



The following discussion and analysis of the operations, results, and financial position of Gray Rock Resources Ltd. (the "Company" or "Gray Rock") should be read in conjunction with the Company's condensed consolidated interim financial statements for the six months ended June 30, 2018, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated August 24, 2018 and discloses specified information up to that date. Gray Rock is classified as a "venture issuer" for the purposes of National Instrument 51-102.

We recommend that readers consult the "Cautionary Statement" on the last page of this report.

Additional information relating to the Company can be obtained by contacting David Wolfen, the President & CEO of the Company, on SEDAR at www.sedar.com, or on the Company's website at www.grayrockresources.com.

Business Overview

Gray Rock Resources Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia. Its principal business comprises the exploration for and development of mineral properties.

The Company is in the exploration stage. The common shares of the Company commenced trading on the TSX Venture Exchange on November 29, 2006 under trading symbol GRK. The Company is classified as a Mineral Exploration company. The financial statements, to which this MD&A relates, have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has working capital of \$47,951 at June 30, 2018 and has accumulated losses of \$4,019,632 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future.

Overall Performance

Surprise Lake & Hot Bath Properties Update

In June 2018, the Company transferred the Surprise Lake and Hot Bath Properties back to DeCoors. In consideration for the transfer, DeCoors returned 3.2 million common shares of the Company for cancellation, and delivered 200,000 common shares of Garibaldi Resources Inc. ("Garibaldi") As a result of this transaction, the Company recorded a cost recovery of \$624,000, which represents the value of the Garibaldi common shares on the closing date.

Silver Stream Property

Located 25km northeast of Bralorne, B.C., in the Lillooet mining district of British Columbia, the Company holds 100% tenure in the Silver Stream I and II mineral claims (the "Silver Stream Property"). First explored in 1988, the Silver Stream Property has produced a number of anomalous-to-significant gold showings in sampling, trenching, and drilling. Although still an "early-stage" property, a July 2006 Technical Report filed on SEDAR states: "...the nature of the mineralization seen in the known showings in the context of the Bridge River camp show the property has good potential to develop economic gold mineralization."



The renowned Bralorne gold mine, which produced 4.1 million ounces of gold between 1932 and 1971, lies about 25 kilometers southwest of Silver Stream. The average grade of the Bralorne mine complex was 0.52 opt gold, and it remains the largest historic gold producer of the Canadian Cordillera.

Documented gold exploration on the Silver Stream Project, undertaken between 1987 and 2014, has involved approximately 1,759m of diamond drilling in 10 holes, hand and excavator trenching, mapping, rock geochemistry, and reconnaissance and grid soil geochemistry. Two significant zones of gold mineralization have been discovered, the Silverstream West and Southeast zones.

In October 2017, the Company amended the existing mineral lease claim agreement for the Silver Stream I and II properties, by assigning and transferring to Marshall Creek Jade Inc. ("Marshall Creek") all rights, titles, interest and obligations from Saxifrage Geological Services Ltd. ("Saxifrage"). All other terms of the agreement remained the same.

At June 30, 2018, mineral claims Silver Stream I and II remain in good standing.

Mineral Claim Lease Agreement

The Company had previously entered into a mining lease agreement for the Silver Stream properties with Saxifrage. In accordance with the terms of the agreement, Saxifrage has agreed to pay the Company an annual rental of \$12,000 starting December 12, 2016, or perform annual exploration and/or development work of at least \$12,000 in value in lieu of the \$12,000 payment due each year. In addition, the Company granted Saxifrage an option to purchase the property for \$500,000 payable at any time during the term of the agreement, subject to a 5% Net Smelter Returns Royalty on metals and a 5% Gross Overriding Royalty on any jade production. Any future royalty payments due to the Company from Saxifrage after the exercise of option shall be reduced by \$500,000.



