FREEMAN GOLD CORP.
(Formerly Lodge Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six months ended May 31, 2020

The following MD&A of Freeman Gold Corp. (formerly Lodge Resources Inc.) ("Freeman" or "the Company ") has been prepared by management, in accordance with the requirements of NI 51-102 as of July 30, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended May 31, 2020 and 2019, the audited consolidated financial statements for the years ended November 30, 2019 and 2018, and the related notes contained therein which have been prepared under IFRS. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended November 30, 2019 and 2018, are also referred to as "fiscal 2019" and "fiscal 2018", respectively. All financial information in this MD&A has been prepared in accordance with IFRS. All monetary amounts are expressed in Canadian dollars, the presentation and functional currency of the Company, unless otherwise indicated.

Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties", and "Cautionary Note Regarding Forward Looking Statements" sections of this document.

We are publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "FMAN". Continuous disclosure materials are available on SEDAR at www.sedar.com.

Overview

Freeman was incorporated in the Province of British Columbia on October 24, 2018, under the Business Corporations Act of British Columbia. On October 31, 2018, Lodge Minerals Inc. was incorporated in the Province of British Columbia and is a wholly-owned subsidiary of the Company. The Company is in the business of exploring exploration and evaluation assets.

On April 16, 2020 (the "Closing"), the Company completed a share exchange transaction (the "Reverse Takeover Transaction" or the "RTO") with 1132144 B.C. Ltd. ("113BC"), the parent company of Lower 48 Resources (Idaho) LLC ("Lower 48"), whereby the Company acquired all of the issued and outstanding common shares of 113BC through the issuance of 33,740,000 common shares of the Company to 113BC's shareholders (the "RTO Shares"). The RTO shares are subject to a voluntary release schedule with 17.5% of the shares released on Closing, 22.5% to be released six months after Closing, 30% to be released nine months after Closing, and the balance to be released 12 months after Closing. Additionally, the Company issued 3,500,000 common shares as finder fee shares to an arm's length finder that facilitated the Reverse Takeover Transaction. Prior to Closing 14,257,770 common shares of the Company were outstanding. Following Closing 51,497,770 common shares of the Company were outstanding, with 66% of the Company's shares held by shareholders of 113BC.

Management determined that the RTO Transaction constituted a reverse acquisition for accounting purposes whereby 113BC acquired the Company. For accounting purposes, 113BC is treated as the accounting acquirer (legal subsidiary), and the Company is treated as the accounting acquiree (legal parent) in the unaudited condensed interim consolidated financial statements for three and six months ended May 31, 2020. As 113BC was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. The Company's results of operations are included from the Closing date. The comparative figures are those of 113BC prior to the reverse acquisition.

As a post-closing condition of the acquisition, Freeman has agreed to complete a financing of a minimum of $3,500,000, with proceeds to fund exploration on the Lemhi Gold Project located in Lemhi County, Idaho, USA ("Lemhi Project"), and for working capital.

Lower 48 has an option to acquire the Lemhi Project located in the Prolific Salmon, Idaho region which is comprised of 99 unpatented claims and 11 patented claims subject to certain existing encumbrances, which have over 10,000 meters of historic drilling. Historic resource estimates on the project total approximately 818,000 oz AV indicated and 395,000 oz AV inferred based on non 43-101 compliant historic resource estimates (which are provided for context only and should not be relied upon in assessing the merit of the project).

The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken by countries to contain and treat the disease.

Exploration Activities

Area and Location

The Comstock Property is comprised of twelve (12) contiguous mining claims that are the subject of the Comstock Property Option Agreement. The claims that comprise the Property cover an area of 664.0111 hectares and are located 181 kilometers northeast of Vancouver and seven kilometers south of Merritt, British Columbia, within the Nicola Mining District.

The Lemhi Project located in the Prolific Salmon, Idaho region is comprised of 99 unpatented claims and 11 patented claims subject to certain existing encumbrances, which have over 10,000 meters of historic drilling. Historic resource estimates on the project total approximately 818,000 oz AV indicated and 395,000 oz AV inferred based on non 43-101 compliant historic resource estimates (which are provided for context only and should not be relied upon in assessing the merit of the project).

