

## Management's Discussion and Analysis

For the nine month period ended September 30, 2019

*(in Canadian dollars unless otherwise noted)*

Management's discussion and analysis ("MD&A") is current to November 20, 2019 and is management's assessment of the operations and the financial results together with future prospects of Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) ("Talisker" or the "Company"). This MD&A should be read in conjunction with the Company's unaudited interim condensed financial statements for the three and nine month periods ended September 30, 2019 and 2018 and notes thereto and the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017 and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless stated otherwise. Additional information relevant to Talisker's activities, including Talisker's press releases can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") contains certain statements that may be deemed "forward-looking statements," within the meaning of certain securities laws. Forward-looking statements relate to management's expectations or beliefs about future performance, events, or circumstances that include, but are not limited to, reserve or resource potential, exploration and operational activities, and events or developments that the Company expects or targets. Forward-looking statements can usually be identified by words such as: "future", "plans", "scheduled", "expects", "intends", "estimates", "forecasts", "will", "may", "could", "would", and variations thereof. Although the Company believes that these statements are based on reasonable assumptions, all forward-looking statements involve known and unknown risks and uncertainties that may cause the actual performance, events, or circumstances of the Company to be materially different than anticipated. The forward-looking information in this MD&A describes the Company's expectations as of the date of this MD&A.

The results or events anticipated or predicted in such forward-looking information may differ materially from actual results or events. The Company and its operations are also subject to a large number of risks, including: the Company's liquidity and financing capability, fluctuations in gold prices, market conditions, results of current exploration activities, the possibility of a labour stoppage or shortage, delays in obtaining government permits and approvals and such other risks as discussed herein and in other publicly filed disclosure documents. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in such forward-looking statements, there may be other factors that cause performance, events, or circumstances to differ materially from those described in forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not try to place undue reliance on forward-looking statements contained in this MD&A.

The Company cautions that the foregoing list of material factors is not exhaustive. When relying on the Company's forward-looking information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company has assumed a certain progression, which may not be realized. It has also assumed that the material factors referred to in the previous paragraph will not cause such forward-looking information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and Talisker does not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.



## **BUSINESS OVERVIEW, RECENT DEVELOPMENTS, OUTLOOK AND STRATEGY**

### **RECENT DEVELOPMENTS**

#### **Financings**

On August 29, 2019 through September 6, 2019, the Company undertook a brokered and non-brokered private placement financing in three tranches issuing 11,642,770 common shares (the "Common Shares") at \$0.14 per Common Share for gross proceeds of \$1,629,988, 10,463,750 flow-through shares (the "FT Shares") at \$0.16 per FT Share for gross proceeds of \$1,674,200 and 4,071,000 charity flow-through shares (the "Charity FT Shares") at \$0.21 per Charity FT Share for gross proceeds of \$854,910, respectively, for aggregate gross proceeds of \$4,159,098.

In consideration for their services, the Company paid cash commissions of \$185,286, and issued 475,709 broker warrants on the brokered portion of the private placement and paid finder's fees of \$14,250 in cash and issued 42,857 brokers warrants on the non-brokered portion of the private placement. Each brokers warrant entitles the holder to acquire one common share of the Company at a price of \$0.14 for a period of 24 months.

On April 17, 2019, the Company completed an offering of 11,730,000 subscription receipts (each, a "Subscription Receipt"), at a price of \$0.20 per Subscription Receipt, for gross proceeds of \$2,346,000 (the "Offering"). Following completion of the transaction with Sable Resources Ltd. ("Sable") on April 18, 2019, the gross proceeds from the Offering were released to Talisker, and all of the Subscription Receipts were automatically exchanged for units (each, a "Unit") of Talisker. Each "Unit" was comprised of one common share of Talisker, and one common share purchase warrant of Talisker (each, a "Warrant"). Each "Warrant" entitles the holder to acquire a further common share of the Company at a price of \$0.30 for a period of 24 months, subject to accelerated expiry in the event the closing price of the shares of the Company is greater than \$0.50 for ten consecutive trading days.

#### **Change of Business**

On January 24, 2019, the Company entered into an asset purchase agreement (the "Purchase Agreement") to acquire Sable's mineral resource properties located in the Province of British Columbia and certain related assets (the "B.C. Properties") in exchange for paying Sable \$500,000 in cash and issuing Sable 30,000,000 post-consolidation shares at the time of closing and granting Sable, on the closing date, a 1.0% net smelter return royalty on each of the B.C. Properties and assuming certain liabilities relating to the B.C. Properties (the "Transaction"). Additionally, in connection with the Transaction, the Company announced that it planned to:

1. consolidate its outstanding shares on the basis of one post-consolidation share for each four shares;
2. change its name to "Talisker Resources Ltd."; and
3. apply to the Canadian Securities Exchange (the "CSE") to have its shares listed and posted for trading on the CSE and apply to the TSX Venture Exchange ("TSXV") to have its shares delisted from the TSXV upon completion of the Transaction.

