



**ST-GEORGES ECO-MINING CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**For the Six Months Ended June 30, 2019**

**INTRODUCTION**

The following Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for St-Georges Eco-Mining Corp. ("Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2018 and the six months ended June 30, 2019. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars, unless otherwise stated. Additional information relating to the Company can be found on SEDAR ([www.sedar.com](http://www.sedar.com)) under St-Georges Eco-Mining Corp. or on the Company's website ([www.stgeorgesplatinum.com](http://www.stgeorgesplatinum.com)).

This MD&A is dated August 29, 2019.

**FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their very nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable, but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

**COMPANY DESCRIPTION**

St-Georges Eco-Mining Corp. was incorporated under the Canada Business Corporations Act on September 21, 2002. The Company is listed on the Canadian Securities Exchange, having the symbol SX, on the US OTC, having the symbol SXOOF, and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The address of the Company's corporate office and principal place of business is 230 Rue Notre-Dame West, Montreal, H2Y 1T3, Canada. The principal activities of the Company are the development of eco-mining metallurgical processes and the exploration and evaluation of mineral properties in Canada and Iceland. The Company, which is in the process of exploring its mineral properties, has two reportable segments and all of the assets are located in Canada and Iceland. The company is also developing blockchain technology.

**OVERVIEW**

The Company is engaged in the exploration of certain properties summarized as follows and described in more detail in the financial statements:

## **Villebon Property**

The Villebon Property is located within the Abitibi Greenstone Belt of northwestern Quebec. In a prior year, the Company concluded there were indications that certain of the remaining claims comprising the asset and may be impaired and as a result, the Company recorded an impairment charge and wrote the property down to a nominal value.

## **Julie and Isoukustouc Projects**

The Julie Project is located south of Lac La Blache, Quebec.

The Isoukustouc Project is located within the Manicouagan River – Manic Complex, Quebec.

In November 2018, the Company selected about 100kg of material from the B40 showing of the Isoukustouc project. The material was tested by an independent laboratory with Nickel Sulphides extraction metallurgical initiative flow-sheet designed by the Company. An initial report was prepared by independent laboratories. The report confirms the mineral material collected from the projects was recrystallized. The Company expects to increase its efforts in 2019 on this technology initiative in parallel with the increased exploration efforts on the project.

## **Le Royal Lithium Project**

In October 2016, the Company completed the acquisition of a set of 5 mineral exploration claims in the lithium mining camp of LaCorne, in the Abitibi region of Quebec. The acquisition was done jointly with Lepidico Ltd. (ASX:LPD) (formerly known as Platypus Minerals Ltd.) (“Lepidco”). St-Georges currently own 90% of the project and Lepidico owns 10%. Lepidico obligations have all been met. Lepidico commissioned and paid a Technical National Instrument 43-101 Report on the project and paid all cash obligations to the vendors. The only on-going obligation of Lepidico moving forward is to provide access to its lepidolite-lithium extraction technology (L-Max®) for the Le Royal Lithium project.

## **Iceland Resources EHF / St-Georges Iceland Ltd.**

Iceland Resources EHF is an Icelandic corporation with gold/silver/copper/cobalt/zinc projects in Iceland. Amongst its projects are the 100% owned Reykjanes developmental project just south of the capital Reykjavik and encompassing the town of Keflavik and the gold project of Thormodsdalur located approximately 10km east of the city limits of the capital Reykjavik.

Iceland is an important producer and developer of geothermal energy. St-Georges’ management has been active over the last few years in Iceland with the goal of securing access to geothermal operations to test the development of technologies allowing the extraction of lithium and light minerals from the brines being pumped from the geothermal wells and for the extraction of a large variety of precious and base metals found in the mud rejected from the same operations.

On October 11 2018, St-Georges entered into a share purchase agreement with the minority shareholders of St-Georges Iceland Ltd. pursuant to which St-Georges acquired the remaining 40% interest in SX Iceland, such that SX Iceland is now a wholly owned subsidiary of SX. Under the terms of the SPA, St-Georges will pay: (i) \$60,000, (ii) issue 727,128 common shares (each a “Share”) of the Corporation, (iii) issue 6% capitalized interest debenture convertible into Shares at a price equal to a 5 days VWAP on the day of the conversion, subject to a minimum price of \$0.15, for an aggregate principal amount of \$300,000, and (iv) issue 300,000 Share purchase warrants of the Corporation exercisable at a price of \$0.15 for a period of 12 months.

On December 31, 2018, the Company issued 727,128 common shares of the Company as partial consideration pursuant to the share purchase agreement.

On January 14, 2019, the minority shareholders of St-Georges Iceland Ltd. converted \$255,103 debentures to 1,700,687 shares of the Company at a price of \$0.15 per share.

On March 2, 2019, the Company provided an update on its gold exploration initiatives in Iceland. The Company, via its wholly owned subsidiary, St-Georges Iceland Ltd owns 100% of Iceland Resources EHF. The Company

has presented portions of its exploration plans to the relevant Icelandic authorities. The Following projects are being identified as priorities:

- The Thormodsdalur (Thor) Gold Mine is located about 20km east of the city center of Reykjavik and south-east of the lake Hafravatn.

Studies between 2005 and 2013 identified the project mineralization as a low sulphidation system containing banded chalcedony and ginguuro. Petrographic analysis of the vein material identified gold occurring in its free form and as part of an assemblage with pyrite and chalcopryrite. Petrographic and XRD studies show an evolution of the vein system from the zeolite assemblage to quartz adularia and lastly to minor calcite. 32 holes have been drilled within the licence area, for a total of 2,439 meters. Gold values vary from less than 0.5 g/t to a maximum of 415 g/t. (These values were obtained from selected random intervals and cannot be construed to be representative of any particular thickness or overall length.) The best intercepts from the diamond drilling are 33.5m of 8.0 g/t Au (true thickness) and 5.2m of 35.4 g/t Au (true thickness).

- The Tröllaskagi (Troll) Gold Project covers an area of 1,018 km<sup>2</sup> in northern Iceland near the town of Akureyri.

Tröllaskagi is located in an underexplored area mapped with a felsic central volcano. In 2006, the previous holder of the mineral exploration right, Melmi, undertook a program of stream sediment sampling in most of the major valleys using roads, paths and trekking trails for access. Rock samples were also collected where alteration was encountered.

- The Vopnafjörður (Vopna) Gold Project covers 598.5 km<sup>2</sup> located to the northeastern corner of Iceland and is accessible by highway. The Core of the licence area can be reached by paved and gravel roads.

Vein sampling carried out previously has highlighted a number of veins with gold enrichment. The surface vein mineralization found at the Haugsá showing produced sample analyses with grades up to 447ppb of Gold (0.447 g/t) with 90% of the samples returning Gold values above 10ppb (0.01 g/t).

