



## **ORESTONE MINING CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended January 31, 2021**

#### **INTRODUCTION**

This is Management's Discussion and Analysis ("MD&A") for Orestone Mining Corp. ("Orestone", or the "Company") and has been prepared based on information known to management as of May 31, 2021. This MD&A is intended to help the reader understand the consolidated financial statements of Orestone.

The following information should be read in conjunction with the audited consolidated financial statements as at January 31, 2021 and 2020 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the year ended January 31, 2020. Additional information relating to the Company can be found on SEDAR [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review consolidated financial statement results, including the MD&A and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

#### **FORWARD LOOKING STATEMENTS**

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

Forward looking statements included or incorporated by reference in this document include statements with respect to:

- Plans for exploration of the Company's properties;
- Speculation on future commodity prices;
- Management expectations of future activities and results.



## **ADDITIONAL INFORMATION**

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and/or on the Company's website at <http://www.orestone.ca>.

## **SUMMARY AND OUTLOOK**

During the year ended January 31, 2021, the Company continued to carefully manage its cash and corporate overhead activities. Detailed mineral property information, including fiscal 2021 activity, can be found in Section 3.

Management's overall expectations for the Company are positive, due in part to the following factors:

- On May 29, 2020, the Company completed a non-brokered private placement issuing 10,625,000 units ("Unit") at a price of \$0.08 per Unit for gross proceeds of \$850,000. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of \$0.12 until May 29, 2022.
- The Company issued an aggregate of 444,546 common shares for gross proceeds of \$66,682 pursuant to the exercise of warrants.
- The Company received an approved 2020 Notice of Work (NOW) from the BC Ministry of Energy Mines and Petroleum Resources for 24 drill locations to test the 10 large magnetic high targets located on the east and west flanks of a central magnetic diorite intrusive.
- On December 21, 2020, the Company announced that it completed the 2020 diamond drilling program on the Captain Property. A total of 942 metres of NQ core drilling were completed in three holes to test for gold-copper porphyry mineralization.
- On March 23, 2021, the Company completed a non-brokered private placement of Units and Flow-Through common shares for \$1,854,470 (the "Offering"). In part "A" of the Offering the Company issued 10,228,556 units ("Unit") at a price of \$0.09 per Unit for gross proceeds of \$920,570. Each Unit consisted of one common share of the Company ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant is exercisable for one Common Share at a price of \$0.15 until March 23, 2022. In part "B" of the Offering the Company issued 7,183,847 common shares ("Flow-Through Shares") at a price of \$0.13 per Flow-Through Share for gross proceeds of \$933,900.



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## **1. Background**

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia on April 30, 2007.

The Company is listed on the TSX Venture Exchange under the trading symbol "ORS" since March 11, 2008.

## **2. Overview**

### **2(a) Company Mission and Focus**

Orestone is a junior mineral exploration company. The Company explores for gold and copper/gold in the Quesnel Terrane of British Columbia, Canada and northern Chile.

The Company actively evaluates potential joint ventures, mergers, and acquisitions in search of opportunities to acquire significant new mineral properties.

### **2(b) Qualified Person**

The technical information reported in this MD&A has been reviewed and approved by Mr. Gary Nordin P. Geo., the Company's Senior Consulting Geologist. Mr. Nordin is a Professional Geoscientist and member of the Professional Engineers and Geoscientist Association of British Columbia (APGECB) and a qualified person as defined by NI 43-101.

### **2(c) Description of Metal Markets**

Market interest for all metals such as gold and copper is volatile and the Company will monitor its resources relative to its opportunities during the coming fiscal year.

