

## **FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS**

This report on results for the six months ended September 30, 2019 contains forward-looking information, including forward-looking information about Gatling Exploration Inc.'s (the "Company" or "Gatling") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

## **GENERAL**

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the six months ended September 30, 2019 should be read in conjunction with the condensed interim financial statements as at September 30, 2019. This MD&A is effective November 26, 2019. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company has prepared its condensed interim financial statements for the six months ended September 30, 2019 in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34 *Interim Financial Statements*, as issued by the International Accounting Standards Board.

## **DESCRIPTION OF BUSINESS**

The Company was incorporated under the laws of the province of British Columbia on August 2, 2018. The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties.

Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the province of Ontario, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "GTR". The Company's shares also trade on the OTC Exchange in the United States under the symbol "GATGF". The Company's head office and principal business address is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

On September 24, 2018, Bonterra Resources Inc. ("Bonterra") completed a plan of arrangement (the "Arrangement") whereby Bonterra spun out its Larder Lake Project assets of \$2,359,423 and cash of \$7,000,000 in order to create a new exploration company (the Company), by way of plan of arrangement under the *Business Corporations Act* (British Columbia). Each holder of common shares of Bonterra received one common share of the Company for each seven common shares of Bonterra held. The Company issued 33,426,512 common shares at a fair value of \$9,359,423.

## **BOARD OF DIRECTORS**

### **Nav Dhaliwal**

**Position: President, Chief Executive Officer & Director**

Mr. Dhaliwal is an experienced executive, leader and team builder. He was the founder of Bonterra and has a track record of success in the mining sector. Mr. Dhaliwal is particularly adept at nurturing early stage companies through their critical

phases of evolution. He also brings valuable business relationships with international analysts, brokers and investment bankers throughout Canada, the United States, Europe and Asia.

**Peter Damouni**

**Position: Chairman of the Board**

Mr. Damouni has over 17 years of experience in senior executive positions in investment banking and capital markets, with expertise in mining and oil and gas. Throughout his career, Mr. Damouni has worked on and led equity and debt financings valued at over \$5 billion for companies at different stages from exploration, to development, permitting and construction, to production. He has comprehensive experience in equity financing, restructuring, and mergers and acquisitions. Mr. Damouni is a graduate of McGill University, Canada. He is a Canadian and British citizen, residing in the United Kingdom.

**Richard Boulay, B.Sc.**

**Position: Director**

Mr. Boulay has over 40 years of experience in the exploration and mining industries in Canada and internationally, including 15 years of mining and infrastructure financing experience gained with Bank of Montreal, Royal Bank of Canada and Bank of Tokyo. He has extensive experience in the management and financing of public companies in Canada and the United States. He is also a director of Pacton Gold Inc.

**Carrie Cesarone**

**Position: Director**

Ms. Cesarone has worked in the public company sector for 30 years. She worked as a paralegal for well-known Vancouver securities lawyers for 11 years and following that, has worked as an independent contractor for both public and private companies for the past 13 years. She has served as a director, Corporate Secretary and CFO for a number of listed companies and continues to serve a Corporate Secretary for Pacton Gold Inc. and BlueBird Battery Metals Inc. Ms. Cesarone holds a Bachelor of Arts degree from Simon Fraser University.

**Jason Billan**

**Position: Director**

Mr. Billan is a seasoned strategy, corporate development and valuation professional with an accelerating career in the mining industry. Following the completion of an MBA at the Richard Ivey School of Business at the University of Western Ontario in 2009, he spent approximately three years in equity research covering the precious metal sector, at Salman Partners Inc. and RBC Capital Markets, with a coverage universe ranging from small to large caps. In 2012, he joined Nevsun Resources Ltd. as the sole Corporate Development professional reporting into the senior executive team through its acquisition in late 2018. Mr. Billan is currently Senior Financial Analyst at Wheaton Precious Metals International and brings a strong network of corporate and institutional representatives in the mining industry to support Gatling's objectives.

