



**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND THE TWELVE MONTHS  
ENDED JULY 31, 2020 (including Subsequent Events to November 24, 2020)**

The following discussion and analysis of the results of operations and financial condition of Arcus Development Group Inc. ("Arcus" or the "Company") for the three months and the twelve months ended July 31, 2020 should be read in conjunction with the Arcus audited financial statements and related notes for the twelve months ended July 31, 2020. All Arcus financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and this Management Discussion and Analysis ("MD&A") document is complete and reliable.

Additional information about Arcus as filed with Canadian securities commissions, (including quarterly reviews) is available under the Arcus Development Group Inc. profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The reporting currency in this MD&A is Canadian dollars unless otherwise noted.

**FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the Company's use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the market for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint or strategic ventures; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of Arcus. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this MD&A are not a prediction of future events or circumstances and those future events or circumstances may not occur. Given these uncertainties, the reader of the information included herein is cautioned not to place undue reliance on such forward-looking statements.

## **DESCRIPTION OF BUSINESS**

Arcus is a mineral exploration and development company. It is engaged in the business of acquiring and exploring mineral properties with the aim of discovering commercially exploitable deposits of minerals (primarily gold) which can be sold at a profit to companies interested in placing such deposits into commercial production. Arcus currently holds a 100% interest in two early stage mineral exploration properties in the Yukon Territory, Canada.

The common shares of Arcus trade on the TSX Venture Exchange under the symbol ADG. Arcus is a reporting issuer in the provinces of Alberta, British Columbia and Ontario.

## **OVERALL PERFORMANCE**

Arcus currently holds a 100% interest in two mineral properties located in the Dawson Mining District, Yukon Territory (the “Dawson Gold Project”). By agreement October 22, 2019, Arcus sold its interest in the Dan Man property. See “Property Transactions and Exploration” for additional information.

On March 11, 2020, the World Health Organization recognized the novel coronavirus (“COVID-19”) as a global pandemic. Arcus is currently evaluating the impact of the outbreak of COVID-19, which could create significant uncertainty for the Company and its operations. All Canadian provinces and territories are asking people to self-isolate or practice social distancing to try to control the spread of the virus. Current measures include limitations on the movement of people and the closure of non-essential businesses. All Arcus management and contractors in Canada are currently working from home and self-monitoring for signs of infection.

At the Annual General Meeting on March 18, 2020, all proxy items recommended by the Arcus board of directors were approved by the shareholders. Of particular significant was the passing of an ordinary shareholders’ resolution authorizing the Arcus board of directors to consolidate the issued and outstanding shares of the Company. Any future consolidation will be carried out at the sole discretion of the Arcus board of directors.

No share consolidation will be undertaken until the COVID-19 pandemic is deemed to be under control and global financial markets have improved.

## **SELECTED ANNUAL INFORMATION**

The selected financial information set out below has been obtained from the Arcus financial statements, which reflect the Arcus operations in the mineral exploration business. The following table summarizes information pertaining to the operations of Arcus for the last three fiscal years:

|                                               | <b>Year ended<br/>July 31, 2020<br/>(\$)</b> | <b>Year ended<br/>July 31, 2019<br/>(\$)</b> | <b>Year ended<br/>July 31, 2018<br/>(\$)</b> |
|-----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| General and administrative expenses           | 73,122                                       | 81,834                                       | 119,565 *                                    |
| Property acquisition and exploration expenses | 5,387                                        | 25,751                                       | 1,237,880                                    |
| Loss for the year                             | 78,509                                       | 107,585                                      | 1,082,445                                    |
| Loss per share                                | 0.00                                         | 0.00                                         | 0.01                                         |
| Total assets                                  | 2,043                                        | 28,740                                       | 136,648                                      |

\* *Inclusive of a \$35,000 non-cash charge*

## **SUMMARY OF QUARTERLY RESULTS**

The following table contains comparative information for the eight previous Arcus financial quarters:

| <b>Period Ended</b> | <b>Income (Loss)<br/>(\$)</b> | <b>Income (Loss) per<br/>Share (\$)</b> | <b>Total Assets<br/>(\$)</b> |
|---------------------|-------------------------------|-----------------------------------------|------------------------------|
| July 31, 2020       | (5,376)                       | (0.00)                                  | 2,043                        |
| April 30, 2020      | (16,528)                      | (0.00)                                  | 5,701                        |
| January 31, 2020    | (29,400)                      | (0.00)                                  | 6,827                        |
| October 31, 2019    | (27,205)                      | (0.00)                                  | 21,242                       |
| July 31, 2019       | (17,286)                      | (0.00)                                  | 28,740                       |
| April 30, 2019      | (36,264)                      | (0.00)                                  | 64,872                       |
| January 31, 2019    | (26,431)                      | (0.00)                                  | 78,336                       |
| October 31, 2018    | (27,604)                      | (0.00)                                  | 104,311                      |

## **RESULTS OF OPERATIONS**

Arcus is a mineral exploration company and has no operating revenue. Expenditures related to exploration on the Company's mineral property interests are expensed as incurred and arguably the discretionary nature of such expenditures makes comparative analysis by fiscal period somewhat irrelevant. For the three month period ended July 31, 2020, Arcus incurred a net loss of \$5,376 (\$0.00 per share), compared to a net loss of \$17,286 (\$0.00 per share) for the three month period ended July 31, 2019. The decrease in the loss from the comparative period ended July 31, 2019 was attributable to an overall reduction in exploration activities compared to the three months ended July 31, 2019.