Review of Operations

Three months ended June 30, 2018 compared with the three months ended June 30, 2017.

| | 2018 | 2017 | Note |
|--|-------------------|-------------------|----------|
| General and Administrative Expenses | | | |
| Administrative fees | \$ 11,267 | \$ 7,939 | |
| Automobile | 158 | 53 | |
| Consulting fees | 7,500 | 17,500 | 1 |
| Depreciation | 954 | - | |
| Foreign exchange loss (gain) | 2 | 20 | |
| Interest and bank charges | 47 | 104 | |
| Listing and filing fees | 4,674 | 8,340 | 2 |
| Office and miscellaneous | 2,339 | 2,742 | |
| Professional fees | 21,493 | 8,567 | 3 |
| Share-based compensation (recovery) | (3,200) | 203,300 | 4 |
| Shareholder information | 2,763 | 1,781 | |
| Transfer agent fees | 4,346 | 1,217 | |
| Travel | - | 4,008 | 5 |
| Operating Loss | (52,343) | (255,571) | |
| Other Items | | | |
| Fair value adjustment for promissory note payable | (5,483) | (12,596) | |
| Cost recovery on disposition of mineral property | 624,000 | - | 6 |
| Net Income (Loss) For The Period | 566,174 | (268,167) | 7 |
| Basic and Diluted Income (Loss) per Share | \$ 0.03 | \$ (0.01) | 7 |
| Weighted Average Number of Shares Outstanding | 22,432,988 | 22,085,895 | |



1. During the three months ended June 30, 2018, consulting and management fees were \$7,500 compared to \$17,500 for the quarter ended June 30, 2017. As a result of the unwinding of the Surprise Lake and Hot Bath properties, it was determined that additional expertise to manage operations of the Company was no longer required.
2. During the three months ended June 30, 2018, listing and filing fees were \$4,674 compared to \$8,340 for the comparable quarter in 2017. This is a result of additional filing fees incurred for the appointment of new directors, an increase in news releases, and additional filing requirements during the quarter ended June 30, 2017, compared to the current period.
3. During the three months ended June 30, 2018, professional fees were \$21,493 compared to \$8,567 during the same quarter last year. The increase of \$12,926 is due to higher corporate activity as a result of the settlement of the DeCoors transaction during the three months ended June 30, 2018.
4. During the three months ended June 30, 2018, no stock options were granted to officers, directors, consultants, and employees. In the same quarter last year, the Company granted 520,000 stock options, and as a result share-based compensation of \$203,300 was recorded.
5. During the three months ended June 30, 2018, travel expenses were \$Nil compared to \$4,008 during the quarter ended June 30, 2017. The higher travel expenses in the same quarter last year were due to travel for investor relations purposes to the newly-acquired properties.
6. During the three months ended June 30, 2018, the Company received 200,000 shares of Garibaldi Resources Corp. as part of the DeCoors settlement, and recorded a cost recovery of \$624,000. This represents the fair value of the shares received on the date of closing.
7. As a result of these decreased expenses and cost recovery, the Company recorded net income of \$566,174, an increase of \$834,341 compared to net loss of \$268,167 from the quarter ended June 30, 2017. The change resulted in earnings per share of \$0.03, compared to a loss per share of \$0.01 for the same quarter in 2017.



Form 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
 For the Six Months ended June 30, 2018

Six months ended June 30, 2018 compared with the six months ended June 30, 2017.

| | 2018 | 2017 | Note |
|--|-------------------|-------------------|----------|
| General and Administrative Expenses | | | |
| Administrative fees | \$ 21,245 | \$ 14,638 | |
| Automobile | 317 | 79 | |
| Consulting fees | 15,000 | 30,000 | 1 |
| Depreciation | 1,907 | - | |
| Foreign exchange loss (gain) | (271) | 133 | |
| Interest and bank charges | 74 | 216 | |
| Listing and filing fees | 6,775 | 12,328 | 2 |
| Office and miscellaneous | 4,710 | 8,306 | |
| Professional fees | 24,581 | 12,105 | 3 |
| Share-based compensation (recovery) | (3,200) | 672,100 | 4 |
| Shareholder information | 3,282 | 14,773 | 5 |
| Transfer agent fees | 5,351 | 3,332 | |
| Travel | 40 | 8,147 | 6 |
| Operating Loss | (79,811) | (776,157) | |
| Other Items | | | |
| Fair value adjustment for promissory note payable | (10,807) | (17,373) | |
| Cost recovery on disposition of mineral property | 624,000 | - | 7 |
| Net Income (Loss) For The Period | 533,382 | (793,530) | 8 |
| Basic and Diluted Income (Loss) per Share | \$ 0.02 | \$ (0.04) | 8 |
| Weighted Average Number of Shares Outstanding | 22,695,268 | 20,370,513 | |