**Peter Dickie**

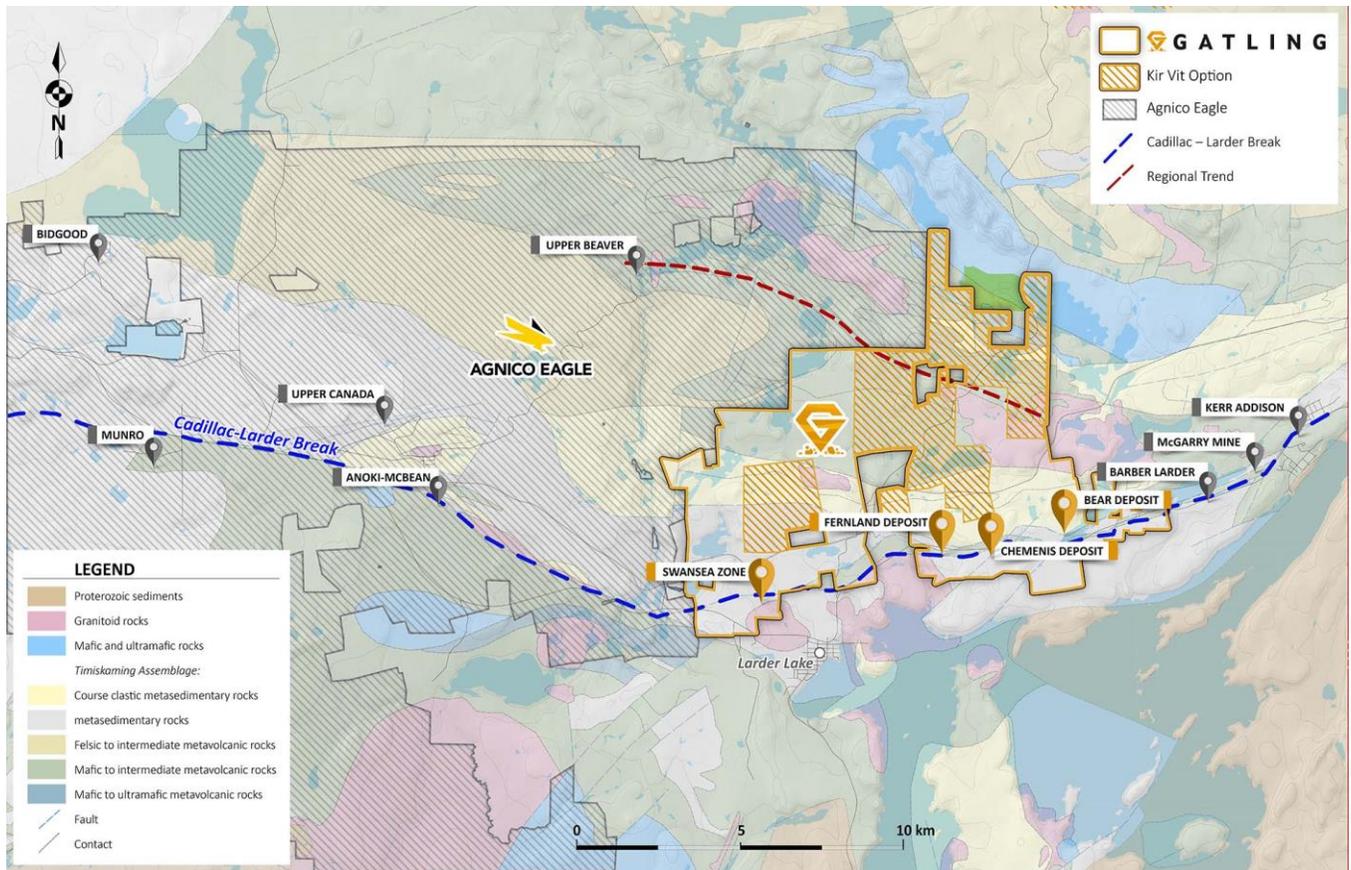
**Position: Director**

Mr. Dickie has over 35 years of experience in the public and private corporate environment, with over 25 years spent in management positions. He is the former President, CEO and director of NioCorp Developments Ltd., a company developing the largest super-alloy mineral deposit in North America (niobium, titanium and scandium). During his six years with NioCorp, Mr. Dickie developed key relationships with property owners and all levels of government in the project area, built a team of internationally recognized senior executives, raised tens of millions of dollars and graduated the company to the TSX-V. During this time, NioCorp's market capitalization grew from under \$5 million to over \$200 million.