The Company intends to drill up to 3,000 meters at the Thormodsdalur (Thor) Gold Mine. This will include the twin-drilling of certain historical drill holes and will add infill holes in the identified gold trend with strikes some 700 meters at surface. The objective will be to gather enough data to allow the establishment of a maiden NI 43-101 resource estimate. The Company also intends to map the Tröllaskagi (Troll) Gold Project and Vopnafjörður (Vopna) Gold Project on foot and by drone.

In August 2018, Iceland Resources received notice of a forced execution of an option agreement pre-dating the Company's acquisition of Iceland Resources. The option allows Iceland Resources to acquire 15% of the energy developer company Íslensk Vatnsorka EHF through an agreement with its largest shareholder Spá EHF. This option was deemed immaterial in the process of the Company's acquisition of the Iceland Resources after an evaluation of the likelihood of a positive outcome of the permitting process of the Spá EHF Hydro Electric Dam project.

On October 11, 2018, the Company executed a share purchase and subscription agreement with Spá EHF and Íslensk Vatnsorka EHF to acquire the 15% interest in the 10-20 MW hydro power plant located just south of Langjokull in Iceland.

The Company may earn a 15% interest in Íslensk Vatnsorka EHF, as follows:

- Acquiring 5% of the Íslensk Vatnsorka EHF securities from Spá EHF in consideration of the issuance of a convertible debenture in the aggregate principal amount of \$200,000 bearing interest at a rate of 6% per annum capitalised annually, maturing on the date which is 10 years from its date of issuance, and convertible in shares at a 20% discount from the 7 days volume weighted average price of the share price subject to a minimum of \$0.10 per share from its issuance until the Maturity Date; (converted into 2,000,000 shares on December 31, 2018)

- Subscribing to 10% of the Íslensk Vatnsorka EHF securities in consideration of a convertible debenture in the aggregate principal amount of CAD\$200,000 bearing interest at a rate of 6% per annum capitalised annually, maturing on the maturity date, and convertible in shares at the Discount Price subject to a minimum of \$0.15 per share; (converted into 1,333,333 shares on January 14, 2019) and
- a convertible debenture in the aggregate principal amount of CAD\$200,000 bearing interest at a rate of 6% per annum capitalized annually, and convertible in shares subject to a minimum of \$0.20 per share.

On December 31, 2018, Spá EHF converted the first tranche of its debenture, and the Company issued 2,000,000 commons shares to Spá EHF. On January 14, 2019, Íslensk Vatnsorka EHF converted the second tranche of \$200,000 into 1,333,33 shares of the Company at a price of \$0.15 per share, and the remaining of the debenture made up of initial \$200,000 capital, accrued interest and convertible in shares subject to \$0.20 per share.

During the period ended June 30, 2019, the Company has been informed by management of Iceland hydro that its exclusive licenses have been extended for a further 5 years by the energy licensing authority in Iceland. The environmental impact assessment has started its formal procedures and consultants have been appointed.

### **Kings of the North Corp. (“KOTN”)**

During the year ended December 31, 2017, the Company established a wholly-owned subsidiary, Kings of the North (“KOTN”), to facilitate mining transactions in Canada.

On November 14, 2017, the Company reported that KOTN planned to “farm-in” the Hemlo North Gold Project.

KOTN entered into a Letter of Intent (“LOI”) with Canadian Orebodies (TSX-V: CORE, “CORE”) in order to option or “farm-in” CORE’s Hemlo North Project. Hemlo North is located approximately 17 km northeast of the Hemlo gold mine in the Ontario’s Marathon district. It covers approximately 6,800 hectares. A highway bisects the project providing good access to much of the property. A recent NI 43-101 Technical Report was completed in December, 2016.

KOTN’s interest in the project is driven by the similarity of formations within the project boundaries and at the nearby Hemlo Mine. These porphyry bodies contain gold within and adjacent to the property boundaries of the Hemlo North project. In addition, multiple gold and precious metal targets occur within banded iron formation and volcanic hosted massive sulfides. KOTN believes the multitude of gold and base metal targets generated by past work coupled with geophysical anomalies and historic drilling have de-risked the next phase of exploration.

### Terms of the Transaction

The LOI describes the terms and the conditions that should lead to a formal agreement. The parties agree that the Definitive Agreement will not be entered into until KOTN can demonstrate that it has raised at least \$3,000,000 in equity financing.

In order to acquire an initial 50% interest in the Hemlo North Project, KOTN agrees to:

- Pay to CORE a \$50,000 cash deposit, on or before December 31, 2017;
- Upon execution of the Definitive Agreement, issue to CORE a \$350,000 principal amount secured convertible note bearing interest at a rate of 15% per annum, calculated monthly but payable on maturity. The principal and accrued interest under the First Convertible Note will be convertible at the option of the holder at any time into common shares of KOTN at a conversion price equal to the lesser of the volume-weighted average price of KOTN’s common shares for the 20 trading days prior to conversion or, if KOTN is not a public company at the time of conversion, the price or deemed price per KOTN common shares in the most recent transaction in which KOTN issued common shares or securities convertible into KOTN common shares;

- Incur or cause to be incurred exploration expenditures of \$2,000,000 on the properties before December 31, 2018.

In order to acquire an additional 25% interest in the Hemlo North Project (for a total of 75%), KOTN agrees to:

- Issue to CORE a \$650,000 principal amount secured convertible note bearing interest at a rate of 15% per annum, calculated monthly but payable on maturity. The principal and accrued interest under the Second Convertible Note will be: (a) convertible at the option of the holder at any time prior to KOTN's becoming a Public Company into common shares of KOTN at a conversion price equal to the price or deemed price per KOTN common share in the most recent transaction in which KOTN issued common shares or securities convertible into KOTN common shares; and (b) if not previously converted, shall be automatically converted at the deemed stock exchange listing price of KOTN's common shares upon KOTN's becoming a Public Company;
- Incur or cause to be incurred an additional \$2,000,000 in exploration expenditures on the Properties and provide a NI 43-101 technical report before December 31, 2019.

In order to acquire an additional 10% interest in the Hemlo North Project (for a total of 85%), KOTN agrees to deliver a positive pre-feasibility study (with going forward recommendations) on the Project before December 31, 2021.

#### Canadian Orebodies Buyback Option

CORE has the option to buy back up to a 25% interest in the Properties by making the following payments to the Purchaser:

- \$1,000,000; and
- 300% x (the qualified expenditures incurred by the Purchaser, as well as any amounts incurred in relation to the production of a technical report and/or a pre-feasibility study) x (percent interest to be bought back by the Vendor).

#### Winter House Option

On November 20, 2017, the Company announced that KOTN entered into an option agreement to acquire a 87% interest in the Winter House project.

In consideration for the 87% interest in the Property, KOTN will issue an aggregate of 5,600,000 Shares, assume \$125,000 in current and on-going exploration expenses and grant a 3.5% net smelter return royalty on the Property.

In June 2018, KOTN issued 2,000,000 shares towards the acquisition of the Winter House project.

On exercise of the remaining Option, KOTN will have 17,600,000 Shares outstanding, of which St-Georges will hold 68%.

