

VON CAPITAL CORP.
INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2020

Background and Corporate Update

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for VON Capital Corp. (“VON” or the “Company”) is prepared as at May 28, 2020 and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2020 and in conjunction with its audited financial statements as at and for the year ended June 30, 2019.

The unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2020, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard (“IFRS”) and with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following Quarterly Highlights are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

As at March 31, 2020, the Company was a Capital Pool Corporation (a “CPC”), as defined by Policy 2.4 of the TSX-Venture Exchange (“TSX-V”).

The head office of the Company is located at Suite 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6. The registered office of the Company is located at 29th Floor, 595 Burrard Street, Vancouver, BC, V7X 1J5.

Proposed Qualifying Transaction

On August 12, 2019 the Company announced that it had entered into a Letter of Intent (the “LOI”) dated August 6, 2019 with Xplore Resources Corp. (“Xplore”), an arm’s length private mineral exploration company incorporated under the laws of the Province of Ontario with an interest in the Valk Project located in Province of British Columbia (the “Valk Project” or “Project”). The proposed arm’s length business combination (the “Transaction”) will result in a reverse takeover of the Company by the shareholders of Xplore and will be a “qualifying transaction” for the Company under TSXV Policy 2.4 (the “QT”). Upon completion of the Transaction, the Company expects that it, as the resulting issuer (the “Resulting Issuer”) will be named Xplore Resources Corp. and will be listed as a Tier 2 Mining Issuer on the TSX-V.

On September 27, 2019 the Company entered into a definitive agreement the (“Definitive Agreement”) with Xplore (as amended February 18, 2020), to provide for the completion of the Transaction. The Transaction will occur by way of a three-cornered amalgamation among VON, Xplore and 2717915 Ontario Inc. (“Subco”; a newly formed wholly owned subsidiary of VON) whereby (i) Xplore and Subco will amalgamate to form a new amalgamated company, (ii) each shareholder of Xplore will receive shares of VON, and (iii) the amalgamated company will be a wholly owned subsidiary of VON.

The Transaction will not constitute a non-arm’s length transaction, and as such will not require the approval of the Company’s shareholders.

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The common shares in the capital of Xplore (the “Xplore Shares”) outstanding immediately prior to the completion of the Transaction (other than Xplore Shares held by Xplore Shareholders who exercise their dissent rights, if applicable) are expected to be exchanged for fully paid and non-assessable common shares in the capital of the Resulting Issuer (the “Resulting Issuer Shares”) on a one-for-one basis.

The completion of the Transaction is subject to the completion of a concurrent non-brokered private placement (the “Concurrent Financing”) of a minimum of 5,775,000 units to a maximum of 7,500,000 units (“Units”) at a price of \$0.20 per Unit with each Unit comprised of one Xplore Share and one-half non-transferable Xplore Share purchase warrant (“Warrant”). Each whole Warrant will be exercisable at a price of \$0.40 for a period of two years from the date of issue (the “Financing”). The expiry date of the Warrants may be accelerated at the option of the Resulting Issuer if at any time prior to the expiration the closing price of the Resulting Issuer Shares on the TSX-V exceeds \$0.60 for ten consecutive trading days. The Concurrent Financing is expected to close prior to August 31, 2020.

It is expected that there will be approximately 18,100,000 shares of Xplore outstanding prior to closing the QT, excluding the shares issued as part of the Concurrent Financing.

Certain of the Xplore Shares to be issued pursuant to the Qualifying Transaction are expected to be subject to restrictions on resale or escrow under the policies of the TSX-V, including the securities to be issued to “Principals” (as defined under Exchange policies) which will be subject to the escrow requirements of the TSX-V.

In connection with the Concurrent Financing Xplore will pay finders’ fees to eligible finders (“Finders”) equal to 7% of the aggregate gross proceeds of the Concurrent Financing received from the sale of Units to subscribers brought to the Concurrent Financing by Finders and will issue finders warrants (“Finders Warrants”) to Finders equal to 7% of the number of Units sold to subscribers brought to the Concurrent Financing by Finders. Each Finders Warrant will be exercisable at a price of \$0.40 for a period of two years from the date of issue.

