# TARACHI GOLD CORP.

(formerly KAL MINERALS CORP.)
MANAGEMENT DISCUSSION & ANALYSIS
For the nine months ended April 30, 2020

**June 29, 2020**

This Management Discussion and Analysis ("MD&A") of Tarachi Gold Corp. ("Tarachi" or the "Company") has been prepared by management as of June 29, 2020. This MD&A should be read in conjunction with our audited annual consolidated financial statements and accompanying notes thereto for the year ended July 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts following are expressed in Canadian dollars, unless otherwise indicated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance, and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

**Overall Performance**

The Company was incorporated in the Province of British Columbia on February 19, 2016. The Company is domiciled in Canada and its office is at Suite 907 – 1030 West Georgia, Vancouver, BC. The Company is an exploration stage company.

On October 25, 2018, the Company's shares began trading on the Canadian Securities Exchange under the symbol KAL. In connection with the listing, certain directors and officers of the Company surrendered 1,259,000 common shares, which were returned to treasury.

On September 12, 2019, the Company's issued 700,000 stock options whereby the holder may exercise the options for $0.15 and expire on September 12, 2021. Subsequently, 200,000 of the stock options were cancelled.

On April 7, 2020, the Company changed it's name to Tarachi Gold Corp. and completed a forward split of 2 new for 1 old shares. All references to issued and outstanding share capital have been adjusted to account for the split. As a result of the name change, the Company traded under the symbol TRG.

On May 25, 2020, the Company completed a private placement whereby it issued 13,003,664 units at $0.15 per unit for gross proceeds of $1,950,550. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share at price of $0.25 for a period of 24 months. The Company paid finders' fees of $84,135 and issued 566,233 finders' warrants at the same terms as the private placement warrants.

On June 18, 2020, the Company granted 2,735,000 stock options exercisable at a price of $0.31 for a period of 60 months from the grant date.

Tarachi Properties

On March 27, 2020, the Company entered into an option agreement to acquire a 100% interest in the Tarachi Project in Eastern Sonora, Mexico. Option payments are outlined below:

| Cash payments | Common shares to be issued | Date |
|---|---|---|
| USD$25,000 | 2,500,000 | Effective date |
| USD$75,000 | - | Within 5 days of closing Company's next financing |
| USD$100,000 | 2,500,000 | First anniversary of Effective Date |
| USD$100,000 | 2,500,000 | Second anniversary of Effective Date |
| USD$100,000 | 2,500,000 | Third anniversary of Effective Date |
| USD$4,600,000 | - | Fourth anniversary of Effective Date |

As at April 30, 2020, the Company had incurred $385,299 in cash and common shares acquisition costs related to the property.

Jack White Property

On February 27, 2016 the Company entered into a letter agreement with Raymond Wladichuk for the option to earn 100% interest in the Jack White Property. The agreement was amended on October 27, 2017.

The Company can earn 100% interest in the Property, subject to a 2% NSR Royalty by:

- Making total cash payments of $387,500 as outlined below;
- Issuing a total of 2,600,000 common shares as outlined below; and
- Incurring a total of $1,850,000 in expenditures as outline below.

During the three and nine months ended April 30, 2020, the Company did not incur costs on the property.

On March 5, 2020, the Company abandoned the property and recorded a write-down of $248,724.

**Results of Operations**

*Three months ended April 30, 2020*

For the three months ended April 30, 2020 and 2019, the Company reported net losses of $306,322 and $92,404, respectively.

| | 2020 | 2019 |
|---|---|---|
| Professional fees | $ 14,746 | $ 28,045 |
| Consulting fees | 19,079 | 40,296 |
| Transfer agent and filing fees | 5,778 | 1,949 |
| General and administrative | 17,995 | 22,114 |
| Write-down of mineral property | 248,724 | - |
| Net loss | $ 306,322 | $ 92,404 |

The Company's net loss increased by $213,918 primarily as a result of the abandonment of it's Jack White Property, partially offset by decreases in consulting fees and professional fees. Professional fees and consulting fees were significant in the comparative period as a result of expenditures incurred related to the Company's public listing.