On March 29, 2019, shareholders approved the Transaction and other related items of business and on April 17, 2019, the Company filed Articles of Amendment to change its name to Talisker Resources Ltd. and to consolidate its shares on a 1 for 4 basis.

Following is a description of the Company's B.C. Properties acquired pursuant to the Transaction and through staking and acquisition post the Transaction.

### **The B.C. Properties**

The Company's B.C. Properties consist of several early to advanced stage projects encompassing 264,014 hectares over 253 claims and three leases. In south central BC, the Spences Bridge Regional Program, a 231,413 hectare land package comprises the Company's Spences Bridge, Blustry Mountain, Lola and Remington properties, that together cover ~85% of the Spences Bridge Gold Belt as well as the Tulox Property and the WCGC Properties. The Toodoggone projects are located in the prolific Golden Triangle and include the past producing Baker Gold/Silver Project, the Shasta Mine and Baker mill infrastructure and equipment, the Chappelle (Baker and Multinational Mines) Property, the Mets Lease and the Bot Property.

The exploration and evaluation expenses for the Company are summarized as follows:

| <b>Nine month period ended September 30,</b>   | <b>2019</b>         | <b>2018</b> |
|--|---------------------|-------------|
| Spences Bridge Regional Program                | \$ 4,605,350        | \$ -        |
| Baker-Shasta Project <sup>(1)</sup>            | 691,553             | -           |
| Mets Lease                                     | 1,110,990           | -           |
| Bot Property                                   | 611,170             | -           |
| Tulox Property                                 | 551,871             | -           |
| WCGG Properties                                | 893,149             | -           |
| <b>Exploration and evaluation expenditures</b> | <b>\$ 8,464,083</b> | <b>\$ -</b> |

Note: (1) As of the date of this MD&A, title to the Baker-Shasta Project mineral claims have been transferred to the Company, however title to the mining permits is pending British Columbia Ministry of Energy and Mines authorization.

The exploration and evaluation expenses for the Company by expenditure classification is summarized as follows:

| <b>Nine month period ended September 30,</b>   | <b>2019</b>         | <b>2018</b> |
|--|---------------------|-------------|
| Acquisition costs                              | \$ 6,909,486        | \$ -        |
| Consulting                                     | 302,900             | -           |
| Salaries and wages                             | 676,453             | -           |
| Assays   | 64,895              | -           |
| Field supplies                                 | 153,632             | -           |
| Travel and other                               | 223,212             | -           |
| Equipment rental                               | 98,041              | -           |
| Miscellaneous                                  | 35,464              | -           |
| <b>Exploration and evaluation expenditures</b> | <b>\$ 8,464,083</b> | <b>\$ -</b> |

### **Spences Bridge Regional Program**

The Spences Bridge Regional Program consists of a 230,640 hectare (153 claims) land package covering ~85% of the Spences Bridge Gold Belt in southern British Columbia and comprises the Company's Spences Bridge, Blustry Mountain, Lola and Remington properties. In connection with the staking of Spences Bridge claims, the Company formed a strategic alliance with Westhaven Ventures Inc. ("Westhaven") which owns the Shovelnose Project contiguous the Company's claims and entered into an agreement whereby any ground staked by the Company within 5 km of Westhaven's existing projects will be subject to a 2.5% net smelter royalty. Additionally, Westhaven has a 30 day right of first refusal for a three-year period for any properties within the same 5 km radius.

On April 30, 2019, Talisker announced the staking of an additional 33,321 hectares in two packages covering what the Company interprets as newly identified extensions of the Cretaceous Spences Bridge Gold Belt. These two packages, Remington and Lola increased Talisker's dominant land position. The Remington claim package consists of 31,651 hectares distributed between 20 contiguous claims located 34 kilometers west of the northern tip of the Talisker's Spences Bridge Gold Project. The Remington package was staked based on upper level epithermal geochemical signatures identified in historic government and assessment data within the Cretaceous Bridge River group sedimentary and volcanic rocks. The Bridge River Formation is a 30-kilometer long by 10 kilometer wide under explored belt that Talisker believes to be prospective for Low-Sulphidation Epithermal Gold Systems. The Lola claim acquired in April was a single 1,670 hectare claim in the Cadwallader Terrane. Talisker interprets identified Hg, Sb, Ag and Au geochemical signatures reported in historic government data to be indicative of low sulphidation gold systems.