The Winter House Project consists of 63 map-designated cells covering a surface area of 3,290 hectares (approximately 33 sq. km) and is located approximately 95 kilometres west of the town of Fermont, on the Quebec North Shore.

The Winter House project is part of the Superior geological province and is mainly composed of volcano-sedimentary rock assemblages of the Courcy and Soulard formations in contact with tonalites of the eastern Opatica Subprovince. Winter House is adjacent to the eastern border of Stelmine Canada's Courcy project, which exposed gold mineralized zones, grading up to 24.8 g/t Au in grab samples (see Stelmine Canada PR dated October 17 of 2017) and up to 167 g/t Au over 0.5 metres in channel samples and up to 4.27 g/t Au over 42 m, including 12.15 g/t Au over 13.5 m in drill samples (Source SIGEOM: GM61872 and GM 62834).

Based on historical work, the Winter House project shows strong electromagnetic anomalies detected by a MAG-AeroTEM (magnetics and electromagnetics) airborne geophysical survey performed in 2008. These anomalies extend over a few kilometres and could represent potential targets for gold. During the summer of 2017, a follow-up reconnaissance program on the ground allowed the vendors to collect a total of 123 bedrock (surface) grab samples on these geophysical anomalies. These samples have been submitted for analyses for gold and a package of multi-elements. The results from these analyses are pending and will be released as soon as all results are received and compiled.

On May 29, 2019, the Company entered into a share purchase agreement with BWA Group PLC (“BWA”), which listed on the London NEX Exchange in the United Kingdom and incorporated under the laws of England and Wales, and the minority shareholders of KOTN. BWA will acquire of all the issued and outstanding shares of KOTN for an aggregate consideration of \$7,500,000 or approximately £4,400,000 unsecured, convertible interest-free loan notes (“Notes”) with an initial repayment date three years after issue at a minimum price of £0.005 per share at the time of conversion. The Company holds a 50.18% ownership, and the Company will receive Notes in the principal amount of \$3,763,302 in exchange for the KOTN interest.

The disposition is condition upon BWS raising a minimum of £500,000 (approximately CAD\$850,000) through the issuance of new BWA shares; BWS subscribing to \$300,000 in common share in the capital of the Company at a price equal to the 10 VWAP at the time of issue, subject to a minimum of \$0.10 per share; and the consent of the shareholders of BWA.

Upon completion of the transaction Mr. Vilhjalmur Thor Vilhjalmsson, the President and CEO of the Company will be appointed as CEO and a director of BWA.

In August 2019, the Company has agreed to a completion deadline amended to September 30, 2019. This modification to the initial agreement was made by way of a letter of variation and will allow BWA time to complete one of the conditions required to close the transaction.

### **Lithium Extraction Technologies**

On December 7, 2017, the Company announced that it had entered into a final agreement to deploy its proprietary lithium extraction suite of technologies.

St-Georges and Iconic Minerals Ltd (TSX-V:ICM) (“Iconic”) entered into a definitive exclusive technology licensing agreement for all sites to be operated by Iconic and/or its affiliates in the state of Nevada.

In return for a perpetual license for the technologies and its future improvements, Iconic will pay to St-Georges:

- Invest by way of private placement CAD \$100,000 in St-Georges equity within 6 months; (Iconic executed its option to invest \$100,000 in the private placement closed on January 14, 2019.)
- Issue in total 5 million common shares (the “Shares”) of Iconic to be released in stages, based on benchmarks reached. The performance schedule outlining the stages of each development phase where Shares will be issued according to the schedule below:
  - 2,000,000 shares at Stage 1 Benchmark completion: which is defined by the delivery of an independent laboratory report currently commissioned to Dundee Sustainable Technologies by St-Georges;
  - 1,500,000 shares at Stage 2 Benchmark completion: which is defined by independent report describing results of initial pilot mining operations and the processing of a minimum of one (1) metric ton in a simulated industrial environment; and
  - 1,500,000 shares at Stage 3 Benchmark completion: which is defined by the reception of a Preliminary Economical Assessment Report (PEA) or at commercialization decision or the third (3<sup>rd</sup>) year anniversary mark of this agreement assuming other issuance have all been done.

The Shares St-Georges earns in each stage will be escrowed for the duration of 36 months.

A perpetual Net Revenue Interest Royalty (NRI) of 5% on all minerals produced on sites licensed with the Company's technologies.

In September 2018, the Company received bulk material from Iconic Bonnie Claire lithium project. The Company metallurgical work has already determined that the bulk of the lithium is located in the super fine particles allowing to separate the agglomerated fines with a mechanical process prior to passing it through its process, improving potentially the percentage of recovery of the Li and reducing significantly the overall mineral material being processed.

In October 2018, the Company's metallurgists have successfully separated all particles under 5 microns where the most of the lithium resides. Crystalline evaluation is currently being performed.

In December 2018, successful selective leaching to remove Magnesium Oxide (MgO) and Calcium Oxide (CaO) was achieved. This allows the potential recovery of High Purity MgO and eliminates the need for membranes and other purification steps required to make high purity lithium that can be used to make lithium carbonate, lithium hydroxide and /or lithium metal. Approximately 100kg of Bonnie Claire material was used in the current test phase. Five independent laboratories participated in the effort. The initial mechanical separation step was tested with an equipment vendor in Pennsylvania. The results show that 55% of the mass can be removed while concentrating the lithium without the use of water and chemicals.

The Company's metallurgists have tested many different acids, and sequenced them to optimize the purification process and selectively leach elements to optimize by product credits. Additional tests had improved the outlook on the recovery grade. Stage 2 selective leach processing has eliminated 70% of the material contained in the pregnant portion of the initial material. The Company found 100% of the initial lithium in solution post-leaching. The subsequent solution now represent between 12 to 15% of the initial material. The Company is currently working on improving the leaching selectivity within its phase 2 development efforts. Phase 3 testing will focus on purifying the lithium to reach lithium hydroxide commercial quality.

The Company filed this provisional patent under the title "Method of Mineral Recovery" in regards to the lithium-from-clay extraction technology in January 2019.

On March 31, 2019, the Company announced that it has achieved complete and total recovery in leach of lithium from the bulk material provided by its partner Iconic originating from their Bonnie Claire Lithium project in Nevada.

The Company's patent pending leaching technology achieved 100% leaching of lithium while not affecting the majority of the solids. 88% of the initial feed material is unleached which helps with chemicals consumption and tailings disposal.

The patent pending mix of nitric and citric acids being used do not require high temperature and high pressure and no calcinations is required. The objectives of the technology development were simply to have the lowest chemical cost impact.

The impacts on the Bonnie Claire Deposit of the first phase of the process that includes classification, concentration and leaching at atmospheric pressure and low temperature has shown an average concentration gain from 963 ppm Li to 8,025 ppm Li, or a gain of 8,333 percent.

The Company is currently testing different calibration and improving on its selective leaching in order to target only the recuperation in the leach of the lithium and magnesium and achieve better grades in the leach.