*Nine months ended April 30, 2020*

For the nine months ended April 30, 2020 and 2019, the Company reported net losses of $399,449 and $198,734, respectively.

The net loss before income taxes during the nine months ended April 30, 2020 and 2019 are summarized below.

| | 2020 | 2019 |
|---|---|---|
| Professional fees | $ 26,197 | $ 62,966 |
| Consulting fees | 31,579 | 68,521 |
| Transfer agent and filing fees | 15,469 | 27,377 |
| Stock based compensation | 29,375 | - |
| General and administrative | 48,105 | 39,870 |
| Write-down of mineral property | 248,724 | - |
| Net loss | $ 399,449 | $ 198,734 |

The Company’s net loss increased by $200,715 primarily as a result of the abandonment of it’s Jack White Property, partially offset by decreases in consulting fees and professional fees. Professional fees and consulting fees were significant in the comparative period as a result of expenditures incurred related to the Company’s public listing.

**Summary of Quarterly Results**

The last eight quarters are summarized in the table below:

| | Q23 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 |
|---|---|---|---|---|---|---|---|---|
| Net Income (Loss) | $(306,322) | $ (60,939) | $ (32,188) | $ 8,145 | $ (92,404) | $ (58,706) | $ (47,624) | $ 3,035 |
| Income (Loss) per share | $ (0.01) | $ (0.01) | $ (0.00) | $ 0.00 | $ (0.00) | $ (0.01) | $ (0.00) | $ 0.00 |

**Liquidity and Capital Resources**

The Company reported a working capital deficit of $75,723 at April 30, 2020 compared to $80,926 as at July 31, 2019. As at April 30, 2020, the Company had net cash on hand of $28,532 (July 31, 2019 - $111,780).

Current liabilities as at April 30, 2020 consist of accounts payable of $108,829 (July 31, 2019 - $32,334).

**Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### Transactions with Related Parties

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the exchange amount, being the amount established and agreed upon by the related parties.

As at April 30, 2020, the Company has amounts due to related parties totaling $5,250 (July 31, 2019: $5,250). The amounts due are non-interest bearing, unsecured and have no specific terms of repayment.

The Company's total related party expenses and other items are as follows:

| | Three Months Ended April 30, 2020 | Three Months Ended April 30, 2019 | Nine Months Ended April 30, 2020 | Nine Months Ended April 30, 2019 |
|---|---|---|---|---|
| Consulting | $ 10,000 | $ 6,500 | $ 22,500 | $ 34,725 |
| Included in exploration and evaluation | - | - | - | 1,718 |

### Fourth Quarter

Not applicable.

### Proposed Transactions

None.

### Changes in Accounting Policies

There were no changes in accounting policies during the year. Refer to Note 2 of the Company's condensed interim financial statements for the Company's significant accounting policies and future changes to accounting standards.

### Risk Factors

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, Tarachi aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Tarachi closely monitors its activities and those factors that could impact them and employs experienced consultants to assist in its risk management and to make timely adequate decisions. Environmental laws and regulations could also impact the viability of a project. Tarachi has ensured that it has complied with these regulations, but there can be changes in legislation outside Tarachi's control that could also add a risk factor to a project.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

**Financial Instruments and Other Instruments**

The carrying amounts of cash and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these items.

**Other Requirements**

Summary of Outstanding Share Data as at June 29, 2020:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 37,094,664 common shares.

Warrants

| Grant Date | Warrants | Exercise Price | Expiry Date |
|---|---|---|---|
| October 25, 2019 | 125,000 | $0.05 | October 25, 2020 |

Options

| Grant Date | Options | Exercise Price | Expiry Date |
|---|---|---|---|
| September 12, 2019 | 500,000 | $0.075 | September 12, 2021 |
| June 18, 2020 | 2,735,000 | $0.31 | June 18, 2025 |

Additional disclosures pertaining to the Company’s technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.