July 31, 2019                    | 354,276                       | -           | 20,650            | 55,012            | -                           | 429,938           |
| Geological consulting            | 13,537                        | -           | -                 | 12,014            | -                           | 25,551            |
| Site travel and maintenance      | -                             | -           | -                 | 1,035             | -                           | 1,035             |
| <b>April 30, 2020</b>            | <b>\$ 367,813</b>             | <b>\$ -</b> | <b>\$ 20,650</b>  | <b>\$ 68,061</b>  | <b>\$ -</b>                 | <b>\$ 456,524</b> |
| <b>Balance at July 31, 2019</b>  | <b>\$ 550,802</b>             | <b>\$ -</b> | <b>\$ 133,151</b> | <b>\$ 117,262</b> | <b>\$ -</b>                 | <b>\$ 801,215</b> |
| <b>Balance at April 30, 2020</b> | <b>\$ 564,339</b>             | <b>\$ -</b> | <b>\$ 216,901</b> | <b>\$ 130,311</b> | <b>\$ -</b>                 | <b>\$ 911,551</b> |

## F. RESULTS OF OPERATIONS

Operational results reflect overhead costs incurred for exploration and evaluation assets acquisitions and associated exploration expenses as well as other regulatory expenses incurred by the Company and to maintain the administrative infrastructure required to operate locally and report to the Vancouver Head Office. General and administrative costs can be expected to fluctuate relationally with acquisitions, exploration and operations.

| For the nine months ended                | April 30,<br>2020<br>\$ | April 30,<br>2019<br>\$ | Change \$        | Change %    |
|------------------------------------------|-------------------------|-------------------------|------------------|-------------|
| <b>Operating expenses:</b>               |                         |                         |                  |             |
| Accounting, audit and legal              | 73,572                  | 94,911                  | (21,339)         | -22%        |
| Advertising and promotion                | 373                     | 21,368                  | (20,995)         | -98%        |
| Amortization                             | 30,233                  | 6,666                   | 23,567           | 354%        |
| Consulting, salaries, and benefits       | 116,330                 | 169,123                 | (52,793)         | -31%        |
| Listing, exchange, and transfer fees     | 11,459                  | 10,584                  | 875              | 8%          |
| Office, administration and miscellaneous | 24,232                  | 18,584                  | 5,648            | 30%         |
| Rent                                     | -                       | 22,631                  | (22,631)         | -100%       |
| Share-based payments                     | 199,305                 | 426,071                 | (226,766)        | -53%        |
| <b>Total operating expenses</b>          | <b>455,504</b>          | <b>769,938</b>          | <b>(314,434)</b> | <b>-41%</b> |

For the nine months ended April 30, 2020, total operating expenses were \$455,504 (April 30, 2019 - \$769,938). The decrease of \$314,434 was primarily attributable to:

- A decrease of \$21,339 in accounting, audit, and legal expenses due to a significant reduction in legal expenses incurred.
- A decrease of \$20,995 in advertising and promotional expenses due to the elimination of investor relations expenses during the first three quarters of fiscal 2020.
- A decrease of \$52,793 in consulting, salaries, and benefits due to the reduction of contracted consultants at the end of fiscal 2019 as discussed above.
- A decrease of \$22,631 to rent expense due to accounting treatment changes as a result of the Company's adoption of IFRS 16 Leases.
- A decrease of \$226,766 in share-based payments to consultants and management primarily due to the issuance of options and management during the comparative period that was non-recurring in the nine months ended April 30, 2020. The Company also reduced the volume of consulting contracts which include share-based payments during the end of the prior fiscal period which reduces share-based payment levels in subsequent quarters in fiscal 2020.

These decreases are partially offset by:

- An increase of \$23,567 to amortization expenses related to the transition to the IFRS 16 *Leases* which required recognition of right of use assets for the companies mobile office and vehicle leases, resulting in recognition of amortization of these assets rather than rent expense as in the comparative period.

