

# Zenith Exploration Inc.

## Management's Discussion and Analysis

For the Year Ended July 31, 2019

### General

This management discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto of Zenith Exploration Inc. (the "Company") for the years ended July 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board ("IASB"). All amounts in the consolidated financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated October 22, 2019 and discloses specified information up to that date.

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 is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

### Description of Business

On October 4, 2017, the Company changed its name to Zenith Exploration Inc. The Company is a resource exploration company that is acquiring and exploring mineral properties. The Company is a reporting issuer in the provinces of British Columbia and Alberta.

### Highlights – Year Ended July 31, 2019

On October 1, 2018, the Company formed two wholly owned subsidiaries, High Point Exploration Inc. and Top Explorations Inc.

On October 9, 2018, the Company issued 1,125,150 common shares of the Company at a price of \$0.10 per share for gross cash proceeds of \$22,964 and to settle debt of \$89,186 to officers and directors of the Company for management and consulting services.

On October 11, 2018, the Company commenced trading on the Canadian Securities Exchange (the "CSE") under the trading symbol "ZX".

On December 7, 2018, the Company granted 2,563,310 stock options to certain directors and officers of the Company at an exercise price of \$0.05 for a period of five years.

On January 21, 2019, in connection with the exercise of stock options, 2,563,310 shares were issued at a price of \$0.05 per share to officers and directors of the Company to settle debt of \$128,166 for management and consulting services.

On March 6, 2019, the Company granted 2,879,641 stock options to certain directors and officers of the Company at an exercise price of \$0.05 for a period of five years.

Effective April 5, 2019 the Company provided the Optionor with formal notice to terminate the Lac Matchi Option Agreement. As a result of the notice the Company has written off the Lac Matchi property recording an impairment of \$32,732.

On September 20, 2019, the Company announced the completion of the plan of arrangement (the "Arrangement") with its two former wholly owned subsidiaries, High Point Exploration Inc. ("High Point") and Top Exploration Inc. ("Top Exploration"). The Arrangement was approved by the shareholders of the Company on August 13, 2019 and the Supreme Court of British Columbia on August 19, 2019. Pursuant to the Arrangement, the Company transferred the Mantle Property to High Point and Golden Girl Property to Top Exploration.

## **Exploration and Evaluation Assets**

### Scotch Creek Property

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Brent Hahn and Barry Hartley, both directors and officers of the Company, are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000.

### Lac Matchi Property

On December 12, 2017, the Company entered into an option agreement with Doctors Investment Group Ltd. ("the Optionor"). The Optionor granted the Company the sole and exclusive option to acquire a 100% right, title and interest in and to the Lac Matchi Property, which is located in the Province of Quebec. In order to exercise the option and to maintain the option in good standing, the Company must:

- (a) Pay to the Optionor:
  - (i) \$20,000 in cash upon the execution of this agreement (paid);
  - (ii) an additional \$10,000 in cash on or before the date that is twelve (12) months after the Effective Date ("Effective Date" means the date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the Company's shares on the facilities of the Exchange and the acceptance by the Exchange of this option agreement and the transactions contemplated by this agreement);
  - (iii) an additional \$25,000 in cash on or before the date that is twelve (12) months after the Effective Date;
  - (iv) an additional \$250,000 in cash on or before the date that is twenty-four (24) months after the Effective Date;
  
- (b) issue and deliver to the Optionor:
  - (i) 200,000 shares within five (5) business days of the Effective Date; (issued)
  - (ii) 100,000 shares on or before the date that is six (6) months after the Effective Date;
  - (iii) 500,000 shares on or before the date that is twelve (12) months after the Effective Date;
  - (iv) 750,000 shares on or before the date that is twenty-four (24) months after the Effective Date;and
  
- (c) incur expenditures on the property as follows:
  - (i) \$250,000 on or before the date that is fourteen (14) months after the Effective Date;
  - (ii) \$750,000 (\$1,000,000 total) on or before the date that is twenty-eight (28) months after the Effective Date.

The Company shall maintain in good standing the claims or other interests comprising the property by the doing and filing of assessment work or the making of payments in lieu.

As noted above, effective April 5, 2019 the Company provided the Optionor with formal notice to terminate the Lac Matchi Option Agreement. As a result of the notice the Company has written off the Lac Matchi property recording an impairment of \$32,732.

#### Golden Girl Property

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Golden Girl Property") located in B.C. for the following consideration:

- \$1,000 cash upon signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Golden Girl Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

At July 31, 2019, the Company incurred expenses on the Golden Girl Property totaling \$87,086.