1. During the six months ended June 30, 2018, consulting and management fees were \$15,000 compared to \$30,000 for the six months ended June 30, 2017. As a result of the transfer of the Surprise Lake and Hot Bath properties, it was determined that additional expertise to manage the expanded operations of the Company was no longer required.
2. During the six months ended June 30, 2018, listing and filing fees were \$6,775 compared to \$12,328 for the comparable period in 2017. This is a result of additional filing fees incurred for the appointment of new directors, an increase in news releases, and additional filing requirements during the six months ended June 30, 2017, compared to the current period.
3. During the six months ended June 30, 2018, professional fees were \$24,581 compared to \$12,105 during the same period last year. The increase of \$12,476 is due to higher corporate activity related to the settlement of the DeCoors transaction during the current period.
4. During the six months ended June 30, 2018, no stock options were granted to officers, directors, consultants, and employees. In the same period last year, the Company granted 1,985,000 stock options, and as a result share-based compensation of \$672,100 was recorded.
5. During the six months ended June 30, 2018, shareholder information was \$3,282 compared to \$14,773 for the comparable period in 2017. The higher expense in the six months ended June 30, 2017 is due to shareholder communication with regards to the acquisition of Surprise Lake and Hot Bath properties, as well as redesign and update of Gray Rock's website. During the current period, only the maintenance of the website occurred.
6. During the six months ended June 30, 2018, travel expenses were \$40 compared to \$8,147 during the comparable period ended June 30, 2017. The higher travel expenses in 2017 were due to travel for investor relations purposes to the newly-acquired properties.
7. During the three months ended June 30, 2018, the Company received 200,000 shares of Garibaldi Resources Corp. as part of the DeCoors settlement, and recorded a cost recovery of \$624,000. This represents the fair value of the shares received on the date of closing.
8. As a result of these decreased expenses and cost recovery, the Company recorded net income of \$533,382, an increase of \$1,326,912 compared to the net loss of \$793,530 from the six months ended June 30, 2017. The change resulted in income per share of \$0.02 compared to the loss per share of \$0.04 for the same period in 2017.



Summary of Quarterly Results

| Quarter ended | 2018 | 2018 | 2017 | 2017 | 2017 | 2017 | 2016 | 2016 |
|---|------------|------------|-------------|------------|------------|------------|------------|------------|
| | Jun. 30 Q2 | Mar. 31 Q1 | Dec. 31 Q4 | Sep. 30 Q3 | Jun. 30 Q2 | Mar. 31 Q1 | Dec. 31 Q4 | Sep. 30 Q3 |
| Total Revenue | - | - | - | - | - | - | - | - |
| Net Income (loss) | 566,174 | (32,792) | (1,902,591) | (33,267) | (253,267) | (525,363) | 43,882 | (21,660) |
| Basic and diluted income (loss) per Share | 0.03 | (0.00) | (0.09) | (0.00) | (0.01) | (0.03) | 0.00 | (0.00) |
| Total Assets | 1,038,231 | 458,675 | 466,016 | 2,723,380 | 2,168,573 | 2,207,840 | 391,031 | 393,984 |

The overall decrease in expenses during the second quarter of 2018 is a direct result of the Company recording cost recovery on disposition of mineral property of \$624,000 during the period. The overall increase in expenses during the fourth quarter of 2017 is a direct result of the Company recording impairment expenses of \$1,898,399 during the period. The increases in the first and second quarters of 2017 are a direct result of the Company granting 1,465,000 and 520,000 stock options, respectively, to officers, directors, consultants, and employees, and recognizing \$476,000 and \$166,800, respectively, in share-based compensation expense during these two quarters. Due to the negotiation of the proposed transaction with DeCoors, as well as the two private placements, there was an overall increase in expenses during the second and third quarters of 2016 compared to the first quarter of 2016. The fourth quarter of 2016 had net income due to the fair value adjustment relating to the recognition of the promissory note payable. Historically, the Company has generally kept its operating expenditures consistent, and will continue to review ways to reduce costs into 2018. Management expects to continue to keep the operating costs of the Company to a minimum until such time as it resumes exploration activities.

Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing to fund its operations. At June 30, 2018, the Company had a cash balance of \$110,727, working capital of \$47,951, and accumulated losses of \$4,019,632 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future. However, there can be no assurance that the Company will be able to obtain additional financing, or achieve profitability or positive cash flow. If the Company is unable to generate positive cash flow or obtain adequate financing, the Company will need to decrease its operations and exploration activities.