**Amended and Restated**  
**Management Discussion and Analysis**  
**For the THREE AND NINE MONTHS ENDED APRIL 30, 2020 and 2019**

| For the three months ended               | April 30,<br>2020<br>\$ | April 30,<br>2019<br>\$ | Change \$    | Change %  |
|------------------------------------------|-------------------------|-------------------------|--------------|-----------|
| <b>Operating expenses:</b>               |                         |                         |              |           |
| Accounting, audit and legal              | 21,659                  | 25,061                  | (3,402)      | -14%      |
| Advertising and promotion                | -                       | 686                     | (686)        | -100%     |
| Amortization                             | 10,078                  | 2,222                   | 7,856        | 354%      |
| Consulting, salaries, and benefits       | 39,000                  | 65,332                  | (26,332)     | -40%      |
| Listing, exchange, and transfer fees     | 6,058                   | (1,575)                 | 7,633        | -485%     |
| Office, administration and miscellaneous | 14,253                  | 14,319                  | (66)         | 0%        |
| Rent                                     | -                       | 9,799                   | (9,799)      | -100%     |
| Share-based payments                     | 63,327                  | 35,207                  | 28,120       | 80%       |
| <b>Total operating expenses</b>          | <b>154,375</b>          | <b>151,051</b>          | <b>3,324</b> | <b>2%</b> |

For the nine months ended April 30, 2020, total operating expenses were \$154,375 (April 30, 2019 - \$151,051). The decrease of \$3,324 was primarily attributable to similar factors to the nine-month period discussed above, including:

- A decrease of \$3,402 in accounting, audit, and legal fees related to reduction in legal expenses, as discussed above in the nine-month period.
- A decrease of \$26,332 in consulting, salaries, and benefits due to the reduction of contracted consultants at the end of fiscal 2019 as discussed above.
- A decrease of \$9,799 to rent expense due to accounting treatment changes as a result of the Company's adoption of IFRS 16 *Leases*.

These decreases are partially offset by:

- An increase of \$28,120 to share based payments due to updated management consulting contracts entered into during the fourth quarter of the prior year, and the amortization charges of deferred share-based compensation not incurred in the prior period.
- An increase of \$7,856 to amortization expenses related to the transition to the IFRS 16 *Leases* which required recognition of right of use assets for the companies mobile office and vehicle leases, resulting in recognition of amortization of these assets rather than rent expense as in the comparative period.

**G. SUMMARY OF QUARTERLY RESULTS**

|                                                 | April 30,<br>2020<br>\$ | January 31,<br>2020<br>\$ | October 31,<br>2019<br>\$ | July 31,<br>2019<br>\$ |
|-------------------------------------------------|-------------------------|---------------------------|---------------------------|------------------------|
| Revenue                                         | -                       | -                         | -                         | -                      |
| Loss from operations                            | 154,375                 | 149,879                   | 151,250                   | 313,249                |
| Impairment of exploration and evaluation assets | -                       | 33,750                    | -                         | 153,566                |
| Impairment of loan receivable                   | -                       | -                         | -                         | 112,500                |
| Finance expenses                                | 4,350                   | 4,539                     | 3,693                     | -                      |
| Write-down of accounts payable                  | (7,125)                 | (185,034)                 | (6,220)                   | -                      |
| Other income                                    | -                       | (1,050)                   | -                         | -                      |
| Net loss and comprehensive loss for the period  | 151,600                 | 2,084                     | 148,723                   | 579,315                |
| Net loss per common share                       | (0.01)                  | (0.00)                    | (0.00)                    | (0.01)                 |

|                                                 | April 30,<br>2019<br>\$ | January 31,<br>2019<br>\$ | October 31,<br>2018<br>\$ | July 31,<br>2018<br>\$ |
|-------------------------------------------------|-------------------------|---------------------------|---------------------------|------------------------|
| Revenue                                         | -                       | -                         | -                         | -                      |
| Loss from operations                            | 151,051                 | 431,065                   | 187,822                   | 450,859                |
| Loss on settlement of liabilities               | -                       | -                         | -                         | 39,000                 |
| Allowance for doubtful receivable               | -                       | -                         | -                         | 32,031                 |
| Impairment of exploration and evaluation assets | -                       | -                         | -                         | 135,890                |
| Warrant modification expense                    | 360,008                 | -                         | -                         | -                      |
| Net loss and comprehensive loss for the period  | 511,059                 | 431,065                   | 187,822                   | 657,780                |
| Net loss per common share                       | (0.01)                  | (0.01)                    | (0.00)                    | (0.02)                 |