The following table summarizes the Company's exploration and evaluation asset expenditures to May 31, 2020, and November 30, 2019:

	May 31, 2020	November 30, 2019
	$	$
Acquisition costs:		
Balance, beginning of year	451,072	39,781
Additions	1,897,002	451,072
Disposal	-	(39,781)
Balance, end of year	2,348,074	451,072
Deferred exploration expenditures:		
Balance, beginning of year	29,957	9,550
Geophysical	54,998	19,577
Title renewals	87,248	10,380
Disposal	-	(9,550)
Balance, end of year	172,203	29,957

Summary of Quarterly Results

The following table sets forth summary financial information of the Company for the quarters from inception to May 31, 2020. This information has been summarized from our unaudited condensed interim financial statements. This summary of financial information should be read in conjunction with the unaudited condensed interim financial statements, including the notes thereto.

(In $000's except earnings per share)

	May 31, 2020	February 29, 2020	November 30, 2019
Revenue	Nil	Nil	Nil
Loss for the period	(7,433)	(613)	(68)
Deficit	(7,587)	(758)	(145)
Loss per share (Basic & Diluted)	(0.19)	(0.05)	(0.01)
Current assets	1,079	493	618
Total assets	3,600	1,853	673
Total liabilities	185	59	353

(In $000's except earnings per share)

	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018
Revenue	Nil	Nil	Nil	Nil
Loss for the period	(9)	(4)	(36)	(28)
Deficit	(77)	(68)	(64)	(28)
Loss per share (Basic & Diluted)	(0.00)	(0.00)	(0.01)	(0.15)
Current assets	46	78	83	98
Total assets	75	83	88	103
Total liabilities	26	25	26	21

Results of Operations - For the three months ended May 31, 2020 and 2019:

<u>Revenues</u>

Due to the Company's status as an exploration stage mineral resource Company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

<u>Expenses</u>

During the three months ended May 31, 2020, the Company recorded a loss of $7,433,429 compared to $18 in the same period last year. Some of the significant charges to operations are as follows:

- Bank charges and interest increased to $818 (three months ended May 31, 2019: $18) from interest expense on repaid promissory notes.
- Operating, general and administrative increased to $4,755 (three months ended May 31, 2019: $Nil) as the Company engaged management and advisory consultants following its listing on the CSE.
- During the quarter consulting fees totaled $34,164 (three months ended May 31, 2019: $Nil). Regulatory and filing fees increased to $13,596 (three months ended May 31, 2019: $Nil). Listing expenses increased to $6,995,248 and regulatory and filing fees increased to $13,596 (three months ended May 31, 2019: $Nil and $Nil, respectively).
- Marketing fees during the quarter increased to $289,938 (three months ended May 31, 2019: $Nil).

For the quarter ended May 31, 2020, loss per share was $(0.20), current assets were $1,079,357, total assets were $3,599,634 and total liabilities were $184,721. Total assets as at May 31, 2020 increased mainly from cash received on private placement financings and subscriptions received which was used to advance working capital to Lower 48, a prepaid expense for marketing and repayment of promissory notes. Total liabilities correspondingly decreased from the repayment of promissory notes.

Results of Operations - For the six months ended May 31, 2020 and 2019:

<u>Revenues</u>

Due to the Company's status as an exploration stage mineral resource Company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

<u>Expenses</u>

During the six months ended May 31, 2020, the Company recorded a loss of $7,550,913 compared to $84 in the same period last year. Some of the significant charges to operations are as follows:

- Bank charges and interest increased to $1,078 (six months ended May 31, 2019: $84) from interest expense on repaid promissory notes.
- Operating, general and administrative increased to $4,926 (six months ended May 31, 2019: $Nil) as the Company engaged management and advisory consultants following its listing on the CSE.

- During the quarter consulting fees totaled $34,164 (six months ended May 31, 2019: $Nil). Regulatory and filing fees increased to $13,596 (six months ended May 31, 2019: $Nil). Listing expenses increased to $7,000,301 and regulatory and filing fees increased to $13,596 (six months ended May 31, 2019: $Nil and $Nil, respectively).
- Marketing fees during the quarter increased to $289,938 (six months ended May 31, 2019: $Nil).

For the six months ended May 31, 2020, loss per share was $(0.20), current assets were $1,079,357, total assets were $3,599,634 and total liabilities were $184,721. Total assets as at May 31, 2020 increased mainly from cash received on private placement financings and subscriptions received which was used to advance working capital to Lower 48, a prepaid expense for marketing and repayment of promissory notes. Total liabilities correspondingly decreased from the repayment of promissory notes.