On September 15, 2017, the Company closed a non-brokered private placement of 640,500 units at a price of \$0.40 per unit for gross proceeds of \$256,200. Each unit consists of one (1) common share and one half (1/2) non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share in the capital of the Company at an exercise price of \$0.60 for a term of one year expiring on September 15, 2018.

On February 16, 2017, the Company closed a non-brokered private placement of 1,000,000 units at a price of \$0.30 per unit for gross proceeds of \$300,000. Each unit consists of one (1) common share and one half (1/2) non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share in the capital of the Company at an exercise price of \$0.50 for a term of one year expiring on February 15, 2018.

During the six months ended June 30, 2018, the Company received proceeds from the exercise of warrants of \$Nil (2017 - \$53,750).

The Company is reviewing other financing options to raise capital in 2018 to meet its current and future obligations and operating expenses.



The Company is in the exploration stage. The investment in and expenditures on the mineral properties comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Mineral exploration and development are capital extensive, and in order to maintain its interest the Company will be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Related Party Transactions

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three and six months ended June 30, 2018 and 2017, are as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Salaries, benefits, and consulting fees | \$ 9,723 | \$ 12,141 | \$ 19,446 | \$ 16,782 |
| Share-based payments | - | 160,000 | - | 488,000 |
| | \$ 9,723 | \$ 172,141 | \$ 19,446 | \$ 504,782 |

(b) Amounts due to related parties

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at June 30, 2018 and December 31, 2017, the following amounts were due to related parties:

| | June 30, 2018 | December 31, 2017 |
|------------------------------------|------------------|----------------------|
| Oniva International Services Corp. | \$ 30,103 | \$ - |
| Intermark Capital Corp. | 15,750 | - |
| | \$ 45,853 | \$ - |



(c) Promissory notes issued to related parties

| | Intermark Capital Corp. | | Oniva | |
|-------------------------------|-------------------------|-----------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | \$ 12,888 | \$ 21,042 | \$ 164,569 | \$ 138,175 |
| Borrowing | - | 18,375 | - | 37,631 |
| Repayment of the note | - | (30,000) | - | - |
| Loss on repayment of the note | - | 8,327 | - | - |
| Unwinding of the discount | 785 | 631 | 10,022 | 17,613 |
| Fair market value adjustment | - | (5,487) | - | (28,850) |
| Ending balance | \$ 13,673 | \$ 12,888 | \$ 174,592 | \$ 164,569 |

As at June 30, 2018, \$234,637 (2017 - \$234,637) was due to Oniva International Services Corp. ("Oniva") in the form of promissory notes payable. The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

At December 31, 2017, the Company and Oniva agreed to convert the current portion due to Oniva of \$37,632, along with the existing \$197,005, to a long-term promissory note payable of \$234,637 that is non-interest bearing, unsecured, and due on demand after December 31, 2020.

The fair value of the promissory note at June 30, 2018, was \$174,592 (2017 - \$164,569). The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the three year period. The initial fair value adjustment of \$28,580 was recognized in the statement of operations and comprehensive income or loss during the year ended December 31, 2017. The Company further recorded expenses of \$10,022 related to the quarterly unwinding of the discount during the six months ended June 30, 2018 (2017 - \$17,613).

During the year ended December 31, 2017, the Company entered into a loan agreement with one of its directors. The Company and the director agreed to convert the current portion due to the director of \$18,375 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2020.

The fair value of the promissory note at June 30, 2018, was \$13,673. The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment recognized in the six months ended June 30, 2018, of \$785 was recognized in the statement of operations and comprehensive income or loss.

(d) Related party transactions

During the six months ended June 30, 2018, \$27,470 (2017 - \$34,186) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$699 of administrative fees (2017 - \$867) to Oniva and \$500 (2017 - \$500) for reimbursement of mineral claim taxes, license fees, and staking.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The arrangement may be terminated with one-month notice by either party.



Critical Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period they become known.

Financial Instruments

The Company's financial instruments include cash, investment in marketable securities, trade and other payables, and amounts due to related parties. The carrying values of these financial instruments approximate their fair values due to their short term nature. The Company is not exposed to significant interest, credit, or currency risk arising from these financial instruments.