During the third quarter ended April 30, 2020, operating losses were relatively consistent with a \$4,496 increase compared to the second quarter 2020. The Company did not experience significant variance in any of its other operating costs as activity during the first three quarters of fiscal 2020 has been consistent.

During the second quarter ended January 31, 2020, operating losses were relatively flat with a \$1,371 decrease compared to the first quarter 2020. The Company did not experience significant variance in any of its operating costs as activity during the first two quarters of fiscal 2020 has been relatively consistent overall. Affecting net loss for the period was an increase in write-down of accounts payable of \$178,814 primarily due to an adjusting subsequent event whereby the Company reached a settlement agreement with an existing creditor which resulted in the release of existing liabilities between the Company and the crediting party resulting in a write-off of \$177,684.

During the first quarter ended October 31, 2019, operating loss decreased by \$161,999, compared to the prior quarter primarily due to a \$159,672 decrease in share-based payments due to adjustments from the prior quarter that did not recur in the quarter ended October 31, 2019, and a \$21,154 decrease in office, administration, and miscellaneous expenses due to decreased travel expenses and reduced activity.

During the fourth quarter of the prior fiscal year ended July 30, 2019, operating loss increased by \$162,198 compared to the third quarter primarily due to the following changes: a \$192,454 increase in share-based payments due to adjustments for warrant modification, and the amortization of forgiveness of loans with the characteristics of share-based compensation; a \$35,303 decrease in cash-based consulting, salaries, and benefits due to changes in management compensation; and a \$12,185 decrease in accounting, audit, and legal expenses due to reduced capital activity.

During the third quarter of the prior fiscal year ended April 30, 2019, operating loss decreased by \$280,014 compared to the second quarter of the fiscal year primarily due to the following changes: a \$309,739 decrease in share-based payments primarily due to \$311,398 recorded for an option issuance in the prior quarter which did not recur in the third quarter 2019; a decrease of \$13,616 in accounting, audit, and legal expense due to an additional \$7,000 in audit fees billed for the 2018 annual audit recorded in the prior quarter and reduced legal fees due to a decrease in capital activity compared to the prior quarter; and a \$7,404 decrease in listing, exchange and transfer fees also due to reduced capital activity. These expense decreases were offset by a \$25,097 increase in cash-based consulting, salaries, and benefits due to consulting fees related to budget preparation for exploration projects, and a \$21,966 increase in office, administration, and miscellaneous expenses due to increased travel expenses.

During the second quarter ended January 31, 2019, operating loss increased by \$243,243, compared to the prior quarter due to the following changes: a \$299,027 increase in share-based payments due to \$311,398 compensation recorded for an option grant, offset by a decrease in units for services due to a decrease in share price; this increase is offset by a \$21,418 decrease in advertising and promotion expenses due to fees paid to a one-time consultant in the prior quarter and decreased travel expenses; a \$23,320 decrease in cash-based consulting, salaries, and benefits due to a temporary worker leaving, and a \$19,414 decrease in office, administration, and miscellaneous expenses due to decreased travel and meals expenses.

During the first quarter of fiscal 2019 ended October 31, 2018, operating loss decreased by \$263,037 compared to the prior quarter due to the following changes: a \$131,209 decrease in cash-based consulting, salaries, and benefits due primarily to a late adjustment in the prior quarter which did not recur in the first quarter of fiscal 2019 and changes in management compensation; a \$77,299 decrease in share-based payments due to a decrease in share price; a \$23,285 decrease in accounting, audit, and legal, due primarily to the \$40,000 audit accrual for the 2018 year booked in the previous quarter compared to a \$10,000 accrual booked in the first quarter of 2019; and a \$23,152 decrease in office, administration, and miscellaneous expenses due to one-time expenditures incurred in the prior quarter.