### **2(d) Use of the terms "Mineral Resources" and "Mineral Reserves"**

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

### **2(e) Historical estimates are not NI 43-101 compliant**

The historical estimates contained in this MD&A have not been calculated in accordance with the mineral resources or mineral reserves classifications contained in the CIM Definition Standards on Mineral Resources and Mineral Reserves, as required by National Instrument 43-101 ("NI 43-101"). Accordingly, the Company is not treating these historical estimates as current mineral resources or mineral reserves as defined in NI 43-101, and such historical estimates should not be relied upon. A qualified person has not done sufficient work to date to classify the historical estimates as current mineral resources or mineral reserves.

### **3. Mineral Property**

#### **3(a) Captain Property**

The 100% owned Captain Property is located 150km north of Prince George, British Columbia, in the prolific Quesnel trough terrane which hosts a number of copper-gold and copper-molybdenum porphyry deposits including the Mt. Milligan copper-gold deposit located just 30km north of the Captain Property.

Previous exploration in 2011-2016 concentrated on exploring a magnetic high associated with a copper gold mineralized, alkaline dyke zone. Exploration in 2019 and 2020 was focused on locating the source of a high grade calc-alkaline kspars-sericite monzonite porphyry inclusion.

On September 2, 2020, the Company received an approved 2020 Notice of Work (“NOW”) from the British Columbia Ministry of Energy Mines and Petroleum Resources for 24 drill locations to test the 10 large magnetic high targets located on the east and west flanks of a central magnetic diorite intrusive. Additionally, an Assessment Report covering the 2019 drilling was filed with the Department of Energy, Mines, and Low Carbon Innovation of British Columbia with a portion of the exploration expenditures applied to extend the expiry dates of key mineral claims until 2030.

On December 21, 2020, the Company announced that it completed a 2020 diamond drilling program on the Captain Property. A total of 942 metres of NQ core drilling were completed in three holes to test for gold-copper porphyry mineralization.

The Captain gold-copper project hosts a porphyry system which encompasses a cluster of large targets located 41 kilometres north of Fort St. James and 30 kilometres south of the Mt. Milligan copper-gold mine in north central British Columbia. An additional 15 square kilometres of new mineral claims have been added to the Captain Property which now encompasses 37 sq kms.

The Captain Project features relatively flat terrain, moderate tree cover and an extensive network of logging and Forest Service roads suitable for exploration year around. All permits are in place for 24 drill locations. An Amendment to the Company’s approved 2020 NOW from the British Columbia Ministry of Mines and Petroleum Resources was approved on January 11, 2021 for 11 additional drill hole locations.

The Company implemented a rigorous quality assurance/quality control program to ensure best practices in sampling and analysis of diamond drill core. All assays were performed by Activation Laboratories Ltd. (ActLabs), with sample preparation and analysis carried out in their full-service facility in Kamloops, British Columbia. Sample preparation involved crushing the entire sample to 80% minus 2 mm followed by pulverizing a 250g split to 95% minus 105 µm. Primary analysis for gold was done by fire assay on a 30 gram subsample with an atomic adsorption finish. Additionally, samples were prepared using Aqua Regia partial digestion and analyzed for 38 elements including copper by inductively coupled plasma (ICP). For over-limit values, samples were re-analyzed for gold by fire assay with a gravimetric finish and for copper by Aqua Regia (partial) digestion followed by assay grade ICP.

On February 3, 2021, the Company announced that results from drill hole C20-03 of the 2020 drill program and re-logging and interpretation of previous drill holes C12-03 and C19-03 had outlined a large highly potassic-sericite altered monzonite gold-copper mineralized porphyry system. The mineralized potassic-sericite altered porphyry intrusive was intersected in all three holes at a depth of 170 to 270m beneath a 30 to 100m thick layer of glacial till and a 100-150m thick phyllic altered cap. The porphyry system is also associated with a distinctive magnetic low measuring 600m x 1300m surrounded by a crescent shaped magnetic high associated with propylitic altered diorite/monzonite and, on the SW a magnetic alkaline porphyry system.