In addition to the lithium, the selective leaching collects mainly the salt family elements such as Sodium (Na), Magnesium (Mg), Calcium (Ca) and items like carbonates. The Company believe that this could lead to – possible development of fertilizer by-products in the nitrate family that would potentially positively impact the economics of the Bonnie Claire Project.

On July 24, 2019, the Company received the Independent Review of its phase 1 report name "Bonnie Claire Metallurgical Evaluation and Process Development", and the report was delivered to Iconic. The delivery of the current Independent Review Report constituted the conclusion of the Stage 1 Benchmark and calls for the issuance of 2,000,000 common shares of Iconic to the Company.

SGS Lakefield Laboratory (“SGS”) performed an elemental analysis and crystalline analysis of the material that was received. The results indicated that the lithium was in a spodumene ( $\text{LiAlSi}_2\text{Q}_6$ ) crystal form, and no chlorides were present. This suggests that the lithium is not the residue of brines from a land-locked salt lake.

SGS was then approached for characterization and preliminary leaching trials to better determine the strategy for development and approach going forward, and to get a second opinion on the crystalline form of the lithium. An independent characterization report made by SGS is in Appendix A of the Phase I report delivered to Iconic.

### **St-Georges Lithium Recovery for Clays and Hard Rock Technology**

SX technology process lithium bearing material in three (3) phases:

1. Concentrates the lithium bearing material.
2. Converts the lithium to a salt and purifies it through lithium selection. The process involves gasification to activate the lithium and selectively removing the lithium salt from the other elements with the usage of a proprietary technique, which will be kept confidential at this stage.
3. It involves purification and direct production of lithium carbonate or lithium hydroxide and can be linked to a lithium metal production.

On August 8, 2018, the Company announced that it has signed a binding term sheet with Hipo Resources Ltd. (“Hipo”), a public company based in Australia to provide research and development utilizing products, extraction methods and proprietary technology to develop Hipo’s Democratic Republic of Congo lithium project in separation, recovery, and purification of lithium from its lithium-bearing material. Once a definitive agreement has been entered into, Hipo will issue up to 27,000,000 common shares of its capital stock over a 36-month period to the Company. The performance benchmarks over the 36-month period according to the schedule below:

- 1,500,000 shares at signing.
- 8,500,000 shares at Stage 1 Benchmark completion: which is defined by the delivery of an independent laboratory report commissioned by the Company, indicating positive viable lithium recoveries.
- 8,500,000 shares at Stage 2 Benchmark completion: defined by independent report describing results of initial pilot mining operations and the processing of a minimum of one (1) metric ton in a simulated industrial environment.
- 8,500,000 shares at Stage 3 Benchmark completion: defined by the receipt of either: a Preliminary Economical Assessment Report (PEA); a commercialization decision; the third (3rd) year anniversary of this agreement assuming all other issuances have been made.

The Company has agreed that shares issued will be subject to a 36 months escrow period.

The Company has successfully tested its leaching approach with spodumene and other clay formations of lithium without pressure, clacining and high temperatures. This development can be applied to any hard feed includes tailings, clay and hard rocks. The Company’s metallurgists are planning to initiate tests with lepidolite lithium material available from its LeRoyal project.

In February 2019, the Company has been informed that Hipo has prepared 1 metric tonne of lithium bearing material for shipping to the Company metallurgists in Montreal.

## **ZeU CryptoNetworks – Blockchain Technology**

On January 4, 2018, the Company formed a new wholly owned subsidiary called ZeU Crypto Networks Inc. (“ZeU”), and the Company entered into a significant, non-arm’s length blockchain and smart contract technology license agreement (the “License”), with Qingdao Tiande Technologies Limited., (“Tiande”), a Chinese private company.

Under the terms of the License, Tiande granted the Company an exclusive license to use Tiande’s proprietary technologies, patents and know-how to develop and commercialize novel mineral commodity production chain control, tracking and trading exchanges. In consideration for the rights granted under the License, the Company shall pay to Tiande a royalty of 8% of the gross revenues derived from the Licensee.

On January 14, 2018, in order to accelerate development and better accommodate future financings, the Company assigned the License to ZeU and cash in consideration of 20,000,000 common shares of ZeU at a fair value of \$496,433 and the assumption of the royalty obligations.

In May 2018, the Company signed an Arrangement Agreement providing for the spin-out of ZeU with the intent of listing ZeU on the Canadian Securities Exchange (“CSE”).

In July 2018, the Company obtained the final order of the Superior Court of Quebec approving the Arrangement with ZeU, and filed to obtain conditional approval from the CSE to list ZeU, the last required condition to complete the distribution of ZeU shares to the Company’s shareholders of record on August 7, 2018. The Company’s shareholders will receive approximately one share of ZeU, for every eight shares they own of the Company share.

On July 5, 2018, Zeu closed an initial tranche of its 10% unsecured convertible debentures offering for an aggregate principal amount of \$4,783,692, of which \$3,708,692 was subscribed in consideration of digital assets, and \$550,000 was signing bonus as management and consulting fees. Each convertible debenture issued will have a maturity date of July 5, 2020 and be convertible into common shares of ZeU at a price of \$1.00.

ZeU aims to deploy a private blockchain and is investigating potential collaboration and integration with a major public blockchain allowing faster deployment of a complete Distributed Applications (“DAPPs”) infrastructure.

In December 2018, ZeU conducted tests and deployed a 4 nodes private blockchain infrastructure using resources leased from Amazon Cloud Services. The current structure is allowing development and integration testing.

On December 21, 2018, ZeU executed an agreement with Prego International Group AS to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform (“Services”). Prego is a global payment solution provider based in Norway. It develops and operates a range of payment services for partners and clients worldwide, including Everyday Digital.

Under the agreement, Zeu and Prego will share equally the costs of the Services as follows:

- Phase 1 –preface. Innovation lab: US\$675,000, including the setup cost and license fees of the full platform ;
- Phase 2 –pilot operational : US\$750,000, including full system integration with “POC” testing and user testing with stress test of the platform in 60 days with a complete report; and
- Phase 3-project launched and running (upscale/internationalization), including a full platform, service ready to go, for implementation in multiple global markets.

ZeU has been working on a series of patents with the focus on technologies that can be quickly commercially deployed and conducted tests on two potentially patentable new applications and testing smart contract improvements for applications in the gambling industry.

In October 2018, a US provisional patent titled “Biocrypt Digital Wallet” was filed. The invention is a newly designed biometric digital wallet allowing the cold storage of cryptocurrencies. ZeU is planning to commercialize the wallet in collaboration with other influencers and plans to use alternative financing solutions to cover the pre-revenue costs of its commercialization.

In early December 2018, ZeU filed a provisional patent titled “System and Method for Augmenting Database Applications with Blockchain Technology”. The application developed by ZeU and related to this invention patent provides a migration method that allows a database application that accesses a local database to be synchronized with a blockchain. The invention is protocol agnostic and ZeU management believe that it could be used as a gateway to share data between application using different protocols.