On May 10, 2019, Talisker commenced a regional stream sediment and geological reconnaissance program for the Spences Bridge land package. The phase 1 program consisting of a planned collection of 4,500 stream samples will be executed over the coming two field seasons. Sediment samples taken from the 80 mesh silt fraction (177 $\mu$ m) from first and select second order drainages will be analyzed for gold, multi-element and vapor phase elements known as pathfinders for upper level epithermal systems. A team of 22 geologists is executing the phase 1 program. In parallel to the regional geochemistry program, a detailed phase 2 program consisting of alteration and geological mapping, soil and rock chip sampling and in some cases geophysics to identify resistors is being conducted over selected anomalies identified in the phase 1 program, as well as from previously identified government mineral file occurrences and historic anomalies identified in assessment reporting. Active negotiations with small third party claim holders will continue with a view to fully consolidate the belt.

On June 18, 2019, the Company entered into purchase agreements for the Blustry Mountain project which encompass four mineral claims, totalling 471.5 hectares, in exchange for cash payments of \$30,000 (paid), the issuance of 220,000 common shares of Talisker (issued) and, in the case of three of the minerals claims, a 1% net smelter royalty (NSR). Talisker has the right to purchase 50% of the NSR for \$500,000.

On August 17, 2019, the Company staked a small claim comprising 226 hectares on the western margin of the Spences Bridge Project where multiple anomalous basins along the edge of the block were identified.

On August 22, 2019, Talisker announced that a total of 1,988 planned samples sites have reviewed with 1,207 stream sediment samples collected and that 781 planned sample sites were discarded due to either insufficient drainage incision, poor stream channel development, insufficient sediment material or overwhelming input from colluvial media. A total of 902 assays from ultra-trace ICP-MS analysis have been received with 305 currently outstanding. Geostatistical analysis of assay results has identified 17 anomalous basins within the 98<sup>th</sup> percentile defined by values above 32 ppb Au as outlined in the table below. A total of seven basins have been identified as highly anomalous with values above 100 ppb Au (0.1g/t) to a maximum returned value of 315 ppb Au (0.315 g/t). Mean sediment background value (50<sup>th</sup> percentile) has been identified as 1 ppb Au. The following table includes significant stream sediment results and a full summary of results to date is available on the Company's website.

| Table of Significant Stream Sediment Results |          |           |          |           |          |
|--|----------|-----------|----------|-----------|----------|
| Sample ID                                    | Au (ppb) | Sample ID | Au (ppb) | Sample ID | Au (ppb) |
| A0672501                                     | 315      | A0673187  | 52.9     | A0673452  | 150      |
| A0672573                                     | 212      | A0673226  | 260      | A0673546  | 75.5     |
| A0672599                                     | 71.5     | A0673275  | 32.1     | A0673628  | 239      |
| A0673134                                     | 233      | A0673283  | 84.4     | A0673971  | 41.1     |
| A0673155                                     | 46.3     | A0673323  | 49.5     | A0673982  | 149      |
| A0673167                                     | 59.3     | A0673434  | 37.5     |           |          |

On October 21, 2019, the Company staked a further claim comprising 419 hectares on its Spences Bridge Project.

On October 24, 2019, the Company provided an update on exploration activities indicating that a total of 2,217 planned sample sites have been reviewed with 1,332 stream sediment samples collected and that 885 of the planned sample sites were discarded due to either insufficient drainage incision, poor stream channel development, insufficient sediment material or overwhelming input from colluvial media. A total of 1,112 assays from ultra-trace ICP-MS analysis have been received with 220 currently outstanding. Geostatistical analysis of assay results has identified 22 anomalous basins within the 98<sup>th</sup> percentile defined by values above 37.5ppb Au and a total of 10 basins have been identified as highly anomalous with values above 100ppb Au (0.1g/t) to a maximum returned value of 315ppb Au (0.315 g/t). Mean sediment background value (50<sup>th</sup> percentile) has been identified as 1ppb Au. The Company noted that these additional results identify anomalies enriched from 37 to 315 times normal background values.

The Company also disclosed that it has defined eight multi-basin areas anomalous in gold and epithermal pathfinder elements and that Phase 2 soil sampling, detailed mapping and geophysics have been initiated on these areas.