On March 9, 2021, the Company announced that a review of the Induced Polarization (“IP”) geophysical survey from 2016 for the Captain Property had yielded positive results supporting the exploration model of a large scale calc-alkaline gold-copper porphyry system. Additionally, to complete the magnetic survey coverage for the property, a small helicopter borne magnetics program was being carried out with readings collected on 100 metre spaced lines.

The 2016 survey consisted of 8 line kilometers of IP/Resistivity on 4 lines of 2 kilometres each spaced at 400 metres. The survey was designed to test for the source of a 3 metre sulphide rich mineralized xenolith of potassic-sericite altered calc-alkalic intrusive intersected in drill hole C13-03 which assayed 1.9 g/t gold, 11 g/t silver and 0.226 % copper within an otherwise unaltered and barren post mineral dyke. Review of the survey by Orestone geologist G. Nordin in consultation with the Company's geophysical services consultant, A. Walcott of Peter E. Walcott and Associates confirmed the presence of a large scale strong IP chargeability anomaly coincident with the western portion of the interpreted Captain gold-copper calc-alkaline porphyry system. The survey results are also consistent with the model of a sulphide rich porphyry body beneath a 30 to 100m layer of glacial till and a 100-150m phyllic altered cap.

On April 7, 2021, the Company announced that all contractors had been selected and retained to carry out the 2021 Phase I drill program at the Captain Property. Equipment was mobilized with drilling started in mid April 2021. The exploration model at Captain is a large scale potassic-sericite altered calc-alkaline gold-copper porphyry target.

The drill program to consist of 1,000 to 2,000 meters of core drilling in 2 – 3 holes and was budgeted at \$300,000 to \$600,000 and designed to follow up and test for calcalkaline porphyry mineralization intersected in holes C13-03 and C19-03. Hole C13-03 intersected a 3 meter sulphide rich mineralized xenolith which assayed 1.9 g/t gold, 11 g/t silver and 0.23 % copper within an otherwise unaltered and barren post mineral dyke. Hole C19-03, located 250m south of C13-03 intersected visually identical porphyry at 271m with the bottom 24m of the hole (271m – 295m) grading 0.27 g/t gold, 3.26 g/t silver and 0.09 % copper. The hole ended in 0.49 g/t gold, 3.0 g/t silver and 0.11 % copper at 295m and remains open to depth.

### **3(b) Resguardo Copper-Gold Porphyry Project**

On August 27, 2020, the Company announced results from the 1,100-metre reverse circulation (RC) drill program at the Resguardo Property. The drill program tested the two large exploration targets outlined on the property to date but failed to locate the source of the copper-gold mineralization mined in historic workings.

Reverse circulation (RC) drill hole RE-20-01 was drilled to a depth of 400 metres approximately 500 metres southwest of the historic oxide copper mine on the centre of the strongest portion of the IP anomaly on geophysical Section 4. The location was in a talus covered area just to the west of a strong NW trending linear. The hole collared in gray-green andesites interlayered with sedimentary sandstones and tuffs and intruded by diorite bodies. From 60 metres depth, the andesite/sedimentary units were weakly to moderately silicified with trace to 2% fine-grained pyrite that remain open to depth. Additionally, a 10 meter wide zone with 2% magnetite and trace chalcopyrite was intersected from 126 to 136 metres. Assay values were low with 2m to 8m sections running anomalous values of up to 219 ppm copper with one 6m section of magnetite rich andesite grading 0.245% copper.

RC drill hole RE-20-02 drilled to a depth of 400m was located approximately 600 metres SW of hole RE-20-01 near the western end of the IP chargeability anomaly on geophysical section line 1 within an area of quartz-kaolinite-sericite alteration on a strong NW trending linear. The hole, collared in talus, intersected thick alternating sections of green coloured andesite flows and sedimentary sections of volcanogenic sandstone and dark gray to green coloured fine grained tuffs. The sequences were weakly silicified with trace to 1% fine-grained pyrite. Assay values were low with isolated 2m sections with anomalous values of up to 173 ppm copper.