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

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with a single Canadian financial institution.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company had cash in the amount of \$110,727 (December 31, 2017 - \$131,207) in order to meet short-term business requirements. At June 30, 2018, the Company had current liabilities of \$79,294 (December 31, 2017 – \$14,754). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at June 30, 2018, are summarized as follows:

| | Total | Less Than 1 Year | 1-5 years | More Than 5 Years |
|--|------------|---------------------|------------|----------------------|
| Accounts payable and accrued liabilities | \$ 33,441 | \$ 33,441 | \$ - | \$ - |
| Due to related parties | 298,864 | 45,853 | 253,011 | - |
| Total | \$ 332,305 | \$ 79,294 | \$ 253,011 | \$ - |



(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

At this time, the Company is not exposed to significant foreign currency risk, as the Company currently has minimal transactions and balances in currencies other than the Canadian dollars.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk with respect to its investment in marketable securities, as they are carried at fair value based on quoted market prices.



(d) Classification of Financial instruments

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as at June 30, 2018:

| | Level 1 | Level 2 | Level 3 |
|-------------|------------|---------|---------|
| Cash | \$ 110,727 | \$ - | \$ - |
| Investments | 594,605 | - | - |
| | \$ 705,332 | \$ - | \$ - |

Risks

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

As at August 24, 2018, the following common shares, warrants and stock options were outstanding:

| | Number of shares | Exercise price | Remaining life (years) |
|---------------|------------------|-----------------|------------------------|
| Share capital | 22,260,461 | - | - |
| Warrants | 1,750,450 | \$0.10 - \$0.60 | 0.04 – 1.96 |
| Stock options | 1,930,000 | \$0.39 - \$0.44 | 0.72 – 3.82 |
| Total | 25,940,911 | | |



The following are details of outstanding warrants as at June 30, 2018, and August 24, 2018:

| Expiry Date | Exercise Price Per Share | Number of Underlying Shares (June 30, 2018) | Number of Underlying Shares (August 24, 2018) |
|--------------------|--------------------------|---|---|
| February 15, 2020 | \$0.50 | 500,000 | 500,000 |
| July 6, 2018 | \$0.05 | 2,500,000 | - |
| August 15, 2018 | \$0.10 | 905,000 | - |
| September 15, 2018 | \$0.60 | 345,450 | 345,450 |
| August 15, 2020 | \$0.10 | - | 905,000 |
| Total: | | 4,250,450 | 1,750,450 |

The following are details of outstanding stock options as at June 30, 2018, and August 24, 2018:

| Expiry Date | Exercise Price Per Share | Number of Shares Remaining Subject to Options (June 30, 2018) | Number of Shares Remaining Subject to Options (August 24, 2018) |
|-------------------|--------------------------|---|---|
| May 19, 2019 | \$0.39 | 50,000 | 50,000 |
| June 26, 2019 | \$0.44 | 70,000 | 70,000 |
| February 23, 2022 | \$0.39 | 1,465,000 | 1,465,000 |
| June 23, 2022 | \$0.44 | 400,000 | 400,000 |
| Total: | | 1,985,000 | 1,985,000 |

Application of new and revised accounting standards

Adoption of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

On January 1, 2018, the Company adopted the requirements of IFRS 15. IFRS 15 covers principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. As the Company does not have revenue and cash flows arising from a contract with a customer, there is no material impact to the condensed consolidated interim financial statements.

Adoption of IFRS 9 Financial Instruments (“IFRS 9”)

On January 1, 2018, the Company adopted the requirements of IFRS 9. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected-loss” impairment model. The Company adopted a retrospective approach, other than for hedge accounting, which is applied prospectively.

IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities, and there was no significant impact on the carrying amounts of the Company’s financial instruments at the transition date. The Company had the option to designate its current equity securities as financial assets at fair value through other comprehensive income or loss, and has done so.

The introduction of the new ‘expected credit loss’ impairment model had negligible impact on the Company, given the Company has minimal receivables, with the majority being from GST recoverable from government agencies.

The Company currently has no hedging arrangements, and will apply the new accounting requirements under IFRS 9 as required.



Changes in accounting standards not yet effective

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The following accounting standards were issued but not yet effective as of June 30, 2018:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company’s disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at June 30, 2018 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules and regulations.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

Cautionary Statement

This MD&A is based on a review of the Company’s operations, financial position, and plans for the future based on facts and circumstances as of August 24, 2018. Except for historical information or statements of fact relating to the Company, this document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.