On September 20, 2019, pursuant to the completion of the plan of arrangement, the Company transferred the Golden Girl Property to its former wholly owned subsidiary, Top Exploration.

#### Mantle Property

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Mantle Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

At July 31, 2019, the Company incurred expenses on the Mantle Property totaling \$90,166.

On September 20, 2019, pursuant to the completion of the plan of arrangement, the Company transferred the Mantle Property to its former wholly owned subsidiary, High Point Exploration.

### **Selected Annual Information**

The following table sets out selected annual financial results from the consolidated audited financial statements:

Years ended July 31,	2019	2018	2017
	\$	\$	\$
Expenses	492,675	60,089	5,970
Other income (expenses)	(32,732)	724	-
Net loss for the year	(525,407)	(59,365)	(5,970)
Loss per share	(0.02)	(0.00)	(0.02)
Total assets	634,217	785,632	130

## Results of Operations

	Three months ended July 31,		Years ended July 31,	
	2019	2018	2019	2018
<b>Expenses</b>				
Consulting fees	\$ -	\$ 40	\$ 10,000	\$ 20,040
Management fees	-	-	220,000	-
Office and miscellaneous	53	29	495	597
Professional fees	25,244	9,602	78,101	23,880
Project generation	-	-	9,618	-
Regulatory fees	1,995	1,579	20,357	12,061
Share-based payments	-	-	138,655	-
Shareholder information	7,979	-	9,593	-
Transfer agent	3,901	1,555	5,856	3,511
	<b>\$ (39,172)</b>	<b>\$ (12,805)</b>	<b>\$ (492,675)</b>	<b>\$ (60,089)</b>
<b>Other Items</b>				
Property impairment	-	-	(32,732)	-
Gain on forgiveness of debt	-	-	-	724
<b>Loss and comprehensive loss for the year</b>	<b>\$ (39,172)</b>	<b>\$ (12,805)</b>	<b>\$ (525,407)</b>	<b>\$ (59,365)</b>

### Three Months Ended July 31, 2019 and 2018

#### Net Loss

The net loss for the quarter ended July 31, 2019, was \$39,172 compared to \$12,805 for the quarter ended July 31, 2018, representing an increase of \$26,367.

#### Expenses

For the quarter ended July 31, 2019, total expenses were \$39,172 compared to \$12,805 recorded during the same period in 2018, representing an increase of \$26,367. The increase in expenses is largely related to the increase in professional fees of \$15,642 and an increase in shareholder information of \$7,979. The increase in professional fees is related to accounting and corporate secretarial services. The increase in shareholder information is related to the annual general meeting expenditures.

### Years Ended July 31, 2019 and 2018

#### Net Loss

The net loss for the year ended July 31, 2019, was \$525,407 compared to \$59,365 for the year ended July 31, 2018, representing an increase of \$466,042.

#### Expenses

For the year ended July 31, 2019, total expenses were \$492,675 compared to \$60,089 recorded during the same period in 2018, representing an increase of \$432,586. The increase in expenses is largely related to the increase in management fees of \$220,000, the increase in share-based payments of \$138,655 and the increase in professional fees of \$54,221. No management fees were recorded in the previous year. The increase in share-based payments is related to the issue of 5,442,951 stock options during the year ended July 31, 2019. No stock options were issued during the year ended July 31, 2018. The increase in professional fees is related to the listing of the Company on the CSE and the acquisition of the Golden Girl and Mantle properties.

## Other Items

In the current year, the Company wrote off the Lac Matchi property resulting in an impairment of \$32,732. No impairments were recorded in the prior year.

## Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. All dollar amounts are in Canadian dollars.

Quarter Ended	Loss for the period	Loss per Share (Basic & Diluted)	Total Assets	Interest Income
July 31, 2019	\$39,172	\$0.00	\$634,217	\$Nil
April 30, 2019	\$142,414	\$0.01	\$682,314	\$Nil
January 31, 2019	\$293,534	\$0.01	\$731,776	\$Nil
October 31, 2018	\$50,287	\$0.00	\$831,947	\$Nil
July 31, 2018	\$12,805	\$0.00	\$785,632	\$Nil
April 30, 2018	\$25,674	\$0.00	\$789,571	\$Nil
January 31, 2018	\$15,402	\$0.00	\$814,288	\$Nil
October 31, 2017	\$5,484	\$0.01	\$130	\$Nil

## Financial Condition, Liquidity and Capital Resources

The Company had working capital of \$133,283 (July 31, 2018 - \$411,989) at July 31, 2019. The Company does not currently have an active business generating positive cash flows. The Company is reliant on equity financing or shareholder loans to provide the necessary cash to acquire or participate in an active business.