RC drill hole RE-20-03 was drilled to a total depth of 300m in the SW Zone approximately 80 metres west of IP section line 7 approximately 1,500 metres west of the main Resguardo IP anomaly. Prospecting outlined a large area of strong quartz-sericite stockworks and breccias associated with hydrothermally altered granodiorite intrusive and volcanics with copper oxides and limonite on the surface. Mapping showed the zone to have a length of 700 metres and a width of over 260 metres, remaining open in several directions. Hole RE-20-03 also targeted a moderate chargeability anomaly of up to 9.5 mv/V starting at a depth of 150 to 200 metres with a coincident resistivity anomaly of up to 4500 Ohm\*m. The





hole intersected weakly silicified granodiorite with locally 1 to 2% fine grained disseminated pyrite. Assays contained no significant values.

On November 6, 2020, the Company announced that following a review of the results from the recent reverse circulation drilling program, the low copper gold values encountered on the primary target did not justify further work and Orestone terminated the option to purchase agreement with Sociedad Contractual Minera Resguardo. This resulted in an impairment of \$734,863 in exploration and evaluation assets as of January 31, 2021.

The Company's exploration expenses for the year ended and as at January 31, 2021 are:

	<b>Captain Property</b>	<b>Resguardo Property</b>	<b>Total</b>
<b>Property acquisition costs</b>			
Balance, January 31, 2020	\$ 295,158	\$ 288,934	\$ 584,092
Staking claims	6,396	-	6,396
Balance, January 31, 2021	301,554	288,934	590,488
<b>Deferred exploration costs</b>			
Balance, January 31, 2020	1,955,507	126,401	2,081,908
Assays	5,308	15,584	20,892
Claim maintenance fee	-	26,397	26,397
Drilling	282,676	224,573	507,249
Field supplies and maps	11,339	6,368	17,707
Geological consulting	31,378	40,992	72,370
Legal	500	5,614	6,114
Other	2,500	-	2,500
Balance, January 31, 2021	2,289,208	445,929	2,735,137
<b>Mining exploration tax credit</b>			
Balance, January 31, 2020	(295,764)	-	(295,764)
Additions	-	-	-
Balance, January 31, 2021	(295,764)	-	(295,764)
Impairment	-	(734,863)	(734,863)
<b>Total</b>	<b>\$ 2,294,998</b>	<b>\$ -</b>	<b>\$ 2,294,998</b>

#### **4. Risks and Uncertainties**

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control.

##### **Industry**

The Company is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered and economically produced. Most exploration projects do not result in the discovery of commercially mineable ore deposits. If market conditions make financings difficult, it may be difficult for the Company to find joint venture partners. The Company may be unsuccessful in identifying and acquiring projects of merit.



#### Mineral resource estimates

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

#### Gold and metal prices

The price of gold is affected by numerous factors including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products that the Company may explore have the same or similar price risk factors.

#### Cash flows and additional funding requirements

The Company currently has no revenue from operations. If any of its exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest or be reduced in interest or to a royalty interest. Additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company are equity capital or the offering of an interest in its projects to another party. Current economic conditions have limited the Company's ability to access financing through equity markets and this has created significant uncertainty as to the Company's ability to fund ongoing operations for the next operating period.

#### Environmental

The Company's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures. Intense lobbying over environmental concerns by NGOs has caused some governments to cancel or restrict development of mining projects. Current publicized concern over climate change may lead to carbon taxes, requirements for carbon offset purchases or new regulation. The costs or likelihood of such potential issues to the Company cannot be estimated at this time.

#### Laws and regulations

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions in which it operates. These laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, advisors, employees and contractors to ensure compliance with current laws.

#### Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in Canada may affect its properties in this jurisdiction in the future.