**BUSINESS OF THE COMPANY**

Gatling is a Canadian gold exploration company focused on resource development at the Larder Lake Project, a high-grade gold deposit located in the prolific Abitibi greenstone belt.

**GATLING EXPLORATION PROJECT – LARDER LAKE, ONTARIO**



The Larder Lake Project is located in northern Ontario, 35 kilometres (“km”) east of Kirkland Lake and 6 km west of Virginiatown. The property hosts the Bear, Cheminis and Fernland gold deposits that extend along 10 km of the Cadillac-Larder break between Kirkland Lake and Virginiatown. It is positioned 7 km west of the Kerr Addison Mine, which produced 11 million ounces of gold. All parts of the Larder Lake Property are accessible by truck or all-terrain vehicle on non-serviced roads and trails.

On September 24, 2018, as part of the Arrangement, the Company received a 100% interest in the Larder Lake Project. A portion of the project includes a 1.5% net smelter return royalty (“NSR”), of which 1% may be repurchased, at any time, by the Company for \$750,000.

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The Arrangement was deemed to be a purchase of an asset. As such, IFRS 2 *Share-based Payments* was used to determine fair value of the assets acquired. As the fair value of the assets given up to acquire the assets was more readily available, the Company valued the acquisition using the fair value of shares issued of \$0.28 per share. On September 24, 2018, the fair value of the assets acquired and liabilities assumed from Bonterra were as follows:

	<b>Amount</b>
Consideration provided (fair value of 33,426,512 common shares at \$0.28 per share)	\$ 9,359,423
Allocated to net assets acquired:	
Cash transferred from Bonterra	(7,000,000)
Fair value of Larder Lake Project acquired	(2,359,423)
	\$ -

Fair value of \$2,359,423 was allocated to the project and expensed for the period as exploration and evaluation costs.

On April 1, 2019, the Company entered into an assignment and assumption agreement to acquire the Kir Vit claim package in Ontario. Under the terms of the agreement, the Company took assignment of a January 2017 underlying agreement between the vendor and certain parties that originally staked the claims comprising Kir Vit (the “stakers”). In consideration of the assignment, the Company issued 1,750,000 common shares to the vendor.

On July 9, 2019, the Company exercised the option in the underlying agreement and paid \$250,000 to the stakers. Pursuant to the terms of the assignment and assumption agreement, the vendor was granted a 0.5% NSR. The stakers retain a 2% NSR, of which the Company may repurchase one-half (1%) for \$1,000,000. If the Company announces a production decision, a \$4,000,000 payment is due to the vendor and a \$250,000 payment is due to the stakers.

Summaries of exploration and evaluation expenditures for the six months ended September 30, 2019 and 241 days ended March 31, 2019 are as follows:

<b>Six Months Ended September 30, 2019</b>	<b>Larder Lake Project</b>
<b>Acquisition Costs</b>	
Acquisition costs	\$ 845,000
Claim costs	71,999
<b>Total Acquisition Costs</b>	<b>916,999</b>
<b>Property Exploration Costs</b>	
Assays and geochemistry	166,385
Camp and other costs	169,933
Drilling	1,711,939
Geological	379,102
Geophysics	29,601
Travel and transport	30,780
<b>Total Exploration Costs</b>	<b>2,487,740</b>
<b>Total Exploration and Evaluation Expenditures</b>	<b>\$ 3,404,739</b>