During the fourth quarter of fiscal 2018 ended July 31, 2018 operating loss increased by \$259,699 over the prior quarter due to the following changes: a \$52,362 increase in share-based payments due to fluctuations in share price; a \$50,708 increase in cash-based consulting, salaries, and benefits due to changes in management compensation, the hiring of a temporary worker and one-time consulting fees not incurred in the previous quarter; accounting, audit, and legal expenses increased by \$38,772 primarily due to a \$40,000 accrual for audit fees; a \$17,938 increase in office, administration, and miscellaneous expenses, and a \$16,411 increase in advertising and promotion due to increased travel costs for both expense categories.

## H. LIQUIDITY

As at April 30, 2020, the Company had cash on hand of \$nil compared to \$1,724 as at July 31, 2019. The working capital deficit at April 30, 2020 was \$1,136,513 compared to \$942,767 as at July 31, 2019.

The Company continues to seek additional equity funds from private placements and work to come to agreement with debt holders to settle debt with the intention to have a positive working capital position and create the operating funds necessary to evaluate and develop its assets. Subsequent to period-end on May 13, 2020 a settlement agreement over an existing liability with a carrying value of \$177,684 was reached, resulting in a full write-down of the balance. Management anticipates further recovery against aged liabilities as we continue to review and challenge statutory limitations and validity of the Company's liability base.

Operating cash outflows for the period was \$64,193 as compared to a \$306,429 outflow during the nine months ended April 30, 2019. The decrease in cash outflows is primarily due to reduction in operating loss for the period due to reductions in operating activity, as well as positive cash flow from changes in working capital accounts as the Company collects its receivables and defers vendor payments as part of the Company's approach to working capital management.

Investing cash outflows for the period was \$76,586 as compared to \$156,954 in outflows during the nine months ended April 30, 2019 due to a decrease in expenditures on exploration and evaluation assets.

Cash inflows generated through financing activities for the period were \$139,055 as compared to \$nil during the nine months ended April 30, 2019 from the securing of short-term financing and proceeds of private placement offset by payments against the Company's lease liabilities.

The liabilities of the Company as presented in the financial statements do not present a clear picture of the Company's actual financial position. The Company is intending to engage a lawyer to prepare a definitive opinion on the statute of limitations for the liabilities of the Company.

As at April 30, 2020, aged liabilities of the Company were as follows:

| <b>Current liabilities</b>             | <b>0 – 30<br/>days</b> | <b>31 – 60<br/>days</b> | <b>61 – 90<br/>days</b> | <b>91 – 730<br/>days</b> | <b>+ 2 years</b> | <b>Total</b>       |
|----------------------------------------|------------------------|-------------------------|-------------------------|--------------------------|------------------|--------------------|
| Trade payables and accrued liabilities |                        |                         |                         |                          |                  |                    |
| Accounts payable                       | \$31,113               | \$4,212                 | \$16,787                | \$44,237                 | \$259,347        | \$355,696          |
| Accrued liabilities                    | 19,862                 | 19,677                  | 13,800                  | 130,091                  | -                | 183,429            |
|                                        | 50,975                 | 23,889                  | 30,587                  | 174,328                  | 259,347          | 539,125            |
| Due to related parties                 | 945                    | 1,276                   | 2,252                   | 74,975                   | -                | 79,448             |
| Loans payable                          | -                      | -                       | 9,300                   | 138,000                  | 75,780           | 223,080            |
| Provisions                             | 1,435                  | -                       | -                       | 9,457                    | 274,640          | 285,532            |
| Lease liabilities                      | -                      | -                       | -                       | 35,491                   | -                | 35,491             |
|                                        | <b>\$53,354</b>        | <b>\$25,164</b>         | <b>\$42,139</b>         | <b>\$432,251</b>         | <b>\$609,767</b> | <b>\$1,162,676</b> |

Approximately 52% of the liabilities are from greater than two years ago.

Included in trade payables and accrued liabilities there is debt for the amount of \$162,674 payable to a previous officer of the Company.