#### Possible dilution to present and prospective shareholders

The Company's plan of operation, in part, contemplates the financing of its business by the issuance of securities and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company may seek joint venture partners to fund in whole or in part exploration projects. This dilutes the Company's interest in properties. This dilution is undertaken to spread or minimize the risk and to expose the Company to more exploration plays. However, it means that any increased market capitalization or profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the





Company can find a joint venture partner for any property.

*Material risk of dilution presented by large number of outstanding share purchase options and warrants*

At January 31, 2021, there were 3,390,000 stock options and 20,630,545 warrants outstanding. Of the 3,390,000 options, directors and officers hold 2,525,000 options and the remaining 865,000 are held by employees, advisors and consultants of the Company.

*Volatility of share price*

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries or discouraging exploration results, changes in financial results, and other factors could have a significant effect on share price.

*Competition*

There is competition from other mining exploration companies with operations similar to the Company's. Many of the companies with which it competes have operations and financial strength greater than the Company's.

*Dependence on management*

The Company depends heavily on the business and technical expertise of its management.

*Conflict of interest*

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of such conflict, the Company may miss the opportunity to participate in certain transactions.

**5. Impairment of Long-lived Assets**

The Company completed an impairment analysis as at January 31, 2021, which considered the indicators of impairment in accordance with IAS 36, "Impairment Assets." Other than the write-off of the Resguardo property in Chile as noted above, the management concluded that no other impairment charge was required because:

- there have been no significant changes in the legal factors or climate that affects the value of the Captain Property;
- The rights to the Captain Property remain in good standing;
- there have been no significant changes in the projections for the Captain Property;
- the Company intends to continue its exploration and development plans on its Captain Property.

**6. Material Financial and Operations Information**

**6(a) Selected Annual Financial Information**

The following selected annual financial information has been derived from the last three audited financial statements of the Company, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian dollars.

	2021	2020	2019
Total revenues	\$ -	\$ -	\$ -
Expenses	\$ 594,867	\$ 664,690	\$ 387,874
Loss for the year	\$ 1,374,333	\$ 643,397	\$ 387,498
Basic and diluted loss per share	\$ 0.04	\$ 0.03	\$ 0.03
Total assets	\$ 2,454,746	\$ 2,620,598	\$ 1,576,893
Total long-term financial liabilities	\$ -	\$ -	\$ -
Cash dividend declared - per share	N/A	N/A	N/A



## 6(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Three months ended			
	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before other items	\$ 89,472	\$ 52,045	\$ 346,612	\$ 106,738
Net loss	\$ 128,115	\$ 786,833	\$ 354,517	\$ 104,868
Loss per share	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.00

	Three months ended			
	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before other items	\$ 169,201	\$ 197,302	\$ 206,079	\$ 94,419
Net loss	\$ 166,329	\$ 199,801	\$ 182,848	\$ 94,419
Loss per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

## 6(c) Review of Operations and Financial Results

### For the three months ended January 31, 2021 compared with the three months ended January 31, 2020:

The Company recorded a net loss for the three months ended January 31, 2021 of \$128,115 (loss per share - \$0.00) compared to a net loss of \$166,329 (loss per share - \$0.01) for the three months ended January 31, 2020.

Excluding the non-cash share-based compensation of (\$9,587) (2020 - non-cash share-based compensation of \$52,122), the expenses decreased to \$99,059 (2020 - \$117,079), a slight decrease of \$18,020. The change was primarily due to decreases in: (a) investor relations (2021 - \$13,948; 2020 - \$23,418); (b) marketing expenses (2021 - \$Nil; 2020 - \$10,000) and (c) travel expenses (2021 - \$226; 2020 - \$5,843); while being offset by increases in: (a) professional fees (2021 - \$27,332; 2020 - \$22,527) and (b) salaries and consulting fees (2021 - \$50,172; 2020 - \$44,738). All such decreases are because the Company was conserving its cash reserves.