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241 Days Ended March 31, 2019	Larder Lake Project
<b>Acquisition Costs</b>	
Fair value of Larder Lake Project acquired	\$ 2,359,423
Claim costs	41,751
<b>Total Acquisition Costs</b>	<b>2,401,174</b>
<b>Property Exploration Costs</b>	
Assays and geochemistry	16,038
Camp and other costs	26,605
Drilling	403,968
Geological	294,346
Travel and transport	2,772
<b>Total Exploration Costs</b>	<b>743,729</b>
<b>Total Exploration and Evaluation Expenditures</b>	<b>\$ 3,144,903</b>

During 2019, the Company commenced a 13,500 metre (“m”) diamond drill program at the Larder Lake Project. On April 25, 2019, the Company announced drill results on its first three holes as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-001A</b>	815.0	820.0	5.0	<b>1.0</b>	North Carbonate Gold Zone (“NCGZ”)
<i>Including</i>	816.0	817.0	1.0	<b>1.9</b>	NCGZ
<i>and Including</i>	818.0	819.0	1.0	<b>1.4</b>	NCGZ
	890.0	891.0	1.0	<b>3.4</b>	Ultramafics
	933.5	934.5	1.0	<b>2.3</b>	South Volcanics
<b>GTR-19-002</b>	825.0	830.0	5.0	<b>1.3</b>	NCGZ/Ultramafics
<i>Including</i>	826.4	827.0	0.6	<b>5.9</b>	NCGZ/Ultramafics
	846.0	847.0	1.0	<b>2.2</b>	Ultramafics
	851.0	852.0	1.0	<b>2.9</b>	Ultramafics
	925.0	927.0	2.0	<b>0.6</b>	South Volcanics
<b>GTR-19-003</b>	797.0	803.1	6.1	<b>20.7</b>	NCGZ/Graphitic Zone
	808.0	815.0	7.8	<b>6.6</b>	NCGZ/Graphitic Zone
	821.0	822.0	1.0	<b>3.2</b>	Ultramafics
	967.2	968.8	1.6	<b>1.9</b>	South Volcanics

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On May 14, 2019, the Company announced drill results from its first wedge drill hole as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-004W</b>	782.0	790.0	8.0	<b>10.8</b>	North
	919.0	920.0	1.0	<b>1.2</b>	South Flow

On June 13, 2019, the Company announced the commencement of a summer field exploration program at the Larder Lake Project. Phase one activity will include surface mapping and sampling. Phase two will comprise outcrop testing and drilling on the new Kir Vit zone.

On July 23, 2019, the Company announced drill results as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-005W2</b>	788.0	793.0	5.0	<b>12.7</b>	North
	810.1	815.0	4.9	<b>2.5</b>	Ultramafics
	917.0	918.0	1.0	<b>1.0</b>	South Flow
<b>GTR-19-006A</b>	750.5	753.5	3.0	<b>9.7</b>	North
	770.6	772.0	1.4	<b>1.3</b>	Ultramafics
	871.0	975.0	4.0	<b>8.5</b>	Altered South Flow
	879.0	882.0	3.0	<b>1.2</b>	South Flow

On August 21, 2019, the Company announced drill results from its initial program on the Cheminis deposit as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-008</b>	24.5	29.0	4.5	<b>1.0</b>	South Flow Zone C
<i>Including</i>	24.5	27.0	2.5	<b>1.5</b>	South Flow Zone C
<i>and Including</i>	26.0	27.0	1.0	<b>3.1</b>	South Flow Zone C
<b>GTR-19-0010</b>	43.0	48.0	5.0	<b>12.3</b>	South Flow Zone A
<i>Including</i>	45.0	48.0	3.0	<b>18.1</b>	South Flow Zone A
<b>GTR-19-0011</b>	24.0	25.0	1.0	<b>1.0</b>	South Flow Zone A
	51.0	53.0	2.0	<b>1.3</b>	South Flow Zone A
	142.0	143.0	1.0	<b>1.6</b>	South Flow Zone A