### **Lola Property**

The Lola Property is located in southern British Columbia near Lillooet and consists of four mineral claims that encompass an area of 4,949 hectares which includes the staking of 3,279 hectares in August 2019. The Lola claims cover historical Hg geochemical and surround two historical Hg showings known as Golden Eagle located on the northeast side of the Yalakom River, and Red Eagle located on the southwest side. Most of the historical exploration activity that was conducted at the Golden Eagle where minor amounts of mercury ore were mined in the 1940's decade. Assessment reports show the presence of Ag, As, Sb, and Au trace anomalies associated with the mercury mineralization.

The geology is dominated by sediments including sandstones, limestones and minor siltstones; mafic volcanic rocks are also present interbedded within the sediments. Although ultramafic rocks are reported to be localized slivers within the fault zones, that situation is not easily identifiable in the field; multiple outcrops of olivine and pyroxene bearing rocks, sometimes serpentinized were observed and it is not clear if they are intrusive or extrusive or what their actual geometry or stratigraphic position is. The main alteration around the showings and along structures is ankerite, accompanied by silica, which forms irregular zones of opal at the Golden Eagle and more formal veins and breccias at the Red Eagle and new alteration zones observed west of it. Pyrite was mostly observed at the Golden Eagle, especially associated to small shear zones within shale horizons and it is absent or trace on the west side of the river. Barite and fluorite were observed in several of the new structures found west of Red Eagle. Cr micas are common within the ankerite-silica zones. Calcite is abundant and present within and out of the structures. Lola structures show

characteristics of LS-IS epithermal environment outcropping at a high level above “bonanza” level. It shows good structural continuity and strong alteration intensity.

On August 28, 2019, Talisker announced the initiation of Phase 2 exploration on the Lola Project indicating that the Company plans to initiate the drill permitting process in anticipation of a successful Phase 2 exploration program. Preliminary mapping and rock sampling (assays pending) have identified multiple northwest trending structures with low to intermediate sulphidation characteristics. Historical data shows a strong geochemical signature of epithermal pathfinders Hg, Sb and Ag, typical of high level (above potential “bonanza” zone) epithermal systems. A soil sampling program will begin in September 2019 consisting of approximately 1,400 samples on NE-SW trending lines at 50 meters sample spacing and 200 meters line spacing to evaluate the full extent of the Lola structures and aid in drill targeting.

### **Remington Property**

The Remington Property is located in central British Columbia, north of Lillooet and consists of 20 mineral claims that encompass an area of 31,652 hectares. The reported showings within the Remington claims can be subdivided in three groups a group of Hg, Sb, W showings located on the southwest extreme of the block, which include Paul, Bri, MugWump, Noaxe Creek, Tungsten King, and Tungsten Queen. All these showings are associated with a regional north northwest fault zone that controls the Relay and Tyaughton creeks valleys; abundant ankerite, calcite, fuchsite with minor opaline silica and occasional pyrite is common along the valley and more intense close to the showings. A second group of showings is located at the southeast corner of the claim block, around Liza Lake, oriented in west northwest direction. These showings are described as magnesite occurrences with Hg, and Sb. Ankerite, calcite, fuchsite, opaline silica, and minor barite are present in small veinlets and patches. Small and irregular milky quartz veins of orogenic style with local crack and seal textures and minor amounts of pyrite and chalcopryrite are hosted within the same fault zone. The coexistence of low temperature opaline silica and high temperature crystalline quartz shows a clear overprinting of two different hydrothermal events. There are also two isolated showings, Big Sheep located at the central eastern part of the block and ABC at the most northwest extreme of the block. Big Sheep is a large alteration zone easily identifiable in the field and also on satellite images where soil and talus anomalies reach up to 1.7 ppm Au with high values of Ag, As, Te. The property has not been properly mapped and has been never drilled.

### **Baker and Multinational Mines**

The Baker Project is located in the Toodoggone region of the Omineca Mining Division, 430 km northwest of Prince George, British Columbia. The Baker Project is situated 35 km northwest of the former Kemess South open pit gold-copper mine and consists of 54 mineral claims, and two mining leases covering 6,744 hectares of land that encompass the past-producing Dupont-Baker ‘A’ and Multinational ‘B’ underground gold-silver mines and the past-producing Shasta open pit/underground gold-silver mine, and the Baker mill and tailings storage facility.