### For the year ended January 31, 2021 compared with the year ended January 31, 2020:

The Company incurred a net loss for the year ended January 31, 2021 of \$1,374,333 (loss per share - \$0.04) compared to a net loss of \$643,397 (loss per share - \$0.03) for the same period in 2020.

Excluding the non-cash share-based compensation of \$134,638 (2020 - \$166,512), the expenses decreased to \$460,229 from 2020's \$498,178, a decrease of \$37,949. The decrease was primarily due to: (a) filing fees (2021 - \$11,264; 2020 - \$25,658); (b) investor relations (2021 - \$58,668; 2020 - \$78,701); (c) marketing expenditures (2021 - \$10,243; 2020 - \$30,975); (d) project search expenses (2021 - \$Nil; 2020 - \$15,796) and (e) travel expenses (2021 - \$12,176; 2020 - \$34,256). All such decreases were because the Company was conserving its cash reserves. These decreases were offset by an increase in salaries and consulting fees (2021 - \$253,195; 2020 - \$199,711).

## 6(d) Liquidity and Capital Resources

As at January 31, 2021, the Company had working capital deficiency of \$148,850 (January 31, 2020 - working capital of \$161,797). As at January 31, 2021, cash totaled \$69,719, a decrease of \$89,700 from \$159,419 as at January 31, 2020. The decrease is due to (a) operating expenses of \$478,703; (b) an increase in the exploration and evaluation assets of \$466,807 and (c) an increase in IVA receivable of \$46,690; while being offset by (d) a decrease in reclamation bond of \$14,000 and (e) net proceeds from financing activities of \$887,500.



During the year ended January 31, 2021, the Company issued an aggregate of 444,546 common shares for gross proceeds of \$66,682 pursuant to the exercise of warrants.

On May 29, 2020, the Company completed a non-brokered private placement issuing 10,625,000 units ("Unit") at a price of \$0.08 per Unit for gross proceeds of \$850,000. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of \$0.12 until May 29, 2022. If the closing trading price of the shares on the TSX Venture Exchange (or such other stock exchange on which the shares may be listed) is at or greater than \$0.25 per share for any 20 consecutive trading days at any time commencing after September 29, 2020, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the earlier of (a) the 10th trading day after the date on which such notice is given by the Company and (b) the original expiry date of the warrants. No finders' fees were paid in connection with the private placement. The Company incurred \$29,182 share issue costs related to this private placement.

On March 2, 2021, the Company granted 400,000 stock options to a consultant of the Company that can be exercised at \$0.12 per share until March 2, 2026. These options vest 25% immediately and 25% every quarter following the date of grant.

On March 23, 2021, the Company completed a non-brokered private placement of Units and Flow-Through common shares for \$1,854,470 (the "Offering"). In part "A" of the Offering the Company issued 10,228,556 units ("Unit") at a price of \$0.09 per Unit for gross proceeds of \$920,570. Each Unit consisted of one common share of the Company ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant is exercisable for one Common Share at a price of \$0.15 until March 23, 2022. In part "B" of the Offering the Company issued 7,183,847 common shares ("Flow-Through Shares") at a price of \$0.13 per Flow-Through Share for gross proceeds of \$933,900. The warrants were ascribed a value of \$368,228 under the Black-Scholes valuation model with the residual being allocated to share capital. Finders' fees amounting to \$61,846 were paid in connection with the private placement.

On April 1, 2021, the Company granted 1,615,000 stock options to directors, officers and consultants of the Company that can be exercised at \$0.12 per share until April 1, 2026. These options vest 25% immediately and 25% every quarter following the date of grant.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company relies on equity financings to fund its exploration activities, corporate overhead expenses and acquisitions. There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favorable. To date, the Company has not used debt or other means of financing to further its exploration programs.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from equity issuances will allow its efforts to continue throughout 2021. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

#### **6(e) Disclosure of Outstanding Share Data**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at January 31, 2021, the Company's share capital was \$8,100,841 (January 31, 2020 - \$7,559,093) representing 39,247,829 common shares (January 31, 2020 - 28,178,283 common shares).