The completion of the Transaction is subject to the satisfaction of various conditions that are standard for a transaction of this nature, including but not limited to receipt of all requisite regulatory, TSX-V, court or governmental authorizations and third party approvals or consents. No finder’s fees will be paid in connection with the QT. It is not expected that the Company will be advancing any funds to Xplore prior to closing of the QT.

Subject to satisfaction or waiver of the conditions precedent referred to herein and in the Definitive Agreement, the Company and Xplore anticipate the Transaction will be completed prior to August 31, 2020.

About Xplore and the Valk Project

Xplore is an Ontario-incorporated privately held mining exploration company, incorporated May 28, 2018, focused on the acquisition and development of copper and gold properties. Xplore’s main focus on copper is driven by the long-term view of increased demand from electrification with no new major copper deposit discoveries, leading to a future shortage of supply and increase in price.

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Xplore follows a lean management philosophy to maintain low operating costs to ensure capital raised is deployed directly to its exploration program to build out the asset base and increase shareholder value.

The principal shareholders of Xplore are Wesley C. (Wes) Hanson, Charles Edgeworth, Robert Brain, Tim McGuire, and Jamie Hyland.

The Valk Project consists of 1,614 ha located within the Nanaimo Mining Division, British Columbia, approximately 20 km NW of Port Hardy. Xplore has entered into an earn-in agreement to acquire a 100% interest in the project. The Project is road accessible via an extensive network of provincial highways, local roads and logging roads. The Project is dominated by theoleiitic basalts of the Karmutsen Formation. The Valk Project is located 25 km north of the historic Island Copper Mine (345 Mt @ 0.41% Cu) and the North Island Copper and Gold Project (indicated resource of 305 Mt @ 0.21% Cu).

Regional scale rock and soil geochemistry has identified widespread, anomalous copper and vanadium mineralization that is open along strike on a NW trend. Xplore contracted Longford Exploration Services Ltd. (“Longford”) to complete follow up reconnaissance soil and rock sampling to confirm and expand the known anomalies on the Project. Longford completed the field work in July 2019 at a cost of \$115,000.

Board of Directors

It is the intention to establish and maintain a board of directors (the “Board”) of the Resulting Issuer that has a mix of appropriate skill sets and is compliant with all regulatory and corporate governance requirements.

Upon completion of the Transaction, it is anticipated that the Board of the Resulting Issuer will be comprised of Wesley C. Hanson, Charles Edgeworth, Robert Brain, Tim McGuire, Jamie Hyland, and David Patterson (the CEO, CFO and current director of VON).

The relevant experience of the proposed directors and officers of the Resulting Issuer is set out below:

Mr. Hanson provides over 35 years of industry experience covering all aspects of mineral exploration, resource and reserve estimation, project evaluation, development, construction, operation and corporate management. He worked on a number of large capital projects as a consulting geologist with Kilborn - SNC Lavalin before transitioning into senior management roles with Kinross Gold, Western Goldfields and Silver Bear Resources. Wes served as President and CEO of Noront Resources from 2009 through 2012. Since then he has provided contract geological services for various junior companies listed on the TSX Venture Exchange. Wes graduated from Mount Allison University with a BSc Geology (1982) and is a practicing member of the Association of Professional Geoscientists of Ontario.

Mr. Edgeworth is currently the Managing Director of Union Merchant Capital. He has over 20 years of experience in debt, equity and project finance as well as cash management and risk mitigation. He has advised and structured numerous financings for junior and senior mining companies globally. He has an extensive network of corporates, banks, law firms, accounting firms, multilateral finance agencies & foreign governments throughout North & South America, UK, Europe and Africa. Previously, Charles was responsible for corporate banking in Europe and Africa for Export Development Canada and prior to this,

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he was with HSBC Bank and Canaccord Genuity. In addition, Charles has served as a senior officer in the Royal Canadian Navy. Charles holds a B.A. in Political Science & Economics from the University of Victoria, BCom. in Entrepreneurial Management from Royal Roads University and MBA in Finance from HEC Montreal.

Mr. Brain is a practicing lawyer and currently works as Vice President, Legal Services with Enghouse Systems Ltd. and as a Deputy Judge Advocate with the Office of the Judge Advocate General, within the Canadian Armed Forces. He presently has over 30 years of service with the Canadian Armed Forces and over 16 years of legal and executive experience while working in his current role and previously as the Chief Legal Officer for many private and publicly traded international corporations, such as Huawei, Redknee, Infor and Workbrain, where he was entrusted to advise on and manage all aspects of legal issues for his clients. Mr. Brain is also active in the community and sits on a number of Boards and Committees. Mr. Brain holds a B.A. (Hons.) in Law and Society from York University, a LL.B. from the University of Windsor, and is called to the Ontario Bar.