## **I. CAPITAL RESOURCES**

The Company's cash resources decreased by \$1,724 during the three and nine months ended April 30, 2020 to \$nil.

Management continues to monitor the capital markets for opportunities to raise additional funds.

During the nine months ended April 30, 2020 the Company recorded \$8,000 in shares issuable for cash and \$49,400 in shares issuable for share based payments. The Company additionally issued 1,500,000 shares on option payments for exploration and evaluation assets at a fair value of \$67,500. As at April 30, 2020 and September 25, 2020, the Company had 57,332,804 common shares outstanding, respectively.

As of April 30, 2020, the Company had no major long-term expenditure commitments outside of lease obligations described in Note 14 of the condensed interim financial statements for the three and nine months ended April 30, 2020, and the mineral property option payments described in the following section.

The Company will fund its ongoing operations and any capital commitments that it enters through the sale or joint venture agreement of one of its properties, through the issuance of common shares, or issuance of debt financing.

## **J. OFF-BALANCE SHEET ARRANGEMENTS**

### **Norbeau Option:**

On October 3, 2018, the Company entered into an option agreement to reacquire 100% interest in the Norbeau Property situated in Quebec. This property, previously held by the Company, was subject to forfeiture, and is being reacquired together with additional claims from the previous vendor. To exercise the option and earn its interest in the property, the Company must make total cash payments of \$220,000 and issue a total of 4,500,000 common shares in stages as follows:

- i. \$25,000 on October 3, 2018 (paid);
- ii. 750,000 common shares on October 18, 2018 (issued);
- iii. \$25,000 on or before January 20, 2019 (paid);
- iv. \$50,000 cash and 750,000 common shares (issued) on or before October 3, 2019 (paid);
- v. \$60,000 cash and 1,000,000 common shares on or before October 3, 2020;
- vi. \$60,000 cash and 1,000,000 common shares on or before October 3, 2021; and
- vii. 1,000,000 common shares to be issued subject to a calculated proven economic reserve.

Required exploration expenditures comprise a total of \$1,500,000 before October 3, 2021. The option agreement is subject to a 2% Net Smelter Return ("NSR"). The NSR can be reduced at any time to 1% by paying the vendor \$1,000,000.

On May 14, 2020, the Company issued a notice of event of force majeure to the Norbeau optionor in relation to the obligation of expenditures on the property in accordance with the Norbeau option agreement due to the Covid-19 pandemic. Once the pandemic has subsided, the optionor will provide the number of days by which the obligations of the Company have been extended.

On November 9, 2018, the Company issued a total of 500,000 common shares as finders' fees for the Norbeau option at a fair value of \$25,000 and 750,000 common shares at a fair value of \$37,500 as the second periodic payment.

During the year ended July 31, 2019 the Company paid the first and third installments totaling \$50,000. On November 4, 2019 the Company issued 750,000 shares with a fair value of \$33,750 on option instalments for the Norbeau Gold property. The fourth installment of \$50,000 cash was made during the nine months ended April 30, 2020.

#### **Beaurox Option:**

On October 28, 2018, the Company obtained an option to acquire a 100% interest in the Beaurox property situated in Quebec. To exercise the option and earn its interest in the property, the Company must make total cash payments of \$250,000 and issue a total of 4,500,000 common shares in stages as follows:

- i. an initial payment of \$50,000 cash (paid) on October 28, 2018;
- ii. 750,000 common shares (issued) on or before November 28, 2018;
- iii. \$70,000 cash and 750,000 (issued subsequent to July 31, 2019) common shares on or before October 28, 2019;
- iv. \$70,000 cash and 1,000,000 common shares on or before October 28, 2020;
- v. \$60,000 cash and 1,000,000 common shares on or before October 28, 2021; and
- vi. 1,000,000 common shares to be issued on reaching a Drill Indicated Economic Reserve on the property or upon sale of the property and work commitments until commercial production is attained.

Required exploration expenditures comprise a total of \$3,800,000 before October 28, 2021.