A continuity of warrants for the year ended January 31, 2021 is as follows:

Expiry date	Exercise price (\$)	January 31, 2019	Issued	Exercised	Expired	January 31, 2020	Issued	Exercised	Expired	January 31, 2021
June 14, 2019	0.15	500,000	-	-	(500,000)	-	-	-	-	-
October 25, 2019	0.10	3,991,667	-	(1,008,334)	(2,983,333)	-	-	-	-	-
August 20, 2020	0.22	-	786,875	-	-	786,875	-	-	(786,875)	-
August 23, 2020	0.22	-	1,300,000	-	-	1,300,000	-	-	(1,300,000)	-
April 28, 2021	0.15	-	10,450,091	-	-	10,450,091	-	(444,546)	-	10,005,545
May 29, 2022	0.12	-	-	-	-	-	10,625,000	-	-	10,625,000
Warrants outstanding		4,491,667	12,536,966	(1,008,334)	(3,483,333)	12,536,966	10,625,000	(444,546)	(2,086,875)	20,630,545
Weighted average exercise price (\$)		\$ 0.11	\$ 0.16	\$ 0.10	\$ 0.11	\$ 0.16	\$ 0.12	\$ 0.15	\$ 0.22	\$ 0.13

A continuity of options for the year ended January 31, 2021 is as follows:

Expiry date	Exercise price (\$)	January 31, 2019	Issued	Expired / cancelled	January 31, 2020	Issued	Expired / cancelled	January 31, 2021
November 22, 2022	0.15	385,000	-	-	385,000	-	-	385,000
April 28, 2023	0.15	400,000	-	-	400,000	-	-	400,000
June 4, 2023	0.15	100,000	-	(100,000)	-	-	-	-
October 4, 2023	0.15	250,000	-	(100,000)	150,000	-	-	150,000
June 3, 2024	0.15	-	1,015,000	-	1,015,000	-	-	1,015,000
August 29, 2024	0.20	-	300,000	-	300,000	-	(10,000)	290,000
June 8, 2025	0.12	-	-	-	-	1,150,000	-	1,150,000
Options outstanding		1,135,000	1,315,000	(200,000)	2,250,000	1,150,000	(10,000)	3,390,000
Options exercisable		1,135,000	1,315,000	(200,000)	2,250,000	862,500	(10,000)	3,102,500
Weighted average exercise price (\$)		\$ 0.15	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.12	\$ 0.20	\$ 0.14

If the remaining options and warrants were exercised, the Company's available cash would increase by \$5,040,415.

As of the date of this MD&A, there are 56,660,232 common shares issued and outstanding and 82,518,788 common shares outstanding on a diluted basis.

#### 6(f) Off-Balance Sheet Arrangements

None at this time.

#### 6(g) Transactions with Related Parties

Payments to related parties were made in the normal course of operations and were valued at fair value. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. There are no commitments or guarantees associated with the outstanding balances.

For the year ended January 31, 2021:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
David Hottman Chief Executive Officer, Director	\$ 67,200	\$Nil	\$Nil	\$Nil	\$ 23,648	\$ 90,848
Mark T. Brown Chief Financial	\$Nil	\$Nil	\$Nil	\$Nil	\$ 7,434	\$ 7,434
Bruce Winfield President, Director <sup>(a)</sup>	\$Nil	\$Nil	\$Nil	\$Nil	\$ 11,635	\$ 11,635
Gary D. Nordin Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 39,851	\$ 39,851
John Kanderka Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 19,477	\$ 19,477
James Anderson Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 6,525	\$ 6,525
Patrick Daniels Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,464	\$ 5,464

<sup>(a)</sup> Mark T. Brown and Bruce Winfield receive payments for their services through private companies they control. Please refer to the table on the next page.