In January 2019, ZeU filed a provisional patent in relation to a distributed and decentralized method of random number generation. The provisional patent is titled “A Method For Generating Random Numbers In Blockchain Smart Contracts”. This method ensures that it is impossible to manipulate the random number seed or the block content. Initially developed to address issued with gambling applications, the technology will also be deployed for testing with partners to create fundamentally more secure financial transactions. The technology can also be applied wherever impartiality is required: double-blind medical trials, computer-simulated training, random sampling for quality assurance, even a military draft.

These technologies are being developed to be used in payment solutions, gambling industry and secure messaging.

On February 4, 2019 ZeU executed an asset purchase agreement with VN3T Technologies Inc. and its subsidiaries, collectively “VN3T”, an arm’s length party to acquire the key IP of VN3T’s decentralized data market place platform and secured development services. VN3T is based in Montreal and Gibraltar, it develops manages and markets a decentralized data marketplace.

Under the agreement, ZeU paid \$150,000 to VN3T for the IP by the issuance of a debenture of ZeU maturing 2 years from its issuance and convertible into common shares of ZeU at a price equal to the 5-day VWAP of the shares on the Canadian Stock Exchange, subject to a minimum of \$1.85. ZeU agreed to retain the services of the VN3T for a gross amount of \$60,000 to assist with the development of certain aspects of the IP.

Under the agreement, VN3T also granted ZeU an exclusive option to acquire the additional assets for purchase price of \$25,000, which would be satisfied by the issuance of a \$25,000 debenture under the same terms and conditions.

The IP and the expertise acquired will expedite the development of certain functionalities of ZeU’s blockchain marketplace platform for derivatives developed for Borealis Commodities Exchange ehf (“Borealis”) and will allow the integration of the new business segment of data trading in relation with this initiative and other opportunities, and it will also generate exclusive tradable content for Borealis.

On February 25, 2019, ZeU retained the services of Cassiopeia Services Ltd.(“Cassiopeia), a UK based communication and investors awareness firm specialized in blockchain out of London UK. Cassiopeia Services Ltd. is thriving in the booming blockchain and crypto world with multiple clients working on innovative projects powered by new technologies in different industries. ZeU pays £5,000 quarterly to Cassiopeia starting March 31, 2019. ZeU also granted Cassiopeia 50,000 common share options with an exercise price of \$1.25 per share and \$50,000 debentures convertible at a price of \$1.00 per share.

On March 3, 2019, ZeU filed a provisional patent for Blockchain-Based Secure Email System. A complete blockchain email system that supports both internal and cross-chain emails with the potential to interact with non-blockchain email systems. Through this method, as long as the sender or the recipient of the email is a blockchain mailbox, the email information will be recorded in the blockchain to ensure the authenticity of the email. Moreover, when blockchain mailboxes exchange messages, the email information will be encrypted and stored in distributed storage; only the recipient can obtain the unique cipher key and storage location of the email, thereby ensuring the security of email transmissions.

ZeU management is planning to release an open-source version of it email distributed application later this year. A free version allows individual and corporations to use the platform and ZeU will support groups of developers interested in cross-integration and improvement of the platform.

The free version will allow ZeU using VN3T data trading approach to monetize part of the data exchanged in the email communications for third party resell and/or trading on the Borealis platform.

The email application has been given the development name of Mula.

Mula Mail is ZeU's first application native to the blockchain. Mula Mail aims to marry email and marketing by allowing corporations to buy marketing campaigns for their bank or products. Mula Mail will be a freemium email, allowing users to opt out of marketing campaigns for a low monthly fee. However, users who engage with the marketing campaigns will receive vouchers that can be redeemed against products and services. For user not wishing to engage with brands but still want the benefits of a blockchain email, they can opt-out for a small monthly fee.

Additional integration with vSekur technology for the free-to-use version of the email and a new monetization concept turning the email interface into a crypto market place should allow the subscribers to use their email as a private and secure digital wallet payment system.

On March 8, 2019, ZeU agreed to provide its patent pending Blockchain Random Number Generator and other related blockchain technologies to St. James House PLC (LSE: SJH) ("St. James"), a UK licensed gaming operator, by the way of joint-venture for the establishment of a blockchain lottery. The agreement calls for the establishment of a new lottery joint-venture with its main license in Malta.

The Lottery Joint-Venture ("Lottery JV") will combine St. James' expertise in regulated lottery management and administration with ZeU's innovative blockchain based technology. St. James' who will act as the lottery operator and hold a 45% equity interest in the Lottery JV, and ZeU will hold 19%, the Company will hold 19.9% and the balance with independent investors.

All technology operating costs of the Lottery JV will be met by ZeU and in return ZeU will charge a service fee that will not exceed 90% of the revenues from the Lottery JV. Profits generated by the Lottery JV will be distributed as a dividend to the shareholders.

In additional consideration, in excess of the 19.9% of the net profits that it will receive and of the revenues generated and of the fees that will be collected for the technology usage, ZeU will receive from St. James' new UK subsidiary, LottoCo, 100,000 non-voting, zero-coupon redeemable preferred shares of a par value of 2 pence ("Preferred Shares"). The Preferred Shares will be redeemable in 21 years, the redemption price of the Preferred Shares to be fixed within 3 months after the issue of the audited accounts of the Lottery JV for the second year of operations and will be based on an independent valuation report. At the discretion of ZeU, the Preferred Shares may be exchanged on the basis of one Preferred Share for two ordinary shares of 1 pence each in St. James ("Ordinary Shares"), with notice to be given one day before the Preferred Shares are due to be redeemed in 21 years, i.e. a maximum of 200,000 Ordinary Shares may be issued.

On August 2, 2019, ZeU and St. James executed a long form agreement for the creation of a Maltese Joint-Venture corporation that will manage the operation of a blockchain-based lottery operated by St. James and maintained by ZeU.

On March 29, 2019, ZeU was retained to develop the global blockchain infrastructure and data mining components of the KinectHub initiative of Kinect Corporation ("Kinect"). KinectHub is a large multi-million-dollar infrastructure project using state-of-the-art technology such as blockchain, distributed storage, anonymity solution and privacy insurances to bring healthcare to third world countries. The scope of work will be starting with a full use case analysis for 30 days. At the end of this period, a Statement of Work will be delivered and used as a development road-map.

ZeU is defining a pathway to fast deployment of its technology and has had discussion with complementary solutions providers in the same field. ZeU is in the process of securing ownership of 5,000,000 utility tokens of a blockchain-browser developer from a related third party at a pre-minting value of \$0.10 per token. ZeU entertains integration with similar solutions for faster deployment. A product oriented token (POT) minting for the blockchain email solution is being reviewed.