### ***Shasta Mine & Baker Infrastructure and Equipment***

The Shasta Mine is located nine km east from Sable’s processing and camp facilities. Production commenced in 1989 and was operated by Sable intermittently until 2012 when the mine was put on care-and-maintenance. Historical production from the Shasta mine primarily occurred during the periods 1989-1991 (JM and D zones) and 2008-2012 (Creek zone). The mine production was processed at Sable’s Baker mill, commonly at rates of 200-250 ton/day, where gold and silver dore was produced for sale. There are two Production Leases, one at the Chappelle Property (P.L. No. 13, Lot 1048) and one at Shasta Mine (P.L. No. 48) and permitted tailings and waste facilities.

### *Chappelle (Baker and Multinational Mines) Property*

The Chappelle ground covers the historically mined Dupont/Baker 'A' vein mine, and the Multinational 'B' vein mines. The Baker Mine (referred to as the Dupont/Baker 'A' deposit) was operated by Dupont Canada during the period 1981–1983 as an underground and open pit gold - silver mine. The Dupont operation included a 90 tons per day whole ore cyanidation plant using the Merrill-Crowe process. Historical production from the Dupont/Baker miner totalled 81,878 tonnes producing 1,283,973 grams (41,285 ounces) gold, 23,812,572 grams (765,677 ounces) silver and 13,076 kilograms copper. Sable acquired the Baker site including the processing facility in 1989 and subsequently modified it to a flotation circuit with optional concentrate cyanidation.

### **Mets Lease**

The Mets Lease is located approximately 20 km north of the Baker and Multinational Mines. The mining lease covers two km<sup>2</sup> and is subject to a 1% NSR which can be purchased at any time for Canadian \$500,000. Historical work performed on the property dating back to the discovery of mineralization in the mid 1980's consisted of 8,784m of diamond drilling, geological and geochemical surveys.

### **Bot Property**

The Bot Property consists of 8,685 hectares of mineral tenure in the Toodoggone district and is located approximately 35 km north of Sable's Baker milling facilities in northern British Columbia. Previous work completed in 2004 and 2006 outlined significant mineralization on the property.

### **Tulox Property**

The Tulox Project is located in south-central British Columbia and consists of 23 contiguous mineral claims that encompass an area of 13,721 hectares. Mineralisation occurs along the contact of the intrusive and is interpreted to be of Intrusion Related type (IRGS). A robust soil anomaly defined by numerous multi-line, multi-station values above 80ppb is coincident with the contact of two felsic intrusive bodies, distinguished by differing Thorium-Potassium gamma ray spectrometer signatures.

### **WCGG Properties**

WCGG Properties consist of early stage exploration projects in southern and central British Columbia (Tulameen South (758 hectares), New Bluejay (1,955 hectares over three mineral claims) and Sauchi Creek (1,488 hectares on two mineral claims) projects). The projects were staked directly by WCGG based upon ongoing review of the B.C. Minfile, ARIS, geological, geophysical and land tenure database. Each of the properties contains composite mineral occurrence and geochemical-geophysical anomalies that support potential for the properties to host exploitable mineral resources.

### **Dora-Merritt Option Agreement**

On May 31, 2019, Talisker entered into a purchase agreement for the Dora-Merritt property which encompasses six mineral claims, totalling 374.05 hectares, and provides the Company with an option to acquire 100 per cent of the Dora-Merritt property mineral claims. Under the term of the option agreement, Talisker paid \$10,000 in cash and has agreed to pay \$10,000 and 50,000 common shares of Talisker on May 31, 2020, and May 31, 2021; \$20,000 and 50,000 common shares of Talisker on May 31, 2022; \$50,000 and 150,000 common shares of Talisker on May 31, 2023; and to spend a minimum of \$50,000 per year over five years. The option agreement is also subject to a share bonus of one common share per ounce of gold equivalent in the inferred or greater category to a maximum of 250,000 common shares and a 2% NSR. Talisker has the right to purchase 50 per cent of the NSR for \$1-million.

The Dora-Merritt property is located 23 kilometers southwest of Merritt. Historical soil samples identified a N-S trending strongly silicified rhyolite dome with stockwork of chalcedonic silica veins. Historical trench samples over the rhyolite identified multiple zones of mineralization with local gold values up to 7.8 g/t associated with silica veining. Talisker has initiated a soil sampling program on E-W trending lines, which includes 747 samples. Sample spacing is 50 meters on the E-W line, 100 meters on the N-S line covering the entirety of the claim group. Detailed mapping of the Dora-Merritt property was completed in early August, outlining two more prospective rhyolite units.