On January 21, 2019, in connection with the exercise of stock options, 2,563,310 shares were issued at a price of \$0.05 per share to officers and directors of the Company to settle debt of \$128,166 for management and consulting services.

On October 9, 2018, the Company issued 1,125,150 common shares of the Company at a price of \$0.10 per share for gross cash proceeds of \$22,964 and to settle debt of \$89,186 to officers and directors of the Company for management and consulting services.

On January 31, 2018, the Company completed a private placement comprised of 4,815,000 common shares of the Company at a price of \$0.10 per share for total proceeds of \$481,500. Of the 4,815,000 common shares issued. The Company recognized \$1,527 in share issuance costs.

On December 5, 2017, the Company completed a private placement comprised of 300,000 common shares of the Company at a price of \$0.05 per share for total proceeds of \$15,000.

On December 4, 2017, the Company completed a private placement comprised of 4,000,000 common shares of the Company at a price of \$0.005 per share for total proceeds of \$20,000. The shares were purchased by two directors of the Company. The Company recognized \$1,328 in share issuance costs.

There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

The Company has not entered into any off-balance-sheet arrangements.

### Subsequent events

On September 20, 2019, the Company announced the completion of the plan of arrangement with its two former wholly owned subsidiaries, High Point Exploration Inc. and Top Exploration Inc. The Arrangement was approved by the shareholders of the Company on August 13, 2019 and the Supreme Court of British Columbia on August 19, 2019.

Pursuant to the Arrangement, the Company transferred the Mantle Property to High Point and Golden Girl Property to Top Exploration.

The Arrangement resulted in the shareholders of the Company receiving one common share in High Point and one common share in Top Exploration with respect to every five common shares of the Company as of the share distribution record date (September 13, 2019).

As a result of the Arrangement, Top Exploration has 5,759,282 common shares issued and outstanding and High Point has 5,759,282 common shares issued and outstanding.

There was no change in shareholders' holdings of the Company as a result of the Arrangement.

### Related Party Transactions

Payments to key management and directors during the years ended July 31, 2019 and 2018 were as follows:

	July 31, 2019	July 31, 2018
Management fees paid to officers or to companies controlled by officers	\$ 220,000	\$ -
Consulting fees paid to directors	10,000	-
Share-based payments	138,655	-
Total compensation	\$ 368,655	\$ -

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property. In connection with Scotch Creek Property Agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property. The Company issued 15,000,000 common shares for total consideration of \$300,000 to the two directors.

On December 4, 2017, the Company completed a private placement comprised of 4,000,000 common shares of the Company at a price of \$0.005 per share for total proceeds of \$20,000. The shares were purchased by two directors of the Company.

Included in receivables as at July 31, 2019 is \$1,415 (July 31, 2018 - \$Nil) due from directors.

As at July 31, 2019 and 2018, no amounts are due to directors.

During the year ended July 31, 2019, the Company received a loan in the amount of \$9,372 from a director of the Company and made total repayments to directors of \$23,884.

During the year ended July 31, 2018, the Company received a loan in the amount of \$11,285 from a director of the Company. The loan was unsecured, non-interest-bearing and payable on demand.

As at July 31, 2019, loans from related parties are \$Nil (July 31, 2018 - \$14,512).

## **Accounting Policies**

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

### ***Critical Accounting Estimates***

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- i) **Going concern**  
Management has determined that the Company will be able to continue as a going concern for the next year.
- ii) **Economic recoverability and probability of future benefits of exploration and evaluation costs**  
Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

### ***New accounting standards and interpretations***

#### ***Financial instruments***

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of August 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

*(i) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

*(ii) Measurement*

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

*(iii) Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*(iv) Derecognition*

Financial assets

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 to another entity.

Financial liabilities

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 or loss.

***Accounting standards issued but not yet applied***

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has no leases, the adoption of IFRS 16 has no effect on the Company's consolidated financial statements.

**Financial Instruments and Capital Management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, 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.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

**Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

**Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as at the date of this report.

**Additional share information**

As at July 31, 2019, and as at the date of this report, the Company had 28,796,411 (July 31, 2018 – 24,511,601) common shares outstanding.

As at July 31, 2019, and as at the date of this report, the Company had 2,879,641 stock options and no warrants outstanding.

**Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

**Cautionary Statement on Forward Looking Information**

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.