On May 28, 2019 ZeU signed a binding term sheet with Star Epigone Capital Ltd. ("Star Epigone") of the British Virgin Islands to provide a license for ZeU's Random Number Generator to be used by Star Epigone in its

online gaming product offering. Star Epigone has access to an already established clientele through its online gaming business and is planning to integrate lotteries and other gambling offerings using ZeU's technologies solutions.

All development and licensing costs will be covered by Star Epigone, the operator.

ZeU also entered into a binding term sheet to acquire 2,100,000 first rank preferred shares of vSekur Network Ltd. (vSekur"). The shares have a redemption value of \$1.00 and bear a 6% annual interest. The preferred shares can be converted into common shares of vSekur at the current value of \$1 each, or at the last equity raise price. ZeU will have the right to maintain its equity position with a right of first refusal in all future financing efforts of vSekur. If converted in common shares, this would represent more than 21% of the company outstanding common shares. vSekur is already developing the patient account security component of ZeU Healthcare SaaS. It will now become the primary provider of anonymization solutions for the different development initiatives of ZeU.

ZeU will issue to vSekur approximately 215,325 convertible debenture units with a minimum floor conversion of CAD \$3.25 for one year. The transaction is planned to close within 5 days of ZeU listing on a Canadian securities exchange.

In order to further accelerate the development of its blockchain healthcare SaaS solution, In May 2019, ZeU entered into a term sheet with Pure Data Tech Corporation ("Pure") of Hong Kong. Pure has received investment and grants in excess of £1,000,000 up to today, and Pure operates a turnkey solution that includes software, hardware and management services (MIS) for the healthcare industry in South-East Asia with a focus on Singapore and Malaysia. The companies will partner in certain aspects of their development. While Pure will leverage ZeU's blockchain technology, ZeU will be able to integrate Pure's machine learning IP into its Healthcare SaaS solution. The transaction is expected to close within 5 days of ZeU listing its common shares on a Canadian securities exchange.

ZeU will issue 461,540 subordinated debenture units convertible at a floor price of CAD \$3.25 for a total of approximately CAD \$1,500,000 and 400,000 three years special warrants in favor of Pure at an execution price of CAD \$3.75.

Pure will issue approximately £1,000,000 worth of 1st Rank, Fixed Redeemable and Convertible Preferred Shares of Pure in favor of ZeU currently representing after conversion, 42% of Pure's common shares.

On May 28, 2019, ZeU management informed shareholders that its Maltese legal advisors have cleared the way to a beta testing of its blockchain email marketplace with a slightly altered version of its platform. ZeU will use tokens with no commercial value and an expiry date for the duration of the beta testing phase of its email. The tests will be migrated to the Maltese licensing authority sandbox. Furthermore, ZeU will create a Maltese wholly owned subsidiary to run the blockchain email marketplace and request the proper master license allowing all commercial clients of the email marketplace to fall under the ZeU license when issuing their own tokens.

In July 2019, the listing statement of ZeU was under review by the CSE. The CSE's questions and requests for clarification were being addressed by management.

On August 8, 2019, ZeU filed with the US Patent Office a provisional patent application named "A method and system to complete cross-chain transactions" for its Cross-Chain Atomic Swaps & Contract-less Distributed Ledger Applications Interoperability, the augmented engine and structure of ZeU's Internet of Blockchain. The engine is agnostic to any and all blockchain protocols currently on the market or expected in the future.

On August 18, 2019, ZeU filed with the US Patent Office a provisional patent application named "A Method and System for a Transactional Decentralized Communication Protocol Infrastructure (using ZeU's Cross-Chain Multi-Chain Atomic Swap)" for a New Internet Communication Protocol. The protocol will enable a smoother transition of legacy systems into the distributed digital economy, or Web 3.0. This patent describes a method to create a highly-scalable, smart contract-less communication protocol, much like TCP/IP, using distributed consensus, an atomic transaction framework, Unspent Transaction Output(UTXO), and a Byzantine Fault Tolerance standard. This protocol leverages the cross-chain, multi-chain particularities of ZeU's Atomic Swap.

During the period ended June 30, 2019, the Company incurred research and development expenses of \$191,301 related to the development of the blockchain technology.

### **Borealis Commodities Exchange ehf**

The Company's wholly owned subsidiary Borealis Commodities Exchange ehf. ("Borealis") moved the focus of its platform development towards a distributed exchange structure and initiated tests using EOS public blockchain in order to limit costs of transactions. The scenarios being studied would integrate ZeU private blockchain with EOS to reduce development time and further limit the costs per transaction while keeping the control on the smart contracts tokens issuances and the utility tokens used in the distributed platform. Limited version of the testing platform should be available for review by regulatory authorities in the planned jurisdictions of operations in 2019.

On February 28, 2019, the Company also appointed Cassiopeia Services Ltd. as part of the Company's plan to raise its profile and grow its investor base. The Company pays £ 2,500 monthly starting March 8, 2019 and granted 100,000 common share options with an exercise price at the same price as its next management issuance of options.

### **QUALIFIED PERSON**

The technical information disclosed in this MD&A has been reviewed and approved by Joel Scodnick, P.Geo., Vice-President, Exploration for St-Georges and a Qualified Person, as defined by National Instrument 43-101 for the *Standards of Disclosure for Mineral Projects*.

### **EQUITY TRANSACTIONS**

On July 13, 2018, the Company issued 2,157,648 common shares on conversion of \$366,800 of the Iceland debentures and interest.

On August 1, 2018, the Company issued 260,768 common shares with a fair value of \$42,375 to settle debts.

On December 31, 2018, the Company completed a non-brokered private placement of 2,550,000 flow-through units priced at \$0.10 per unit, for total proceeds of \$255,000. Each unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share at an exercise price of \$0.20 per share on or before September 30, 2019, and thereafter at a n exercise price of \$0.50 per share on or before June 30, 2020.

On December 31, 2018, the Company issued 2,000,000 common shares to Spá EHF on conversion of \$200,000 of the debentures issued as partial consideration of an acquisition of 15% equity interest in Íslensk Vatnsorka EHF .

On December 31, 2018, the Company issued 727,128 common shares as partial consideration pursuant to the share purchase agreement with the minority shareholders of St-Georges Iceland Ltd.

During the year ended December 31, 2018, the Company issued 1,868,603 common shares for \$166,236 as payment to settle debentures.

During the year ended December 31, 2018, the Company issued 14,550,960 common shares for \$2,807,242 for the exercise of warrants and issued 113,000 common shares for \$33,900 as warrants exercise payment to settle the former chief Financial Officer claims.

During the year ended December 31, 2018, the Company issued 450,000 common shares for \$33,750 for the exercise of stock options.

On January 14, 2019, the Company completed a non-brokered private placement by issuing a total of 6,300,000 units at a price of \$0.10 per unit for gross proceeds of \$630,000, each unit being comprised of one common share and one share purchase warrant, entitling the holder to purchase an additional share at a price of \$0.185 per share until January 14, 2021, and finder's warrant to purchase up to 165,000 shares of the Company at \$0.10 per share on or before January 14, 2020.