In addition, the option requires annual Advanced Royalty Payments of one kilogram of fine gold of no less than 99.9% purity commencing on the 3rd anniversary of the agreement and thereafter at 12-month intervals until commencement of commercial production. Payment in the alternative to fine gold can be made by substituting free and tradeable shares for debt at a 25% discount to market or payment of cash equivalent of one kilogram of fine gold. The company has the right to purchase one half of the 2.5% NSR for payment of \$3,000,000 cash.

On November 9, 2018, the Company issued a 500,000 common shares as finders' fees for the Beaurox Option at a fair value of \$25,000, and 750,000 common shares at a fair value of \$37,500 as the second periodic payment.

During the year ended July 31, 2019 the company paid the first installment of \$50,000 but has recorded a full impairment of the property as the Company did not make the third cash and common share instalment prior to deadlines. No further payments were made during the nine months ended April 30, 2020.

On November 4, 2019 the Company issued 750,000 shares with a fair value of \$33,750 on option instalments for the Norbeau Gold property. As the Company remains in default on the cash portion of option payment iii a \$33,750 impairment charge was recorded in the statement of comprehensive loss for the nine months ended April 30, 2020.

## **K. RELATED PARTY TRANSACTIONS**

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

William Jorgenson, CEO, CFO, Director, Chairman, Corporate Secretary  
 BGJ Enterprises, a company controlled by William Jorgenson  
 Steven Jorgenson, President, Director  
 Kevin Jorgenson, Vice President, Director  
 Dennis Jorgenson, Director  
 Gary Jorgenson, former Director and President

During the nine months ended April 30, 2020, 1,620,000 units consisting of one common share and one transferable common share purchase warrant exercisable at a price of \$0.30 per share for a period of two years were accrued to officers and management of the Company. The fair value assigned to the shares and warrants was \$49,400 and \$112,600, respectively. As at April 30, 2020 the unit shares and warrants remained issuable.

Share-based payments to each officer and director are as follows:

|                   | <b>Number of<br/>units</b> | <b>Fair value<br/>of shares<br/>\$</b> | <b>Fair value of<br/>warrants<br/>\$</b> |
|-------------------|----------------------------|----------------------------------------|------------------------------------------|
| William Jorgenson | 450,000                    | 13,500                                 | 31,500                                   |
| Steven Jorgenson  | 450,000                    | 13,500                                 | 31,500                                   |
| Kevin Jorgenson   | 630,000                    | 19,600                                 | 43,400                                   |
| Dennis Jorgenson  | 90,000                     | 2,800                                  | 6,200                                    |
| <b>Total</b>      | <b>1,620,000</b>           | <b>49,400</b>                          | <b>112,600</b>                           |

As at April 30, 2020, the balance due to related parties of \$79,448 (July 31, 2019 - \$38,500) is comprised of accrued consulting fees and amounts due to William Jorgenson. As at April 30, 2020, included in trade payables and accrued liabilities is \$109,175 (July 31, 2019 - \$26,963) which includes \$74,175 (July 31, 2019 - \$19,463) due to William Jorgenson and \$35,000 (July 31, 2019 - \$7,500) due to Steven Jorgenson. These balances are non-interest bearing, unsecured and payable on demand.

As at April 30, 2020, included in prepaid expenses and deposits is \$nil (July 31, 2019 - \$2,500) prepaid rent due to BGJ Enterprises.

On March 28, 2018, William Jorgenson and Gary Jorgenson entered into a deferred compensation arrangement in the form of loan agreements with the Company under which the Company loaned each of them \$112,500 to be used for the exercise of stock options. Each loan will be forgiven if the borrower continues to be an officer of the Company for two years from the date of the loan. No interest is payable under the loan agreements.

Gary Jorgenson resigned on July 9, 2018 and, as a result, the Company recorded a loan receivable of \$112,500. As of the previous fiscal period the collectability of this loan receivable was determined to be, and remains uncertain, therefore, the Company has recorded an impairment charge for the full amount of the loan.

