

# **Mich Resources Ltd. (formerly Michelin Mining Corp.)**

Management's Discussion and Analysis  
of Financial Condition and Results of Operations  
First Quarter – February 29, 2020

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The following discussion is management's assessment and analysis of the results and financial condition of Mich Resources Ltd. (formerly Michelin Mining Corp.) (the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes. The preparation of financial data is in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied.

The technical and scientific information contained within the MD&A has been reviewed and approved by Marc Blythe, P.Geol., Director of the Company and Qualified Person as defined by National Instrument 43-101 policy.

The effective date of this report is April 27, 2020.

## **Description of Business**

The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, BC, V7Y 1C3. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "MICH" effective June 19, 2019.

The Company is principally engaged in the acquisition and exploration of mineral properties.

In December 2019, the Company subdivided its issued and outstanding share capital on the basis of two new common shares for each one outstanding common share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the stock split.

## **Rude Creek Gold Property**

The Rude Creek Gold property (the "Property") consists of 204 mining claims, covering 4,157 hectares located in the Whitehorse Mining District in the Yukon Territory.

### *Agreement*

On November 16, 2018 (the "Effective Date"), the Company entered into an option agreement (the "Agreement") with a private entity ("Optionor"), later amended on January 17, 2019, whereby the Company could earn a 70% interest in the Property by issuing an aggregate of 7,900,000 Common Shares, making cash payments totaling \$2,500,001, and carrying out exploration and development work of \$4,120,000, as outlined below.

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Date	Cash Payment	Common Shares to be Issued	Expenditures to be Incurred	Other Requirements
November 16, 2018 (the "Effective Date")	\$1.00	Nil	Nil	Nil
60 days from the Effective Date (the "Option Date")	\$120,000 <sup>(1)</sup>	Nil	Nil	Nil
The first anniversary of the Option Date	\$200,000	400,000	\$120,000 <sup>(2)</sup>	List the Common Shares of the Company on the Exchange <sup>(3)</sup>
The second anniversary of the Option Date	\$300,000	1,000,000	\$500,000	Nil
The third anniversary of the Option Date	\$500,000	1,500,000	\$1,000,000	Nil
The fourth anniversary of the Option Date	\$1,500,000	5,000,000	\$2,500,000	Nil

Notes:

- (1) The Company made the payment in January 2019 and this amount was applied towards exploration and development expenditures in the first year of the option. See footnote 2.
- (2) Per the Agreement, the \$120,000 cash payment due 60 days from the Effective Date would also be included. As of November 30, 2019, the Company had satisfied this expenditure requirement.
- (3) The Company satisfied this requirement by having listed on the Canadian Securities Exchange on June 19, 2019.

As at November 30, 2019, the Company had spent \$151,146 in advancing the Property.

As at February 29, 2020, the Company had not fulfilled the cash payment and share issuance due on the first anniversary date of the Option Date and let the option to acquire 70% interest in the Property lapse. During the three months ended February 29, 2020 the Company impaired all capitalized exploration and evaluation costs related to the Property, resulting in a loss of \$151,146 in the condensed interim statement of loss and comprehensive loss.

### Overall Performance and Results of Operations

Total assets decreased to \$121,584 at February 29, 2020, from \$327,849 at November 30, 2019. The most significant asset at February 29, 2020, was cash of \$111,049 (November 30, 2019: \$166,370). The change in cash during the three months ended February 29, 2020 was primarily the result of \$57,721 used in operating activities, and \$2,400 received from exercise of warrants.

#### Three months ended February 29, 2020 and February 28, 2019

The Company recorded a loss of \$196,272 for the three months ended February 29, 2020 (2019: \$26,805). The increase in loss for the period was primarily attributable to:

- Consulting and management of \$22,500 (2019: \$15,580): An increase of \$6,920 was primarily due to increased corporate administration fees in the current period.
- Regulatory and filing of \$16,905 (2019: \$480): An increase of \$16,425 was primarily due to higher transfer agent fees incurred in the current period.
- Loss on impairment of exploration and evaluation assets of \$151,146 (2019: \$nil): The Company decided to let the option to acquire 70% interest in the Property lapse and incur an impairment loss in the current period.