Liquidity and Capital Resources

As at May 31, 2020, the Company had working capital of $894,636 and an accumulated deficit of $7,586,758 compared to a working capital deficit of $84,254 and accumulated deficit of $35,845 as at November 30, 2019. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on an ongoing basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon the financial support of creditors and stockholders, refinancing debts payable, obtaining additional long-term debt or equity financing, as well as achieving and maintaining a profitable level of operations. The Company believes it will require additional working capital to meet operating and exploration costs for the upcoming year.

During the six months ended May 31, 2020 the Company completed the following transactions:

- On December 2, 2019, the Company issued 15,000,000 common shares for proceeds of $750,000.

- On January 18, 2020, the Company granted 3,000,000 stock options vesting immediately, exercisable at $0.05 per share expiring January 18, 2025.

- During March and April 2020, the Company issued 3,000,000 common shares at $0.05 per share for proceeds of $150,000 from the exercise of stock options. Pursuant to the exercise, the Company reclassified $112,000 from reserves to share capital.

- During April 2020, the Company issued 13,500 shares pursuant at $0.10 per share for proceeds of $1,350 from the exercise of 13,500 warrants. Pursuant to the exercise, the Company reclassified $1,157 from reserves to share capital.

- On April 16, 2020, pursuant to the RTO Transaction, 33,370,000 shares of 113BC were exchanged for 33,370,000 shares of the Company, with the original 14,257,770 shares of the Company remaining in outstanding shares. Pursuant to escrow agreements the shares are subject to a voluntary release schedule with 17.5% of the shares released on Closing, 22.5% to be released six months after Closing, 30% to be released nine months after Closing, and the balance to be released 12 months after Closing. As at May 31, 2020, 27,835,000 shares were subject to escrow provisions.

- On April 16, 2020, pursuant to the RTO Transaction, 3,500,000 shares of the Company were issued to finders which were determined to have a fair value of $1,470,000 based on the market price of $0.42 per share.

- On April 16, 2020, pursuant to the RTO Transaction, the Company recognized 1,350,000 stock options which have a weighted average exercise price $0.43.

- During May 2020, the Company closed a private placement of 4,268,911 units for gross proceeds of $1,494,119 (less $266,000 of share subscription receipts previously received), whereby each unit comprises one common and one common share purchase warrant. Each common share purchase warrant is exercisable for a period of 12 months from the date of issuance and has an exercise price of $0.50. The fair value of the common shares was determined to be $977,193 and the fair value of the warrants was $451,044. Pursuant to the unit financing, the Company incurred $12,355 of cash finder's fees, $26,022 of financing costs, and issued 35,300 finder's warrants with a fair value of $7,504.

- During May 2020, the Company granted 2,690,000 stock options vesting from immediately to 12 months, exercisable at $0.65 per share expiring May 27, 2025.

Cash Flow Analysis

Operating Activities

During the six months ended May 31, 2020 and 2019, cash used in operating activities was $928,497 and $84, respectively. The increase is primarily due to greater spending on consultants for management, advisory, strategic planning and acquisitions; payments on accounts payable and prepaid expense for marketing.

Financing Activities

During the six months ended May 31, 2020 and 2019, cash generated by financing activities was $3,389,092 and $Nil, respectively. During the period, the Company received net proceeds of $750,000 from private placement financings, $1,197,742 from net proceeds of units issuance, and $150,000 from the exercise of stock options, and the advance received related to the RTO transaction of $1,300,000 offset by $10,000 in net repayment of promissory notes.

Investing Activities

During the three months ended May 31, 2020 and 2019, cash used in investing activities was $1,781,877 and $Nil, respectively.

Contractual Obligations

The Company is subject to certain contractual obligations associated with the Comstock Property Option Agreement. In order to exercise the option under the Comstock Property Option Agreement, the Company shall pay to the Owner of the Property the aggregate sum of $315,000 and issue a total of 600,000 common shares in instalments, and complete minimum expenditures on the Property in installments equalling $600,000. As of May 31, 2020, the Company has paid $15,000 and issued 100,000 common shares under the Comstock Property Option Agreement.

During the period ended May 31, 2020 renounced exploration expenditures in relation to a flow-through private placement financing for $100,000 and is obligated to incur the related exploration expenditures on the Comstock Property during the 2020 calendar year.

The Company is subject to certain contractual obligations associated with the Lemhi Property Option Agreement. In order to exercise the option, the Company is to make payments in the aggregate sum of USD $1,000,000. As of May 31, 2020, the Company has paid USD $75,000 under the Lemhi Property Option Agreement

Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company entered into the following transactions with related parties during the three and six months ended May 31, 2020 and 2019.