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On September 6, 2019, the Company announced drill results from the Bear deposit as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-009</b>	811.0	816.0	5.0	<b>10.6</b>	North
	916.0	917.0	1.0	<b>1.2</b>	South Flow

On October 15, 2019, the Company announced drill results from the Cheminis and Bear deposits as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-017</b>	910.0	946.8	36.8	<b>1.5</b>	North
<i>Including</i>	932.0	946.8	14.8	<b>2.0</b>	North
	989.0	999.0	10.0	<b>1.0</b>	South Flow
<i>Including</i>	995.0	999.0	4.0	<b>1.8</b>	South Flow

On October 30, 2019, the Company announced the completion of a Lidar survey that highlighted previously unrecognized structural trends and greatly improved outcrop detection. The new Lidar data will assist with further drill targeting in priority zones.

On November 7, 2019, the Company announced drill results from between the Cheminis and Bear deposits as follows:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Zone
<b>GTR-19-018</b>	954.0	955.5	1.5	<b>1.9</b>	North-Ultramafic Contact
	1192.0	1193.0	1.0	<b>4.0</b>	South Sediments
<b>GTR-19-019</b>	750.0	752.0	2.0	<b>4.6</b>	South Sediments
	839.2	861.0	21.8	<b>1.2</b>	South Flow

**SELECTED QUARTERLY INFORMATION**

Results for the four most recently completed quarters are summarized below.

For the Quarter Periods Ending	September 30, 2019 \$	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$
Total revenue	Nil	Nil	Nil	Nil
Loss for the period	(2,807,555)	(1,822,074)	(1,501,101)	(1,539,607)
Basic and diluted loss per share	(0.06)	(0.04)	(0.03)	(0.04)
Total assets	5,214,482	7,982,622	8,652,505	9,855,845
Total non-current liabilities	328,586	363,939	Nil	Nil
Dividends	Nil	Nil	Nil	Nil

<b>For the Quarter Periods Ending</b>	<b>September 30, 2018 \$</b>
Total revenue	Nil
Loss for the period	(2,425,078)
Basic and diluted loss per share	(0.48)
Total assets	6,967,097
Total non-current liabilities	Nil
Dividends	Nil

### **OPERATIONS**

During the three months ended September 30, 2019, the Company reported a net loss of \$2,807,555. Expenses for the three months ended September 30, 2019 were as follows:

- Consulting fees of \$133,398;
- Depreciation of \$45,592 relating to depreciation of equipment as well as the Company's right-of-use asset;
- Exploration and evaluation costs of \$1,930,631 relating to claims costs and exploration work performed on the Larder Lake Project;
- General exploration of \$79,110 relating to the amortization of a deposit;
- Lease interest accretion of \$14,106 relating to accretion on the lease obligation for the Company's office lease;
- Management fees of \$45,000;
- Office and general of \$37,526;
- Professional fees of \$62,410;
- Rent of \$4,129, net of recoveries, which consists of operating expenses and property taxes related to office rent;
- Share-based payments \$176,204, which relates to the issuance of stock options;
- Shareholder communications and investor relations of \$473,597;
- Transfer agent and filing fees of \$2,029 relating primarily to TSX-V fees and the Company's listing on the OTC; and
- Travel of \$68,891, related to conferences and to the Company's exploration sites.

During the six months ended September 30, 2019, the Company reported a net loss of \$4,629,629. Expenses for the six months ended September 30, 2019 were as follows:

- Consulting fees of \$266,816 (59 days ended September 30, 2018 - \$15,500) increased as the Company started using consultants in the latter portion of fiscal 2019;
- Depreciation of \$84,134 (59 days ended September 30, 2018 - \$nil), relating to depreciation of equipment as well as the Company's right-of-use asset, which did not exist in the prior period;
- Exploration and evaluation costs increased to \$3,404,739 (59 days ended September 30, 2018 - \$2,366,198) relating to higher exploration activity on the Larder Lake Project in the current period;
- General exploration increased to \$79,110 (59 days ended September 30, 2018 - \$nil) as a result of amortizing a deposit;
- Lease interest accretion increased to \$29,115 (59 days ended September 30, 2018 - \$nil) due to accretion on the lease obligation for the Company's office lease, which began on April 1, 2019;
- Management fees increased to \$90,000 (59 days ended September 30, 2018 - \$nil) as a result of employing management subsequent to September 2018;
- Office and general increased to \$86,435 (59 days ended September 30, 2018 - \$246), as exploration activity had not yet begun in the prior period;
- Professional fees increased to \$114,669 (59 days ended September 30, 2018 - \$45), as exploration activity had not yet begun in the prior period;

- Rent increased to \$8,258 (59 days ended September 30, 2018 - \$nil), net of recoveries, which consists of operating expenses and property taxes related to office rent;
- Share-based payments of \$176,204 (59 days ended September 30, 2018 - \$nil) were higher due to the Company not issuing any options in the prior period;
- Shareholder communications and investor relations increased to \$509,952 (59 days ended September 30, 2018 - \$6,825), as exploration activity had not yet begun in the prior period;
- Transfer agent and filing fees of \$9,177 (59 days ended September 30, 2018 - \$36,264) decreased from the prior period, as there were more TSX-V fees relating to the Company's listing on the OTC in the prior period; and
- Travel of \$181,652 (59 days ended September 30, 2018 - \$nil) related to conferences and to the Company's exploration sites, which increased as exploration activity had not yet begun in the prior period.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash and cash equivalents at September 30, 2019 was \$3,872,024 (March 31, 2019 - \$8,003,294). The working capital was \$4,035,941 at September 30, 2019 (March 31, 2019 - \$7,967,379).

On November 26, and 30, 2018, the Company closed private placements for gross proceeds of \$3,463,298 in two tranches. The Company issued 11,544,328 flow-through common shares of the Company at a price of \$0.30. The underwriters received 500,000 common shares valued at \$185,000. Additional share issue costs of \$18,916 were incurred.

Other liabilities of \$48,889 at September 30, 2019 (March 31, 2019 - \$418,533) represent the remaining premium on flow-through share expenditures, and is not a cash liability. At September 30, 2019, the Company had a remaining commitment to incur exploration expenditures in relation to its November 2018 flow-through share financings of \$325,928 (March 31, 2019 - \$2,790,219).

### **COMMITMENTS**

The Company has entered into agreements with officers and directors that include termination and change of control clauses. In the case of termination without cause, the officers and directors are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and directors are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee and minimum incentive fee payable. As at September 30, 2019, the total annual base fee of the officers and directors under the agreements is \$540,000 and the total annual minimum incentive fee is \$60,000.

The Company has entered into an office sublease agreement commencing March 1, 2019 and expiring August 30, 2022 with basic rent per fiscal year approximately as follows:

Fiscal 2020	\$	92,000
Fiscal 2021		186,000
Fiscal 2022		190,000
Fiscal 2023		80,000
	\$	548,000

### **TRANSACTIONS WITH RELATED PARTIES**

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss:



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	<b>Six Months Ended September 30, 2019</b>	<b>59 Days Ended September 30, 2018</b>
Short-term compensation (consulting fees, exploration and evaluation expenditures, management fees and professional fees)	\$ 330,000	\$ -
Share-based compensation	66,382	-
	<b>\$ 396,352</b>	<b>\$ -</b>

During the six months ended September 30, 2019, short-term compensation to related parties consisted of:

- \$90,000 in management fees paid to the CEO;
- \$90,000 in exploration and evaluation expenditures paid to the COO;
- \$45,000 in professional fees paid to the CFO;
- \$45,000 in consulting fees paid to a director; and
- \$60,000 in exploration and evaluation expenditures paid to the VP Exploration.