Furthermore, as the loan due from William Jorgenson includes characteristics of compensation, during the nine months ended April 30, 2020 the Company has recorded share-based payments expense of \$37,305 (April 30, 2019 - \$nil) which represents deferred compensation over the period of the loan forgiveness. As at April 30, 2020, the remaining balance is \$nil (July 31, 2019 – 37,305).

During the nine months ended April 30, 2020, pursuant to a mobile office lease agreement with a BGJ Enterprises the Company recognized right of use assets and lease liabilities with carrying values at April 30, 2020 of \$141,092 and \$151,235, respectively. Payments on this lease totaled \$15,000 for the nine months ended April 30, 2020 (April 30, 2019 - \$nil). The Company is committed to a monthly lease payment of \$2,500 for a period of 73 months as at April 30, 2020.

#### Key management compensation

The Company considers its directors and officers to be key management personnel and compensation earned by key management for the three and nine months ended April 30, 2020 and 2019 as follows:

|                                        | <b>For the nine months ended April 30,</b> |             |
|----------------------------------------|--------------------------------------------|-------------|
|                                        | <b>2020</b>                                | <b>2019</b> |
| Consulting fees, salaries and benefits | \$ 108,000                                 | \$ 232,660  |
| Share-based payments                   | 199,305                                    | 269,479     |
| Total                                  | \$ 307,305                                 | \$ 502,139  |

## **L. PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to board, regulatory and sometimes shareholder approvals, may involve future payments, share issuances, and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of the date of this report, the Company has possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

## **M. CRITICAL ACCOUNTING ESTIMATES**

The Company is a venture issuer; therefore, this section is not applicable. For more information on critical accounting estimates refer to Note 4 in the audited financial statements of the Company for the year ended July 31, 2019 and within the condensed interim financial statements and related notes for the three and nine months ended April 30, 2020.

## **N. ADOPTION OF NEW STANDARDS AND INTERPRETATIONS, AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **New accounting standard adopted effective August 1, 2019**

#### **IFRS 16 – “Leases” (“IFRS 16”)**

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors will continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17, Leases. The Company adopted the new standard on August 1, 2019 using the modified retrospective approach. The Company elected the following practical expedients:

- Transition method practical expedient – permits the Company to use the effective date as the date of initial application. Upon adoption, the Company did not have a cumulative-effect adjustment to the opening balance of retained earnings. Financial information and disclosures for periods before August 1, 2019 were not updated.

The new standard requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating at inception, with classification affecting the pattern and recording of expenses in the statement of operations. Upon transition the Company recognized lease assets and lease liabilities principally for its office lease. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the lease's contractual rate at August 1, 2019. The weighted-average rate applied was 6.91%. Refer to Notes 5 and 15 of the Company's condensed interim financial statements.

## **O. FINANCIAL INSTRUMENT RISK**

The Company is exposed, through its operations, to the following financial risks:

- a) Credit risk
- b) Liquidity risk
- c) Foreign exchange risk
- d) Interest rate risk

The Company is exposed to risks that arise from its financial instruments. This section describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash on bank deposit is exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions.

*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 manages liquidity by maintaining adequate cash balances and by raising equity financings. The Company has no assurance that such financings will be available on favorable terms. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares.

As at April 30, 2020 the Company had cash of \$nil (July 31, 2019 - \$1,724) to settle current liabilities of \$1,162,676 (July 31, 2019 - \$1,035,917) which fall due for payment within twelve months of the statement of financial position. All of the Company's contractual obligations are current and due within one year. All of the Company's financial liabilities are due on demand.

*Foreign exchange risk*

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not believe that it is subject to significant foreign exchange risk and does not hold any funds in foreign currencies as at April 30, 2020 (July 31, 2019 – \$Nil).

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management considers the interest rate risk to be minimal as at April 30, 2020.

**Basis of fair value**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The Company's financial instruments include cash, deferred compensation, trade payables and accrued liabilities, due to related parties, loans payable, sales tax and other receivables, lease liabilities, and provisions. With the exception of cash, the carrying value of the Company's financial instruments approximate their fair values due to their relatively short periods to maturity. Cash is measured at fair value using level 1 inputs.