In respect to the annual periods, the Company incurred limited field exploration work during fiscal 2020 and 2019 (\$5,387 in 2020 compared to \$25,751 in 2019). When general and administrative expenses are adjusted for non-cash charges, they are also broadly comparable over the annual periods.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's net negative working capital as of July 31, 2020 was approximately \$57,000. Arcus currently has no ongoing cash payment or share issuance obligations in respect of any of its mineral properties.

The impacts of the COVID-19 pandemic initially resulted in a broad equity market collapse from which some sectors have recovered. The mining sector has been variously impacted with a sharp drop in the price of nearly all metals, except gold and more recently silver. Prior to the pandemic, mineral exploration activities were at low levels and global investors were reluctant to make large investments in the securities of junior exploration companies. The uncertainty caused by the COVID-19 pandemic has generally reinforced this trend, but the sharp rise in precious metal prices over the past several months has stimulated renewed interest in companies working on gold and silver projects. Financing availability for companies exploring for precious metals has improved, but there can be no assurance that general market prices for securities of mineral exploration companies will improve significantly in the short, intermediate or long term.

### **(a) Share Capital**

The authorized share capital of Arcus consists of an unlimited number of no par value common shares. As at July 31, 2020, the issued and outstanding securities of Arcus were as set out in the following table:

| Type of Security             | Number of Securities Outstanding | Expiry Date        | Exercise Price |
|------------------------------|----------------------------------|--------------------|----------------|
| Common shares                | 61,878,065                       | n/a                | n/a            |
| Warrants <sup>(1)</sup>      | 5,000,000                        | August 19, 2021    | \$0.20         |
| Stock Options <sup>(2)</sup> | 3,600,000                        | January 23, 2022   | \$0.14         |
| Stock Options <sup>(3)</sup> | 250,000                          | September 13, 2022 | \$0.16         |

- (1) Share purchase warrants issued as part of an August 2, 2016 purchase agreement with ATAC Resources Ltd.
- (2) Incentive stock options granted to Arcus officers and directors on January 23, 2017.
- (3) Incentive stock options granted to a consultant of Arcus on September 13, 2017.

Following the formal closing of the sale of the Dan Man property to Goldcorp Kaminak Ltd. ("Goldcorp Kaminak"), Arcus was the owner of 14,400,000 of its own common shares. These shares were returned to treasury for cancellation effective March 23, 2020. With the return to treasury of the 14,400,000 shares, the issued Arcus share capital is currently 61,878,065 common shares. See "Dan Man Property" for additional information.

(b) Off-Balance Sheet Arrangements

Arcus does not utilize off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

(a) Management Services

No fees for management services were paid to Ian Talbot ("Talbot"), the Arcus President and Chief Executive Officer during the three or twelve month periods ended July 31, 2020 and July 31, 2019.

(b) Geological Consulting Services

No fees for geological consulting services were paid to Talbot during the three or twelve month periods ended July 31, 2020 and July 31, 2019.

(c) Administrative Services

No fees for administrative services were paid to De Visser Gray LLP Chartered Accountants ("De Visser Gray"), a firm in which James Gray ("Gray"), a director and the Chief Financial Officer of Arcus, is a partner, during the three month periods ended July 31, 2020 and July 31, 2019. No fees for administrative services were paid to De Visser Gray during the twelve month period ended July 31, 2020, compared to \$750 paid for the twelve month period ended July 31, 2019.

(d) Ongoing Services

All related party transactions are carried out in the normal course of the Company's operations and are measured at fair market value at their exchange amount, which is that amount of consideration established and agreed to by the related parties. Where applicable, all services provided to Arcus by related parties are provided on an "as needed" basis only.

(e) Advances

During the twelve months ended July 31, 2020 Talbot and a private company controlled by Gray advanced to Arcus a total of \$50,000 (2019 - \$nil), amounts which are non-interest bearing and which have no fixed terms of repayment, for general working capital purposes.

**RISKS AND UNCERTAINTIES**

In conducting its business, Arcus faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land title, exploration and development, government and environmental regulations, permits and licenses, competition, fluctuating metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

(a) Title Risks

Although Arcus has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Arcus may lose all or part of its interest in the properties to which such defects relate.

(b) Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production.

(c) Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent.

(d) Competition

The mineral exploration industry is intensely competitive in all its phases, and Arcus competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

(e) Fluctuating Metal Prices

Factors beyond the control of Arcus have a direct affect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects and the Company's ability to finance the development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

(f) Future Financings

The Company's continued operation will be dependent upon its ability to procure additional equity financing. To date, the Company's sole source of funding has been equity financing.