	Three months ended		Six months ended	
	2020	2019	**2020**	2019
	$		$	
Consulting fees paid to a company affiliated to the Chief Financial Officer	**12,000**	-	**12,000**	-
Consulting fees paid to a company controlled by a Director	**9,750**	-	**9,750**	-
	21,750	-	**9,750**	-

The Company recognized share-based compensation of $nil and $112,000, respectively, for related parties during the three and six months ended May 31, 2020 (three and six months ended May 31, 2019: $nil and $nil, respectively).

Risks and Uncertainties

The Company is engaged in the acquisition and exploration of mining claims. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate the risk involved. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual losses are expected to continue until the Company has an interest in a mineral property that produces revenues. Freeman’s ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company’s financial statements do not give effect to any adjustments which would be necessary should Freeman be unable to continue as a going concern and therefore be 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 consolidated financial statements.

Cautionary Note Regarding Forward Looking Statements

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

In March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, social distancing, business closures or business disruptions, and the effectiveness of actions taken by countries to contain and treat the disease.

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity. The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

Financial Instruments

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, and currency risk and price risk. The carrying value of the Company's financial instruments approximates their fair value due to their short- term nature. Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair values of other financial instruments, which include cash, accounts payable and accrued liabilities, and promissory notes approximate their carrying values due to the relatively short-term maturity of these instruments.

a) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is currently not exposed to interest rate risk as it has discharged its promissory note.

b) Credit risk: Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, which is held with a high-credit financial institution and amounts receivable from the Government of Canada. As such, the Company's credit exposure is minimal.

c) Liquidity risk: Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

d) Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange. The Company currently has minimal exposure to foreign currency transactions during the three and six months ended May 31, 2020, and accordingly the risk is considered low.

Outstanding Shares, Stock Options and Warrants

As at the date of this MD&A, the Company had the following outstanding share data:

	Number	Exercise price	Expiry date
Common shares	55,830,181	N/A	N/A
Warrants	4,358,811	$ 0.10 - $ 0.50	November 8, 2021 – May 11, 2021
Stock options	3,990,000	$ 0.10 - $ 0.65	November 23, 2023 – May 27, 2025

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Significant Accounting Policies

Restoration liabilities

The Company recognizes the fair value of restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related mining claim is increased by the same amount as the net present value of the restoration liability. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures and changes in the net present value.

Acquisition, exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in exploration properties and follows the practice of capitalizing all costs relating to the acquisition of its interest in properties excluding mining lease agreements. All exploration and development expenditures are expensed in the period incurred. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate acquisition costs related to abandoned mineral properties are charged to income at the time of any abandonment or when it has been determined that there is evidence of permanent impairment.

An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for interest in exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration properties when amounts received or receivable are in excess of the carrying amount.

All capitalized acquisition costs of interests in properties are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the capitalized acquisition cost is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Share Capital

Common Shares are classified as equity. Transaction costs directly attributable to the issue of Common Shares and share options are recognized as a deduction from equity, net of any tax effects.

Income/Loss per share

The Company presents basic and diluted income/loss per share data for its Common Shares, calculated by dividing the income/loss attributed to common shareholders of the Company by the weighted average number of Common Shares outstanding during the period. Diluted income/loss per share does not adjust the income/loss attributed to the common shareholders or the weighted average number of Common Shares outstanding when the effect is anti-dilutive.

Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company has recorded no provisions at May 31, 2020.

Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, “Financial Instruments: Classification and Measurement”. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVTOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

Receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables are classified under other financial liabilities and carried on the statement of financial position fair value through profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit and loss.

Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and monetary liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Related Party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

Information regarding significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are the following:

Share-based payments

Judgment is applied in determining the share price to be assigned to shares issued to enter into mining lease agreements.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the probability that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiary is the Canadian dollar.

Other significant accounting estimates include the amounts accrued for restoration liabilities.

Internal Controls Over Financial Reporting

<u>Changes in Internal Control over Financial Reporting ("ICFR")</u>

In connection with National Instrument 52-109, Certification of Disclosure in Company'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 Company Basic Certificate with respect to financial information contained in the unaudited condensed interim consolidated financial statements and the audited annual consolidated financial statements and respective 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.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the unaudited condensed interim consolidated financial statements, is the responsibility of management. In the preparation of consolidated interim financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the unaudited condensed interim consolidated financial statements.