On January 14, 2019, the Company issued 1,333,333 common shares on conversion of \$200,000 debentures in shares of the Company at a price of \$0.15 per share as partial consideration to acquire a 15% equity interest in Íslensk Vatnsorka EHF.

On January 14, 2019, the Company issued 1,700,687 common shares on conversion of \$255,103 debentures in shares of the Company at a price of \$0.15 per share as partial consideration under the share purchase agreement between the Company and the remaining 40% shareholders of St-Georges Iceland Inc.

On May 22, 2019, the Company issued 889,862 common shares for \$66,740 for the exercise of warrants.

At June 30, 2019, the Company had \$511,004 in subscriptions receivable.

## RESULTS OF OPERATIONS

For the period ended June 30, 2019, the Company recorded a net loss of \$844,868 (2018 - \$2,237,440) and had a cumulative deficit of \$22,770,339 (December 31, 2018 – \$21,925,471). The Company had no source of operating revenues or any related operating expenditures.

## SELECTED ANNUAL INFORMATION

| For the years ended December 31              | 2018        | 2017        |
|--|-------------|-------------|
|  | \$          | \$          |
| Revenues                                     | -           | -           |
| Operating expenses                           | (4,655,622) | (1,050,357) |
| Net loss and comprehensive loss for the year | (7,883,553) | (1,138,506) |
| Basic and diluted loss per share             | (0.08)      | (0.02)      |
| As at December 31                            | 2018        | 2017        |
|  | \$          | \$          |
| Cash and cash equivalents                    | 567,816     | 717,198     |
| Digital assets                               | 705,390     | -           |
| Working capital (deficiency)                 | 297,112     | 150,824     |
| Exploration and evaluation assets            | 3,105,245   | 1,560,121   |
| Total assets                                 | 4,614,442   | 2,374,567   |
| Shareholders' equity                         | (2,021,163) | 1,231,174   |

### For the year ended December 31, 2018, the Company had no revenues.

The Company incurred a net loss and comprehensive loss for the year of \$7,883,553 for the year ended December 31, 2018 compared to \$1,138,506 for the year ended December 31, 2017. The increase in the loss is primarily due to increases in stock-based compensation payments of \$1,304,594 (2017 - \$37,881), consulting fees of \$362,457 (2017 - \$76,221), financial fees, bank charges, accretion expenses of \$276,449 (2017 - \$5,319), management fees of \$915,250 (2017 - \$330,500) and research and development fees of \$517,960 (2017 - \$nil), unrealized loss on digital assets of \$3,003,302 (2017 - \$nil), and loss on change in fair value of derivatives of \$167,004 (2017 - \$nil). Further details are available in the analysis below.

### For the year ended December 31, 2017, the Company had no revenues.

The Company incurred a net loss and comprehensive loss for the year of \$1,138,506 for the year ended December 31, 2017 compared to \$828,227 for the year ended December 31, 2016. The increase in the loss is primarily due to an increase in management fees to \$330,500 (2016 - \$Nil) and subcontractors fees to \$109,000 (2016 - \$42,000) as the Company acquired new and complex projects. Interest and accretion charges increased to \$244,157 (2016 - \$21,259) as a result on interest bearing convertible debentures in the current year. This was somewhat offset by a reduction of impairment of exploration and evaluation assets to \$Nil (2016 - \$547,168). Further details are available in the analysis below.

### Impairment charge on Exploration and Evaluation Assets

In the prior year, the Company evaluated its Exploration and Evaluation Assets and determined that there were indicators of impairment. As a result, the Company recorded an impairment charge in 2018 of \$36,912 for the Company's Villebon and Lithium properties.

### Expenses

For the periods ended June 30, 2019 and 2018.

|   | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|
| Accretion expenses                          | 227,871    | -          |
| Compensation expense                        | 67,591     | -          |
| Consulting fees                             | 102,429    | 93,900     |
| Foreign exchange expenses                   | 45,462     | (2,366)    |
| Interest on convertible debentures          | 253,326    | 10,500     |
| Management fees                             | 331,498    | 374,000    |
| Office expenses                             | 58,054     | 1,374      |
| Professional fees                           | 73,408     | 104,424    |
| Publicity and promotions                    | 84,957     | 202,898    |
| Research and development fees               | 191,301    | -          |
| Stock based compensation                    | 10,452     | 1,271,995  |
| Subcontractors                              | 47,500     | 77,500     |
| Travel expenses                             | 52,397     | 72,176     |
| Transfer agent and listing fees             | 36,810     | 31,039     |
| Gain on sale and payments of digital assets | (115,125)  | -          |
| Unrealized gain on digital assets           | (623,063)  | -          |
| Loss and comprehensive loss                 | 844,868    | 2,237,440  |

### SUMMARY OF QUARTERLY RESULTS

The following table outlines selected unaudited financial information of the Company for the last eight quarters.

|                                   | Jun.30,<br>2019 | Mar.31,<br>2019 | Dec.31,<br>2018 | Sep.30,<br>2018 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total assets                      | 5,428,639       | 4,925,529       | 4,614,442       | 5,354,653       |
| Working capital (deficiency)      | 556,075         | 425,765         | 297,112         | 2,420,730       |
| Shareholders' equity (deficiency) | (1,570,052)     | (1,612,549)     | (2,021,163)     | (287,924)       |
| Revenue                           | -               | -               | -               | -               |
| Net loss                          | (108,691)       | (736,177)       | (1,962,525)     | (3,683,588)     |
| Net loss per share                | (0.00)          | (0.01)          | (0.02)          | (0.03)          |
|                                   | Jun.30,<br>2018 | Mar.31,<br>2018 | Dec.31,<br>2017 | Sep.30,<br>2017 |
| Total assets                      | 3,909,839       | 3,438,516       | 2,374,567       | 851,642         |
| Working capital (deficiency)      | 25,184          | 120,266         | 150,824         | (618,464)       |
| Shareholders' equity              | 2,279,881       | 1,963,530       | 1,231,174       | (280,377)       |
| Revenue                           | -               | -               | -               | -               |
| Net loss                          | (1,689,759)     | (547,681)       | (519,953)       | (145,032)       |
| Net loss per share                | (0.02)          | (0.01)          | (0.01)          | (0.01)          |

### **THREE MONTHS ENDED JUNE 30, 2019**

For the three months ended June 30, 2019 and 2018, the Company had no revenues.

The Company incurred net losses for the period of \$108,691 (2018 - \$1,689,759). The decrease in loss is primarily due to a decrease in stock based compensation, a non-cash expenses to \$10,452 (2018 - \$1,271,995). The Company increased accretion expenses to \$82,353 (2018 - \$nil) and interest expenses to \$129,066 (2018 - \$5,250) as a result of the Company's convertible debentures costs in the current period. Compensation expense increased to \$33,982 (2018 - \$nil) and office expenses increased to \$18,845 (2018 - \$705) as a result of increased requirements due to more complex projects and subsidiary companies in the current period. Research and development expense also increased to \$101,584 (2018 - \$nil) as a result of the development of the blockchain technology.

