

**PORTEX MINERALS INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS –  
QUARTERLY HIGHLIGHTS**

**FOR THE SIX AND NINE ENDED JUNE 30, 2016**

**(EXPRESSED IN CANADIAN DOLLARS)**

## **Introduction**

The following interim management's discussion and analysis ("Interim MD&A") of the financial condition and results of the operations of Portex Minerals Inc. (the "Company" or "Portex") for the six and nine months ended June 30, 2016 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended September 30, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended September 30, 2015 and 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with

International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of May 27, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Portex common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Special Note Regarding Forward-Looking Information**

This Interim MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties

**Portex Minerals Inc.**  
**Interim Management's Discussion & Analysis – Quarterly Highlights**  
**For the Six and Nine Months Ended June 30, 2016**  
**Dated – May 27, 2016**

and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim MD&A speak only as of the date of this Interim MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

| Forward-looking information                                                                                                                                                                                                                                       | Assumptions                                                                                                                                                                                                                                                                                                                                                                                                         | Risk factors                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Company's anticipated plans, costs, timing and capital for future development of the Company's business                                                                                                                                                       | Financing will be available for future development of Portex's future assets or business acquisition; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for development projects and other operations will be received on a timely basis upon terms acceptable to Portex, and applicable political and economic conditions are favourable to Portex | The ability to develop, exploit and generate revenue from a future asset or business acquisition; the possibility that future development results will not be consistent with Portex's expectations; availability of financing for and actual results of Portex's future assets or business acquisition; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff |
| The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2017<br><br>The Company's cash balance at June 30, 2016, is not sufficient to fund its consolidated operating expenses at current levels | The operating and development activities of the Company for the twelve-month period ending March 31, 2017, and the costs associated therewith, will be dependent on raising sufficient capital consistent with Portex's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Portex                                                | Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions                                                                                                                                              |
| Management's outlook regarding future trends                                                                                                                                                                                                                      | Financing will be available for Portex's development of future assets or business acquisition                                                                                                                                                                                                                                                                                                                       | Interest rate and exchange rate fluctuations; changes in economic and political conditions                                                                                                                                                                                                                                                                                                                                                                     |
| Sensitivity analysis of financial instruments                                                                                                                                                                                                                     | Interest rates will not be subject to change in excess of plus or minus 10%; foreign exchange rates against the Euro will not be subject to change in excess of plus or minus 10%;                                                                                                                                                                                                                                  | Changes in debt and equity markets; interest rate and exchange rate fluctuations                                                                                                                                                                                                                                                                                                                                                                               |

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Portex's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an

exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Portex's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business**

The Company was incorporated on September 25, 2006, under the *Business Companies Act* (Ontario). The primary focus of the Company was to grow through the acquisition, exploration and development of viable base and precious metal properties, with the ultimate objective of profitable exploitation and in 2015 after the sale of its mineral properties in Portugal and Spain, the Company plans to change its business strategy to exit the mining business. The Company is currently listed on the Canadian Stock Exchange under the symbol "PAX".

## **Operations Highlights**

During the six months ended June 30, 2016, the Company focused primarily on negotiating a formal definitive agreement to acquire Walker Norris Capital Partners III d/b/a Direct Metals Recycling ("DMR").

On January 27, 2016, the Company renewed the Letter of Intent with DMR with no change to the terms and conditions.

On May 19, 2016, the Company terminated the transaction to acquire DMR. In addition, Art Hampson resigned as the Chief Financial Officer ("CFO") of the Company and Matthew Bassett will act as the interim CFO.

## **Financial Highlights**

### **Financial Performance**

The Company's net income totaled \$1,738,793 for the three months ended June 30, 2016, with basic and diluted income per share of \$0.01. This compares with a net loss of \$1,297,397 with basic and diluted loss per share of \$0.00 for the three months ended June 30, 2015. The Company had no revenue in both periods presented.