On August 28, 2019, Talisker announced the initiation of Phase 2 exploration on the Dora-Merritt property and plans to initiate the drill permitting process in anticipation of a successful Phase 2 exploration program.

### **Sale of Former Israel Business Operations**

On September 14, 2018, the Company entered into a share purchase agreement (the "Agreement") with DYG Holdings Ltd. ("DYG"), pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to DYG representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Cromptal Ltd., and Xwinsys Technology Development Ltd. (the "Discontinued Subsidiaries") for nominal consideration and the possibility of receiving post-closing earn-out payments, only if DYG succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of \$4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis.

On October 31, 2018, the Sale Transaction was approved by shareholders at a special meeting of shareholders and the Sale Transaction was finalized.

In its news release issued on July 31, 2018, the Company first announced its plans to discontinue its Israeli operations and that it had entered into a comprehensive agreement with SICPA Finance ("SICPA Finance"), SICPA SA, and SICPA Global Fluids Integrity SA ("GFI") that terminated the long term supply, maintenance and support agreement between Xenemetrix and GFI and settled the outstanding amount owing to the Company by SICPA Finance (the "SICPA Termination Agreement"). Under the terms of the SICPA Termination Agreement, SICPA Finance agreed to pay the Company a total of \$3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company in connection with its sale of GFI to SICPA, payable in installments of \$800,000, \$1,300,000 and \$1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. The SICPA Termination Agreement was entered into by the Company to help facilitate an orderly transition of its business, eliminate risk and to strengthen its short-term cash position.

### **Claim**

On June 21, 2018, Yellow Brick Capital Advisers (UK) Limited filed a claim against the Company, its subsidiary, Cromptal Ltd., and one of its officers in the Magistrates Court, in Tel Aviv, Israel. The lawsuit alleges that the Company and one of its officers lacked good faith in carrying out and terminating negotiations for a possible sale of the shares of Cromptal Ltd. In its claim, the plaintiff seeks monetary damages of 518,459 New Israeli Shekels (approximately, 185,245 Canadian dollars). The Company's management believes the claim is without merit. A Statement of Defence and a Counter-Claim have been filed in the Magistrates Court, in Tel Aviv, Israel.

For a discussion of certain risks, please refer to the Risks and Uncertainties section of this MD&A.



## LEADERSHIP TEAM

Terence Harbort – Director, President and Chief Executive Officer <sup>(3)</sup>

Andres Tinajero – Director, Chief Financial Officer <sup>(2)</sup>

Charlotte May – Corporate Secretary

Thomas Obradovich – Executive Chairman <sup>(2\*)(3\*)</sup>

Brent Gilchrist – Director <sup>(1)</sup>

Blair Zaritsky – Director <sup>(1\*)</sup>

Notes:

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Health, Safety and Environment Committee

\* Denotes Committee Chair

Additional information on Talisker's leadership team is available at [www.taliskerresources.com](http://www.taliskerresources.com).

## SUMMARIZED FINANCIAL RESULTS

|   | Three Months Ended |             | Nine Months Ended |             |
|---|--------------------|-------------|-------------------|-------------|
|   | September 30,      |             | September 30,     |             |
|   | 2019               | 2018        | 2019              | 2018        |
|   | \$                 | \$          | \$                | \$          |
| <b>Revenue - discontinued operations</b>              | -                  | 143,111     | -                 | 819,397     |
| <b>Cost of sales - discontinued operations</b>        |                    |             |                   |             |
| Cost of sales - direct production costs               | -                  | (125,839)   | -                 | (642,995)   |
| Cost of sales - amortization and other non cash items | -                  | (12,485)    | -                 | (37,454)    |
|   | -                  | (138,324)   | -                 | (680,449)   |
| <b>Gross profit - discontinued operations</b>         | -                  | 4,787       | -                 | 138,948     |
| Expenses from continuing operations                   | (1,060,314)        | (906,132)   | (9,498,131)       | (1,581,809) |
| Expenses from discontinued operations                 | -                  | (924,154)   | -                 | (4,083,706) |
| Other (expense) income - continuing operations        | (4,392)            | (1,680,147) | 5,784             | (1,418,290) |
| Other (expense) income - discontinued operations      | -                  | (1,497,450) | -                 | (1,472,096) |
| Net loss - continuing operations                      | (1,064,706)        | (2,586,279) | (9,492,347)       | (3,000,099) |
| Net loss - discontinued operations                    | -                  | (2,416,817) | -                 | (5,416,854) |
| Net loss  | (1,064,706)        | (5,003,096) | (9,492,347)       | (8,416,953) |
| Basic and diluted loss per share                      |                    |             |                   |             |
| - from continuing operations                          | (0.01)             | (0.11)      | (0.18)            | (0.13)      |
| - from discontinued operations                        | -                  | (0.11)      | -                 | (0.24)      |
| - net loss  | (0.01)             | (0.22)      | (0.18)            | (0.37)      |
| EBITDA  | (1,067,581)        | (5,033,962) | (9,511,742)       | (8,619,409) |
| EBIT  | (1,067,581)        | (5,079,304) | (9,511,742)       | (8,752,183) |