During the three months ended June 30, 2019, there was an unrealized gain in digital assets of \$575,854 (2018 - \$nil) due to a general market change in the value of such assets. The Company also recognized a gain of \$70,168 (2018 - \$nil) upon sale of certain Ether coins, and a gain of \$44,957 (2018 - \$nil) on payments with Ether coins.

### **SIX MONTHS ENDED JUNE 30, 2019**

For the six months ended June 30, 2019 and 2018, the Company had no revenues.

The Company incurred net losses for the period of \$844,868 (2018 - \$2,237,440). The decrease in loss is primarily due to a decrease in stock based compensation to \$10,452 (2018 - \$1,271,995) as a result of issuing stock options in prior period. The Company increased accretion expenses to \$227,871 (2018 - \$nil) and interest expenses to \$253,326 (2018 - \$10,500) as a result of the Company's convertible debentures costs in the current period. Compensation expense increased to \$67,591 (2018 - \$nil) and office expenses increased to \$58,054 (2018 - \$1,374) as a result of increased requirements due to more complex projects and subsidiary companies in the current period. Research and development expense also increased to \$191,301 (2018 - \$nil) as a result of the development of the blockchain technology.

During the three months ended June 30, 2019, there was an unrealized gain in digital assets of \$623,063 (2018 - \$nil) due to a general market change in the value of such assets. The Company also recognized a gain of \$70,168 (2018 - \$nil) upon sale of certain Ether coins and a gain of \$44,957 (2018 - \$nil) on payments with Ether coins.

### **LIQUIDITY AND CASH FLOW**

At June 30, 2019, the Company had cash of \$609,236 (December 31, 2018 - \$567,816) and working capital of \$556,075 (December 31, 2018 - \$297,112).

For the period ended June 30, 2019, significant cash flows were as follows:

Net cash used in operating activities for the period was \$715,635. Net loss for the period of \$844,868 included non-cash accretion of \$227,871, and accrued interest of \$253,326 on convertible debentures, unrealized gain on marketable digital assets of \$623,063, and gain on sale of marketable digital assets of \$115,125. Net changes in working capital items were \$375,772, primarily including decreases in subscription receivables and accounts payable and accrued liabilities.

Net cash provided by investing activities for the period was \$37,948. The Company sold certain Ether coins and used Ether coins for payment for proceeds of \$283,416, which were offset by acquisition and exploration costs on the various projects of \$245,468.

Net cash provided by financing activities for the period was \$719,107. The Company received net funds from share issuances for the completed private placement, warrants exercise and debentures converted into shares during the period ended June 30, 2019.

## **FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES**

### **Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the period.

#### *Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private investments.

As at June 30, 2019, the Company has current liabilities and accrued liabilities of \$1,521,851 due within 12 months and has cash of \$609,236 to meet its current obligations. As a result, the Company faces liquidity risk as it expends funds towards its projects.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures fixes interest at 6% per annum and accordingly is not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk is minimal.

#### *Fair Value Measurement*

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments, with the exception of the secured debenture, are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures was calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

## CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at June 30, 2019, the Company's shareholders' deficiency was \$1,570,052 (December 31, 2018 -\$2,021,163). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

Capital for expansion comes mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds are required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the period ended June 30, 2019.

The Company is not currently exposed to any externally imposed capital requirements.

## RELATED PARTY TRANSACTIONS

### a) Related party transactions

During the period, the Company incurred the following transactions with related parties not disclosed elsewhere in the financial statements:

|  | Jun.30, 2019 | Jun.30, 2018 |
|--|--------------|--------------|
|  | \$           | \$           |
| Management or Administration fees paid or accrued to directors or companies controlled by directors or officers <sup>1, 2,3,4,5,6,7,8,9,10</sup> | 342,498      | 248,500      |
| Bonuses paid or accrued to directors or officers <sup>1, 2,3,4,5,6,7,8,9,10</sup>  | -            | 203,000      |

<sup>1</sup> Frank Dumas, Director and COO

<sup>2</sup> Mark Billings, Chairman, Director

<sup>3</sup> Vilhjalmur Vilhjalmsson, President, Director and CEO

<sup>4</sup> Enrico Di Cesare, Director and VP Research & Development

<sup>5</sup> Richard Barnett, CFO

<sup>6</sup> Neha Tally, Corporate Secretary

<sup>7</sup> Joel Scodnick, Qualified Person

<sup>8</sup> Herb Duerr, Director

<sup>9</sup> Gary Johnson, Director

<sup>10</sup> Wei-Tek Tsai, Director (resigned in July 2019)

These amounts will be settled by either cash payments or issuing securities.

In addition, consulting fees of \$187,022 (2018 - \$nil) were expensed as research and development costs during the period ended June 30, 2019. 50% of the CEO's time was devoted to research and development.

During the year ended December 31, 2018, the CEO and CTO of ZeU received a signing bonus in the form of convertible debentures in the amount of \$250,000 and \$150,000 respectively which will be recognised over the vesting period of 4 years.

### b) Due to Related Parties

At June 30, 2019, included in accounts payable and accrued liabilities is \$464,904 (December 31, 2018 - \$350,515) owing to related parties.

These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

## **Outstanding Share Data**

As at June 30, 2019, and as of the current date, the Company has 124,900,588 common shares outstanding.

## **Stock Options**

As at June 30, 2019, the Company has 8,775,000 stock options outstanding. Subsequent to the period ended June 30, 2019, 400,000 options expired. As of the current date, the Company has 8,375,000 stock options outstanding.

## **Warrants**

As at June 30, 2019, and as of the current date, the Company has 14,240,000 warrants outstanding.

## **RISK FACTORS**

### **Exploration**

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labour disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment.

The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment and others, such as aboriginal claims and government regulations, including regulations regarding royalties, authorized production, import and export of natural resources and environmental protection. Depending on the price of the natural resource produced, the Company may decide not to undertake or continue commercial production.

There can be no assurance that the expenses incurred by the Company to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

### **Environmental and Other Regulations**

Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically. Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations may also impact the viability of an operation or altogether prevent the economic development of a property.

### **Financing and Development**

The Company does not presently have sufficient financial resources to undertake its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

### **Commodity Prices**

The factors that influence the market value of platinum, palladium, rhodium, copper, cobalt, nickel, carbon graphite and any other mineral discovered are outside the Company's control. The impact of these factors cannot be accurately predicted. Resource prices can fluctuate widely and have done so in recent years.

## **Risks Not Covered by Insurance**

The Company may become subject to claims arising from cave-ins, pollution or other risks against which it cannot insure itself due to the high cost of premiums or other reasons. Payment of such claims would decrease and could eliminate the funds available for exploration and mining activities.

*signed "Vilhjalmur Thor Vilhjalmsson"*  
President and Chief Executive Officer

*signed "Richard Barnett"*  
Chief Financial Officer