Net loss for the three months ended June 30, 2016 principally related to gain on settlement of amounts payable and other liabilities of \$1,786,390 (three months ended June 30, 2015 - \$nil) offset by consulting fees of \$11,000 (three months ended June 30, 2015 - \$nil), professional fees of \$19,777 (three months ended June 30, 2015 - \$30,270), investor relations and shareholder information of \$1,383 (three months ended June 30, 2015 - \$8,433), office management, administration and other of \$2,442 (three months ended June 30, 2015 - \$9,432), salary costs and benefits of \$nil (three months ended June 30, 2015 - \$46,641), interest expense of \$13,919 (three months ended June 30, 2015 - \$308), foreign exchange gain of \$924 (three months ended June 30, 2015 - loss of \$73,838) and mineral property exploration expense of \$nil (three months ended June 30, 2015 - \$4,439). The Company had unrealized loss on investment in Global Resource Investment Trust of \$nil compared to unrealized loss of \$37,010 for the three months ended June 30, 2015. The higher consulting fees during the three months ended June 30, 2016 as compared to three months ended June 30, 2015 was mainly attributable to the services needed for the transaction with DMR.

As the Company completed the sale of the shares of its subsidiaries Strategic Resource Acquisition Empreendimentos Mineiros Unipessoal Lda and Redcorp Empreendimentos Mineiros Unipessoal, Lda. in Portugal (collectively "Subsidiaries in Portugal") and shares of its subsidiary, GoldQuest Mining (Spain) Corp. ("GoldQuest Spain") in July 2015, the Company had \$nil net loss from discontinued operations. During the three months ended June 30, 2015, the Company had net loss from discontinued operations of \$1,087,026 which is comprised of mineral property exploration expenses of \$54,364, general and administrative of \$1,241, depreciation of \$1,357, write-off of mineral properties of \$1,088,621 and offset by foreign exchange gain of \$58,557.

#### **Liquidity, Financial Position and Cash Flow**

As at June 30, 2016, the Company had consolidated cash and cash equivalents of \$nil compared to \$121,068 at September 30, 2015. The Company had a working capital deficiency of \$476,501 as at June 30, 2016, compared to a working capital deficiency of \$2,063,244 at September 30, 2015, resulting from the increase of amounts payable and other liabilities and decrease of current assets especially the decrease of cash and cash equivalents during the six months ended June 30, 2016, which was used in operating activities.

Amounts payable and other liabilities decreased from \$2,204,800 at September 30, 2015, to \$493,558 as at June 30, 2016. The decrease is due to the settlement of the amounts payable and other liabilities with vendors.

At June 30, 2016, the Company had no indebtedness other than trade payables in the normal course of business and the \$25,000 promissory note issued. Amounts payable and other liabilities are in the ordinary course of business, short-term and non-interest bearing other than payables to Bassett Capital Corporation ("Bassett") which bears an interest rate of 17.7%. The promissory note of \$25,000 is subject to a variable interest rate of prime plus 2% per annum.

The Company's use of cash at present occurs, and in the future is expected to occur, principally in the funding of its general and administrative expenditures and initiatives to change its business strategy and exit the mining business.

Corporate head office costs in Canada are estimated to average approximately \$50,000 per quarter for fiscal 2016. This amount covers salary costs and benefits, professional fees, investor relations and shareholder information, office management and administration, corporate development expenses, consulting fees and travel and accommodation.

Based on the rate of expenditure above, the Company does not have sufficient cash on hand and will have to raise equity capital in the near term in amounts sufficient to fund working capital requirements. The major variables are expected to be its ability to continue to access capital to fund its ongoing operations. In July 2015, the Company sold the mineral properties and the Company plans to change its business strategy and exit the mining business. Payments on the majority of accounts payable will continue to be deferred until a financing is completed.

## **Trends**

The Company plans to change its business strategy and exit the mining business and is in the process of evaluating other business opportunities. Its viability and potential success lie in its ability to develop, exploit and generate revenue from a future asset or business acquisition. Revenue, profitability and cash flow from any future asset or business acquisition involving the Company are difficult to predict and will be influenced by factors unknown to management at the present time.