The constantly changing state of global equity markets has a direct affect on the ability of exploration companies, including Arcus, to finance project acquisition and development through the equity markets. There can be no assurance that funds from the Company's previous revenue sources can be generated or that other forms of financing can be obtained at a future date. Failure to obtain additional financing on a timely basis may cause Arcus to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of its operations.

(g) Price Volatility of Publicly Traded Securities

During the past year, global equity markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

(h) Impact of Epidemics

All of the Company's operations are subject to the risk of emerging infectious diseases including COVID-19. Any outbreak or threat of an outbreak of a virus or other contagions or epidemic disease could have a material adverse effect on the Company's business and financial condition.

## **MANAGEMENT AND BOARD OF DIRECTORS**

There were no changes to the Arcus board of directors or management during the three month period ending July 31, 2020 and there have been no changes subsequent to July 31, 2020.

## **PROPERTY TRANSACTIONS AND EXPLORATION**

### **Dawson Gold Project – Property Interests**

Arcus holds a 100% interest in the Dawson Gold Project. The two mineral properties currently comprising the Dawson Gold Project are the Touleary and the Shamrock properties. Both are located in the White Gold District of Yukon Territory, approximately 100 km south of Dawson City and each is summarized below. By agreement dated October 22, 2019, Arcus sold its interest in the Dan Man property and the transaction is more fully described under more detail under the Dan Man heading below.

(i) Touleary Property

The Touleary property is the most significant of the Arcus mineral properties and is located immediately south of and adjacent to White Gold Corp.'s White Gold property. The Touleary property is the location of the first significant volcanogenic massive sulphide ("VMS") system identified in the White Gold District of Yukon Territory.

The VMS system at the Touleary was discovered by Arcus as part of a 2011 diamond drill program. The 2011 program consisted of five holes totaling 935 meters and targeted a 300 by 100 m area within a 1,200 m long zone of coincident geophysical and intermittent copper±gold-in-soil geochemical anomalies.

Additional soil sampling and hand trenching programs were completed during the 2012 and 2013 field seasons. No field work has been carried out on the property since 2013.

In June of 2017, Arcus added 94 mineral claims to the Touleary property. The new claims were acquired through staking following a reinterpretation of existing Arcus exploration data. On April 29, 2019, 150 quartz mining claims forming the western most portion of the Touleary property were allowed to lapse. The abandoned claims had received minimal work by Arcus and the exploration potential was not considered significant enough to warrant the costs required to maintain the claims going forward.

No work was carried out on the Touleary property during 2020 as a result of inadequate financial resources and travel restrictions in Yukon Territory related to the COVID-19 pandemic.

(ii) Shamrock Property

The Shamrock property is comprised of 72 quartz mining claims and is located on the north side of the Yukon River, approximately one km southwest of the southern boundary of the White Gold Corp. QV property. Work to date on the Shamrock property by Arcus includes an airborne magnetometer survey and two soil sampling programs. No work on the Shamrock property has been carried out since 2012 as the Touleary and the Dan Man properties were higher priority exploration targets for Arcus.

(iii) Dan Man Property

Pursuant to the terms of an agreement dated October 22, 2019, Arcus sold the Dan Man property to Goldcorp Kaminak, a subsidiary of Newmont Goldcorp Corporation ("Newmont"). In consideration for its 100% interest in the property, Arcus received: (i) 14,400,000 Arcus shares originally sold to Newmont in October of 2016 as part of a structured financing; and (ii) a 1% net smelter return royalty interest in any future commercial production from the Dan Man property. Goldcorp Kaminak has the right to purchase the royalty interest at any time for \$1,000,000.

As a condition of the sales transaction, Arcus and Newmont agreed to terminate an investor rights agreement, dated October 24, 2016 (the "Rights Agreement"). The termination of the Rights Agreement relieved each of Arcus and Newmont of all future rights and obligations, including but not limited to, future exploration work and participation rights in future financings to maintain specified shareholdings in Arcus. The Rights Agreement originally formed part of the October 2016 structured financing.

A part of the sale of the Dan Man property Arcus obtained an order from the British Columbia Securities Commission exempting Arcus from the issuer bid requirements contained in Part 2 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids*. The exemption order was granted on November 26, 2019. The property sale received the acceptance of the TSX-Venture Exchange, on December 12, 2019. The transaction formally closed on December 23, 2019.

The 14,400,000 Arcus shares received by Arcus as partial consideration for the sale of the Dan Man property were returned to treasury for cancellation effective March 23, 2020.

The Dan Man property is located immediately north and adjacent to the Goldcorp Kaminak Coffee project. Exploration work by Arcus included a ten hole diamond drill program in 2011 and a 20 hole reverse circulation drill program in 2017. Based on the results from the two previous drill programs, Arcus determined that additional exploration expenditures on the Dan Man property were not warranted and elected to sell the property to Goldcorp Kaminak.

## **Technical Review**

The technical information contained in this MD&A document has been reviewed by William A. Wengzynowski, B.A.Sc., P.Eng., a consultant to Arcus and a qualified person for the purposes of National Instrument 43-101.



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