For the year ended January 31, 2020:

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
David Hottman Chief Executive Officer, Director	\$67,200	\$Nil	\$Nil	\$Nil	\$ 7,794	\$ 74,994
Mark T. Brown Chief Financial	\$Nil	\$Nil	\$Nil	\$Nil	\$ 13,513	\$ 13,513
Bruce Winfield President, Director <sup>(a)</sup>	\$Nil	\$Nil	\$Nil	\$Nil	\$ 19,463	\$ 19,463
Gary D. Nordin Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 23,360	\$ 23,360
John Kanderka Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 9,731	\$ 9,731
Julia Aspillaga* Former Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,687	\$ 5,687
James Anderson Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 29,194	\$ 29,194
Patrick Daniels Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 5,687	\$ 5,687

<sup>(a)</sup> Mark T. Brown and Bruce Winfield receive payments for their services through private companies they control. Please refer to the table on the next page.

\* Julia Aspillaga resigned on October 29, 2019 (date of AGM where she did not stand for re-election)



Amounts in due to related parties: Services for:	During the years ended		As at	
	January 31,		January 31,	
	2021	2020	2021	2020
David Hottman	\$ 67,200	\$ 67,200	\$ 4,264	\$ -
Gary Nordin	21,700	-	21,700	-
A private company controlled by a director of the Company	-	4,800	-	-
A private company with an officer in common with the Company	58,800	61,950	10,290	5,145
A private company controlled by President of the Company	90,000	60,000	7,875	7,875
<b>Total</b>	<b>\$ 237,700</b>	<b>\$ 193,950</b>	<b>\$ 44,129</b>	<b>\$ 13,020</b>

Amounts in prepaid expenses: Services for:				
David Hottman	\$ -	\$ 16,381	\$ 6,720	\$ 8,619
<b>Total</b>	<b>\$ -</b>	<b>\$ 16,381</b>	<b>\$ 6,720</b>	<b>\$ 8,619</b>

Amounts in due from related party Services for:				
A private company with directors and officers in common <sup>(a)</sup>	\$ -	\$ 1,200	\$ -	\$ 34,720
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,200</b>	<b>\$ -</b>	<b>\$ 34,720</b>

<sup>(a)</sup> As management has determined that the collectability of this amount is doubtful, it was written off as of January 31, 2021.

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company.

## 6(h) Financial Instruments

The fair value of the Company's cash, due from related party, trade and other payables and due to related parties approximate their carrying values.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities are measured using level 1 inputs. There were no transfers between levels 1, 2 and 3.





The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings, reclamation bonds and receivables (excluding GST). The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is low.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency risk and price risk. The Company is not subject to currency risk as the functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk.

Management of industry risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Currency risk

The Company's property interest in Chile make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currency. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary assets of \$53,846 denominated in US dollars

**6(i) Management of Capital Risk**

The Company manages its cash and cash equivalents, common shares, warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.



In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its exploration and operations in the near term.

## **7. Subsequent Events**

None other than already disclosed in other sections.

## **8. Policies and Controls**

### **8(a) Significant Accounting Policies and Estimates**

#### **Significant estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets.

#### **Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the assessment as to whether any impairment exists on the Company's exploration and evaluation assets.

## **9. Internal Control Over Financial Reporting**

### **Changes in Internal Control Over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.



### Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

### **10. Information on the Board of Directors and Management**

#### **Directors:**

*David Hottman*  
*Bruce Winfield*  
*Patrick Daniels*  
*Gary Nordin*  
*John Kanderka*  
*James Anderson*

#### **Audit Committee members:**

*John Kanderka (Chair), Gary Nordin and Patrick Daniels*

#### **Management:**

*David Hottman – Chief Executive Officer*  
*Mark T. Brown, B.Comm, CPA, CA – Chief Financial Officer*  
*Bruce Winfield - President*