## RESULTS OF OPERATIONS

EBITDA for the nine month period ended September 30, 2019 decreased by \$892,333 to \$(9,511,742) compared to \$(8,619,409) for 2018. EBITDA for the nine month period ended September 30, 2019 decreased in comparison to 2018 primarily due to the acquisition of the mineral properties from Sable, resulting in acquisition costs of \$6,899,163 as well as continued acquisition and exploration expenditures for the period of \$1,564,920.

For the nine month period ended September 30, 2019, net loss amounted to \$9,492,347, compared to a net loss of \$8,416,953 in 2018. The higher net loss is primarily due to the acquisition of the mineral properties from Sable, resulting in acquisition costs of \$6,899,163 as well as continued acquisition and exploration expenditures for the period of \$1,564,920.

## **Expenses**

### **For the nine months ended September 30, 2019:**

Expenses from continuing operations of \$9,498,131 for the nine month period ended September 30, 2019, increased in comparison with the expenses of \$1,581,809 for the nine month period ended September 30, 2018. The increase for the period is primarily due to the following variances with remaining expenditures remaining consistent between the two periods:

- Exploration and evaluation expenses increased to \$8,464,083 for the nine month period ended September 30, 2019 from \$nil for the same period in 2018. The increase is due to the change in business during the year to an exploration company and the acquisition of the Sable properties.
- Consulting and management expenses decreased from \$1,165,250 for the nine month period ended September 30, 2018 to \$353,440 for the nine month period ended September 30, 2019. The decrease is due to severance payments made to the former CEO as well as severance payments as part of the sale transaction of the former subsidiaries in Israel.
- Share based payments increased to \$346,000 the nine month period ended September 30, 2019 from \$78,500 for the same period in 2018. Share based payments vary based on the number of options and RSU's issued in the period and their related valuation. See note 11 of the unaudited interim condensed financial statements for the three and nine month periods ended September 30, 2019 and 2018 for details on options and RSU's issued.

### **For the three months ended September 30, 2019:**

Expenses from continuing operations of \$1,060,314 for the three month period ended September 30, 2019, increased in comparison with the expenses of \$906,132 for the three month period ended September 30, 2018. The increase for the period is primarily due to the following variances with remaining expenditures remaining consistent between the two periods:

- Exploration and evaluation expenses increased to \$845,479 for the nine month period ended September 30, 2019 from \$nil for the same period in 2018. The increase is due to the change in business during the year to an exploration company and the acquisition of the Sable properties.
- Consulting and management expenses decreased from \$648,148 for the three month period ended September 30, 2018 to \$120,033 for the three month period ended September 30, 2019. The decrease is due to severance payments as part of the sale transaction of the former subsidiaries in Israel in the prior year.
- Share based payments decreased to \$nil the nine month period ended September 30, 2019 from \$78,500 for the same period in 2018. Share based payments vary based on the number of options and RSU's issued in the period and their related valuation. See note 11 of the unaudited interim condensed financial statements for the three and nine month periods ended September 30, 2019 and 2018 for details on options and RSU's issued.

## Discontinued Operations

Revenue from discontinued operations for the three and nine month period ended September 30, 2019 decreased to \$nil and \$nil respectively (US\$nil and US\$nil respectively) from \$819,397 and \$143,111 respectively (US\$636,573 and US\$111,180) for the three and nine month period ended September 30, 2018, as the Company sold the Israeli subsidiaries during the year ended December 31, 2018.

Expenses from discontinued operations of \$nil and \$nil respectively for the three and nine month period ended September 30, 2019 decreased in comparison with the expenses of \$924,154 and \$4,083,706 respectively for the three and nine month period ended September 30, 2018, as the Company sold the Israeli subsidiaries during the year ended December 31, 2018. Expenses from discontinued operations in the prior period related primarily to research and development costs, and sales and administration costs.