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The increase in loss was partially offset by:

- Professional services of \$2,250 (2019: \$12,071): A decrease of \$9,821 was primarily due to increased legal fees in the prior period.

### Liquidity and Capital Resources

As at February 29, 2020, the Company had working capital of \$109,475. The Company does not have sufficient resources to settle outstanding liabilities and fund its operations for the next twelve months. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through equity financing or obtaining joint venture or property sale agreements for one or more properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company.

The Company has no bank debt or banking credit facilities in place.

### Summary of Quarterly Results

The following tables summarize the Company's financial information for the last eight quarters in accordance with IFRS:

	Q1 2020		Q4 2019		Q3 2019		Q2 2019	
Revenue	\$	-	\$	-	\$	-	\$	-
Loss for the period		(196,272)		(106,857)		(78,969)		(19,748)
Basic and diluted loss per share		(0.01)		(0.00)		(0.00)		(0.00)

	Q1 2019		Q4 2018		August 16-31, 2018	
Revenue	\$	-	\$	-	\$	-
Loss for the period		(26,805)		(19,271)		(483)
Basic and diluted loss per share		(0.00)		(0.00)		(0.00)

Loss for Q1 2020 increased due to loss on impairment of exploration and evaluation assets of \$151,146.

### Outstanding Share Data

Subsequent to February 29, 2020, 2,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$200.

As at the date of this report, there were 33,319,002 common shares (February 29, 2020: 33,317,002), 1,250,000 share options (February 29, 2020: 1,250,000) and 288,000 warrants (February 29, 2020: 290,000) issued and outstanding.

### Related Party Transactions

During the three months ended February 29, 2020, the Company incurred consulting fees of \$nil (2019: \$15,580) to a company of which a director of the Company is an officer. As at February 29, 2020, \$nil (November 30, 2019: \$4,562) is due to this company.

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 executive and non-executive members of the Company's Board of Directors and corporate officers.

There was no compensation to key management personnel during the three months ended February 29, 2020, and February 28, 2019.

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## Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IAS 34, using accounting policies consistent with IFRS. Significant accounting policies, except as described below, are described in Note 3 of the Company's financial statements as at and for the year ended November 30, 2019.

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 expenses during the reporting period. Actual outcomes could differ from these estimates.

## Risks and Uncertainties

The Company currently has no revenues from operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

The Company is engaged in the acquisition of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

The following sets out the principal risks faced by the Company.

### Financing

Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

### Critical accounting estimates

In the preparation of financial information, management makes judgments, estimates and assumptions that affect, amongst other things, the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value. Management's estimates of exploration, operating, capital and reclamation costs, if any, are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

### Legal proceedings

As at the period-end and the date of this MD&A, there were no legal proceedings against or by the Company.

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## Financial Instruments and Other Instruments

### *Financial Risk Management and Fair Value Measurement*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, and amounts payable. The Company measures its cash, amounts receivable, and amounts payable at amortized cost.

The carrying amounts for cash, amounts receivable, and amounts payable, approximate fair values due to the immediate or short-term maturities of these financial instruments.

### *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. At February 29, 2020, the Company had a working capital of \$109,475.

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

##### *a) Interest Rate Risk*

The Company is nominally exposed to interest rate risk. The Company's cash earns interest at variable rates. The Company's future earned interest is exposed to short-term rate fluctuations. Interest rate exposure is considered to be insignificant.

##### *b) Foreign Currency Risk*

The Company is not exposed to currency risk as all transactions are denominated in Canadian dollars.

##### *c) Price Risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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## ***Fair value***

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments are classified and subsequently measured as follows:

<b>Account</b>	<b>Classification</b>
Cash	Amortized cost
Accounts Payable and accrued liabilities	Amortized cost

## **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) 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 the financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer 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 NI 52-109.

## **Outlook**

The Company is currently seeking acquisition opportunities in the natural resource industry.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).