Mr. McGuire is a 20-year banking executive focusing on corporate debt, credit structuring, loan syndications, M&A, project finance, credit and political risk insurance. The past 12 years have been spent on leading global business development and management of a \$20 billion portfolio for companies in the mining, energy and banking sectors. Tim earned a Bachelor of Commerce (with Distinction) in International Business from the University of Victoria, Victoria, BC, Canada.

Mr. Hyland brings more than 25 years of experience in the public markets as a financial and marketing consultant, a corporate founder and manager of numerous early stage public and private businesses. His industry expertise includes mining, publishing, financial services, oil & gas, hospitality, technology, alternative energy and healthcare appliances. He is currently a Director of Universal Copper Ltd (TSX.V: UNV), Resolve Ventures Inc. (TSX.V: RSV) and BLOK Technologies Inc. (CSE: BLK). Mr. Hyland has an extensive network of contacts within the financial community including brokers, fund managers, industry analysts and media, throughout North America, the United Kingdom and continental Europe. He earned a Bachelor of Commerce in Entrepreneurial Management from Royal Roads University, Victoria, BC, Canada.

Trading Halt

Trading in the shares of VON is currently halted by the Exchange. Trading is expected to remain halted until, at the earliest, the completion of the Transaction.

Sponsorship

The Transaction is subject to the sponsorship requirements of the TSXV, unless an exemption from the sponsorship requirement is available or a waiver is granted. VON intends to apply for an exemption to the sponsorship requirement. There is no assurance that an exemption from this requirement will be obtained.

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Forward-Looking Statements

Certain statements contained in the MD&A may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company completing a Qualifying Transaction, and its ability to raise sufficient capital for short-term operations and to fund a Qualifying Transaction. Readers are cautioned not to place undue reliance on these forward-looking statements.

Risks and Uncertainties

The Company does not currently have an operating business. Where an acquisition or participation is warranted, funding in addition to the IPO funding may be required. These additional funds may not be available on terms acceptable to the Company. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation.

During the first quarter of 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Analysis of the Company’s Financial Performance and Condition

Three months ended March 31, 2020

The Company reported a loss of \$17,930 (2019 - \$9,233) and a loss per share of \$0.01 (2019 - \$0.01) for the three months ended March 31, 2020. The loss incurred consisted of general and administrative charges comprised of the following items:

- \$5,700 (2019 - \$5,200) for filing and listing fees.
- \$2,638 (2019 - \$1,862) for office and miscellaneous costs which include office rent of \$2,250 (2019 - \$1,800).
- \$8,547 (2019 - \$753) for professional fees which included \$8,548 (2019 - \$375) of accounting and audit fees and \$nil (2019 - \$378) of legal fees. The Company incurred higher accounting and audit fees in 2019 due to the work incurred with respect to the Transaction.

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- \$1,045 (2019 - \$1,418) for transfer agent fees.

Nine months ended March 31, 2020

The Company reported a loss of \$43,102 (2019 - \$24,213) and a loss per share of \$0.01 (\$0.01 per share) for the nine months ended March 31, 2019. The loss incurred consisted of general and administrative charges comprised of the following items:

- \$7,479 (2019 - \$6,979) for filing and listing fees.
- \$7,224 (2019 - \$6,361) for office and miscellaneous costs which include office rent of \$5,850 (2019 - \$5,400).
- \$23,021 (2019 - \$5,934) for professional fees which included \$12,521 (2019 - \$3,100) of accounting and audit fees and \$10,500 (2018 - \$2,834) of legal fees. The Company has incurred higher professional fees in 2019 due to the work incurred with respect to the Transaction.
- \$5,378 (2019 - \$4,939) for transfer agent fees.

Liquidity and Changes to Expense Structure

The Company's working capital position at March 31, 2020 was \$195,969 compared to \$239,071 at June 30, 2019.

The Company does not currently have an active business generating positive cash flows. The Company is reliant on equity financing to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

Related Party Transactions

There were no related party transactions that occurred during the three and nine months ended March 31, 2020.