## P. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS

During the nine months ended April 30, 2020 and 2019 the Company incurred the following expenses:

|                                | 2020       |    | 2019    |
|--------------------------------|------------|----|---------|
| Capitalized acquisition costs* | \$ 83,750  | \$ | 227,515 |
| Capitalized exploration costs  | \$ 26,586  | \$ | 54,440  |
| Operating expenses             | \$ 455,504 | \$ | 769,938 |

\*Presented net of impairment

Please refer to Note 6 Exploration and Evaluation Assets in the condensed interim financial statements for the three and nine months ended April 30, 2020 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

## Q. OUTSTANDING SHARE DATA

As at September 25, 2020, the Company had 57,332,804 common shares outstanding, 7,225,000 stock options outstanding and 14,150,000 warrants outstanding.

## R. RISK FACTORS

### Mining and exploration risks

Hi Ho Silver Resources Inc. is an exploration stage company and currently has interests in exploration and development properties in British Columbia and California. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**Going concern**

The Company has not generated revenue from operations. The Company incurred a net loss and comprehensive loss of \$302,407 for the nine months ended April 30, 2020 and as of that date the Company's accumulated deficit was \$20,697,464. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financial resources to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

**Market price of common shares**

The trading price of the common shares is likely to be significantly affected by short term changes in mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; and the price of the common shares and size of the Company's public float may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

**Dilution to common shares**

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, if any, the holders are given an opportunity to profit from a rise in the market price of the common shares. The Company's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

**Future sales of common shares by existing shareholders**

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

**Future profits or losses and production revenues and expenses**

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as required consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties and any other properties that the Company may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and the Company's acquisition of additional properties, in addition to other factors, many of which are beyond the Company's control.

The Company expects to incur expenditures and losses unless and until such time as the Company's properties are acquired or achieve a sufficient level of commercial production and revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability, nor can there be any assurance that the underlying assumed levels of expenses will prove to be accurate.

**Acquisitions and integration**

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any

acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

**Competition**

The Company's business is intensely competitive in all of its phases and the Company will compete with other mining companies for natural resource acquisition opportunities, many of which have greater resources and technical facilities than the Company. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the skilled labor to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to (i) acquire desired properties, (ii) recruit or retain qualified employees or (iii) raise or generate the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on its operations, financial condition, and trading price of the securities of the Company.

**Loss of key employees**

The Company depends on the business and technical expertise of a number of key personnel, including its directors and executive officers and key personnel working fulltime in management and administrative capacities or as consultants.

The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's exploration and development activities expand, it will require additional key personnel. The Company does not maintain life insurance for such personnel. The loss of any key personnel, or the failure to retain such personnel, could have a material adverse effect on the Company's operations and financial condition.

## **S. OTHER INFORMATION**

This Amended and Restated Management Discussion and Analysis has been reviewed and approved by Stewart Jackson who acts as the Company's Qualified Person responsible for preparing and approving all technical information disclosed, as required by National Instrument 43-101.

## **T. CEASE TRADE ORDER**

On January 31, 2020, the Company was the subject of a cease trade order by the British Columbia Securities Commission pending the filing of the Company's annual Audited Financial Statements and MD&A for the fiscal year ended July 31, 2019. As a consequence of the Cease Trade Order, the British Columbia Securities Commission suspended the Company from trading until lifting of the Cease Trade Order.

## **U. SUBSEQUENT EVENTS**

On May 14, 2020 the Company reached a settlement agreement with an existing creditor which resulted in the release of existing liabilities between the Company and the crediting party. A gain of \$177,684 was recognized in the statements of loss and comprehensive loss for the nine months ended April 30, 2020 related to the write down of accounts payable as a result of the settlement.

On July 23, 2020, the Company received a \$40,000 loan as financial assistance from the government of Canada offered as part of the response to the Covid-19 global pandemic. The loan is interest free until December 31, 2022, and no principal payments will be due until December 31, 2022. \$10,000 of the loan will be forgiven if \$30,000 is repaid prior to December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a three-year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The final balance must be repaid no later than December 31, 2025.