Transactions with related parties are included in the amounts shown on the condensed interim statements of comprehensive loss as follows:

	<b>Six Months Ended September 30, 2019</b>	<b>59 Days Ended September 30, 2018</b>
Related company controlled by officer and director (consulting fees and office and general)	\$ 60,000	\$ -
Related companies with common officers and directors (rent recovery)	\$ 48,000	\$ -

As at September 30, 2019, the Company had receivables of \$24,150 (March 31, 2019 - \$nil) related to office rent recovery from companies with common officers and directors.

As at September 30, 2019, the Company had prepaids of \$7,500 (March 31, 2019 - \$11,300) related to exploration expenses with a company controlled by a member of key management.

As at September 30, 2019, the Company had payables of \$9,774 (March 31, 2019 - \$31,257) related to shared office and administrative expenses with a company controlled by an officer and director.

**EVENTS OCCURRING AFTER THE REPORTING DATE**

Subsequent to September 30, 2019, 450,000 stock options expired unexercised.

**RISKS AND UNCERTAINTIES**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations; however, it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

### **CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. The Company's investment policy is to invest its cash in financial instruments at high credit quality financial institutions with terms to maturity selected with regard to the expected timing of expenditures from continuing operations. The Company's overall strategy remains unchanged from the prior period.

### **FINANCIAL INSTRUMENTS AND RISKS**

As at September 30, 2019, the Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and lease obligation. The carrying values of these financial instruments approximate their fair values.

#### **Fair value**

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

<b>September 30, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 3,872,024	\$ -	\$ -	\$ 3,872,024
<b>March 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 8,003,294	\$ -	\$ -	\$ 8,003,294

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing it at major Canadian financial institutions. The Company has minimal credit risk. Of the receivables balance, \$413,380 (March 31, 2019 - \$91,622) is owing from the Canada Revenue Agency.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

*Currency risk* – The Company has no funds held in a foreign currency and only a small amount of its accounts payable and accrued liabilities is denominated in US dollars. A fluctuation in the exchange rates between the Canadian and US dollars of 10% would result in a nominal change to the Company's accounts payable and accrued liabilities and foreign exchange gain or loss. The Company does not use any techniques to mitigate currency risk.

*Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

*Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

### **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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of September 30, 2019 equal \$840,805 (March 31, 2019 - \$110,759); \$387,102 (March 31, 2019 - \$110,759) of the liabilities presented as accounts payable and lease obligation – current portion are due within 30 days of the reporting date.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

### **Title to mineral property interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years

into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

### **Going concern risk assessment**

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

### **Decommissioning liabilities**

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at September 30, 2019, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

### **Fair value of stock options granted**

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

### **Leases**

Lease obligations that are recognized at September 30, 2019 have been estimated using a 12% discount rate based on the cost of borrowing for debt instruments of comparable terms for companies with a comparable investment grade to the Company. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

### **NEW ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE**

#### **Initial adoption**

On April 1, 2019, the Company adopted IFRS 16 *Leases*. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

Initial Adoption the Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at April 1, 2019 and applies the standard prospectively. The Company has determined that at April 1, 2019, adoption of IFRS 16 will result in the recognition of a right-of-use asset (“ROU Asset”) of \$525,030 and a lease obligation of \$525,030, of which \$171,795 will be the current portion.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company’s incremental borrowing rate as of April 1, 2019. The Company used an estimated incremental borrowing rate of 12% to measure the present value of the future lease payments on April 1, 2019.

### **Ongoing recognition and measurement**

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income/loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized depreciation expense.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments, which may include: fixed lease payments, variable lease payments that are based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company’s incremental borrowing rate is used.

### **OTHER INFORMATION**

The Company had the following securities issued and outstanding:

	<b>November 26, 2019</b>	<b>September 30, 2019</b>	<b>March 31, 2019</b>
Common shares	47,620,840	47,620,840	45,670,840
Warrants	-	-	-
Stock options	4,275,000	4,725,000	4,525,000
Fully diluted shares	51,895,840	52,345,840	50,195,840