## **Related Party Transactions**

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The amounts due to related parties are unsecured, non-interest bearing other than the amount due to Bassett and due on demand.

|                                                        | <b>Three Months<br/>Ended<br/>June 30,<br/>2016<br/>\$</b> | <b>Three Months<br/>Ended<br/>June 30,<br/>2015<br/>\$</b> |
|--------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Marrelli Support Services Inc. ("MSSI") <sup>(1)</sup> | 13,402                                                     | 17,520                                                     |
| DSA Corporate Services Inc. ("DSA") <sup>(2)</sup>     | 169                                                        | nil                                                        |
| Bassett <sup>(4)</sup>                                 | 12,140                                                     | nil                                                        |
| <b>Total</b>                                           | <b>25,711</b>                                              | <b>17,520</b>                                              |

<sup>(1)</sup> The CFO of the Company is an associate of MSSI and the former CFO is the president of MSSI. Fees relate to accounting services and CFO services provided by MSSI. These costs are reflected in general and administrative expenses in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss). As at June 30, 2016, MSSI was owed \$153,903

**Portex Minerals Inc.**  
**Interim Management's Discussion & Analysis – Quarterly Highlights**  
**For the Six and Nine Months Ended June 30, 2016**  
**Dated – May 27, 2016**

---

(September 30, 2015 - \$129,157) and the amount was included in amounts payable and other liabilities.

(2) The former CFO of the Company is the secretary of DSA, a firm providing corporate secretarial services to the Company. As at June 30, 2016, DSA was owed \$19,416 (September 30, 2015 - \$14,679) and the amount was included in amounts payable and other liabilities.

(3) The former Chairman and director of the Company is also the Chief Executive Officer ("CEO") of Chieftain Metals Corp. ("Chieftain") and the Company pays rent on a monthly basis to Chieftain. These costs are reflected in general and administrative in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss). As at June 30, 2016, Chieftain was owed \$nil (September 30, 2015 - \$65,354) and the amount was included in amounts payable and other liabilities.

(4) During the three months ended June 30, 2016, the Company was charged \$12,140 by Bassett as transaction costs for future financings and consulting fees which has been included in professional fees and consulting fees in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss). Bassett is controlled by one of the directors of the Company. As at June 30, 2016, Bassett was owed \$282,500 plus accrued interest of \$nil (September 30, 2015 - \$282,500 plus accrued interest of \$9,727) and the amount was included in amounts payable and other liabilities.

(5) On March 25, 2014, the Company issued a promissory note with a principal amount of \$25,000 at an annualized rate of the prime rate plus 2% to the former CEO of the Company. The promissory note is repayable on demand. During the Six and Nine months ended June 30, 2016, the Company accrued an interest expense of \$312 and \$627, respectively, at 5% annualized rate on the promissory note (Six and Nine months ended June 30, 2015 - \$308 and \$623, respectively).

Remuneration of directors and key management personnel of the Company was as follows:

Remuneration of directors and key management personnel of the Company during the three months ended June 30, 2016 was \$nil.

Three Months Ended June 30, 2015

|                 | Salary cost and<br>benefits and director<br>fees<br>\$ |
|-----------------|--------------------------------------------------------|
| Patrick Raleigh | 3,000                                                  |
| Peter Chodos    | 24,999                                                 |
| Victor Wyprysky | 7,500                                                  |
| Geoff Stanley   | 3,000                                                  |
| Richard Bishop  | 3,000                                                  |



|                  |               |
|------------------|---------------|
| Larry Segerstrom | 3,000         |
| <b>Total</b>     | <b>44,499</b> |

The Board of Directors and one officer do not have employment or service contracts with the Company. Two officers of the Company have employment contracts.

As at June 30, 2016, directors and key management personnel of the Company were owed a total of \$30,837 (September 30, 2015 - \$420,226) and the amount was included in amounts payable and other liabilities. In addition, as at June 30, 2016, the former CEO of the Company was owed \$25,000 (September 30, 2015 - \$25,000) for the promissory note plus accrued interest of \$nil (September 30, 2015 - \$1,897).

## **Disclosure Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.



## **Risks and Uncertainties**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. It should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect the Company and its financial position. Please refer to the section entitled “Risk and Uncertainties” in the Company’s Annual MD&A for the fiscal year ended September 30, 2015, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Contingency**

Upon successful completion of an aggregate financing of \$3,000,000, the Company will be obligated to pay a \$50,000 transaction fee to an intermediary.