## Other Income/Expenses

The Company incurred a foreign exchange translation loss of \$13,611 for the nine month period ended September 30, 2019, compared to a gain of \$8,260 for the nine month period ended September 30, 2018.

The Company also recorded interest accretion income of \$nil (2018 - \$314,370) during the nine month period ended September 30, 2019, representing interest accretion on the long term portion of the earn out proceeds receivable from SICPA as per the terms of the sale of GFI. The receivable was settled during the year ended December 31, 2018 as such, interest accretion is no longer recurring. The Company also recorded a write down on settlement of the long term receivable of \$1,761,780 during the comparable nine month period ended September 30, 2018 to reflect the terms of the settlement of the receivable.

## SELECTED FINANCIAL INFORMATION

The information below should be read in conjunction with the condensed interim financial statements and related notes and other financial information. The following is for the periods ended:

|                                    | Nine Months<br>Ended<br>September 30,<br>2019 | Year<br>Ended<br>December 31,<br>2018 | Year<br>Ended<br>December 31,<br>2017 |
|------------------------------------|---|---------------------------------------|---------------------------------------|
|                                    | \$  | \$                                    | \$                                    |
| Revenue – discontinued operations  | -   | 1,168,726                             | 2,701,010                             |
| Income (Loss)                      |   |                                       |                                       |
| - from continuing operations       | (9,492,347)                                   | (2,959,533)                           | (144,129)                             |
| - from discontinued operations     | -   | (5,912,546)                           | (5,279,453)                           |
| - net income (loss)                | (9,492,347)                                   | (8,872,079)                           | (5,423,582)                           |
| Income (Loss) per share            |   |                                       |                                       |
| - from continuing operations       | (0.18)  | (0.03)                                | (0.06)                                |
| - from discontinued operations     | -   | (0.06)                                | -                                     |
| - net income (loss)                | (0.18)  | (0.10)                                | (0.06)                                |
| Total assets at end of period/year | 7,831,775                                     | 4,797,461                             | 14,541,868                            |

## SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information for each of the Company's eight most recently completed quarters:

|   | Q3 2019<br>\$ | Q2 2019<br>\$ | Q1 2019<br>\$ | Q4 2018<br>\$ |
|---|---------------|---------------|---------------|---------------|
| Revenue – discontinued operations       | -             | -             | -             | 349,329       |
| Cost of sales – discontinued operations | -             | -             | -             | (118,795)     |
| Gross profit – discontinued operations  | -             | -             | -             | 230,534       |
| Expenses                                | (1,060,314)   | (8,233,343)   | (204,474)     | (329,998)     |
| Expenses – discontinued operations      | -             | -             | -             | (278,336)     |
| Other income (expense)                  | 2,875         | 1,737         | 14,783        | (435,582)     |
| Foreign exchange gain (loss)            | (7,267)       | 2,204         | (8,548)       | 358,256       |
| Income tax recovery                     | -             | -             | -             | -             |
|   | (1,064,706)   | (8,229,402)   | (198,239)     | (685,660)     |
| Net loss                                | (1,064,706)   | (8,229,402)   | (198,239)     | (455,126)     |
| Basic income (loss) per share           |               |               |               |               |
| - from continuing operations            | (0.01)        | (0.14)        | (0.00)        | (0.00)        |
| - from discontinued operations          | -             | -             | -             | (0.03)        |
| - net income (loss)                     | (0.01)        | (0.14)        | (0.00)        | (0.01)        |
| Total assets at end of period           | 7,831,775     | 5,213,455     | 4,170,382     | 4,797,461     |

|   | Q3 2018<br>\$ | Q2 2018<br>\$ | Q1 2018<br>\$ | Q4 2017<br>\$ |
|---|---------------|---------------|---------------|---------------|
| Revenue – discontinued operations               | 143,111       | 327,969       | 348,317       | 940,005       |
| Cost of sales – discontinued operations         | (138,324)     | (292,544)     | (249,581)     | (561,220)     |
| Gross profit – discontinued operations          | 4,787         | 35,425        | 98,736        | 378,785       |
| Expenses  | (906,132)     | (227,203)     | (448,474)     | (219,365)     |
| Expenses – discontinued operations              | (2,421,604)   | (1,605,985)   | (1,553,567)   | (1,986,032)   |
| Other expense (income)                          | (1,685,572)   | 127,263       | 131,759       | 146,139       |
| Foreign exchange loss (gain)                    | 5,425         | 7,988         | 20,201        | 3,117         |
| Income tax recovery                             | -             | -             | -             | -             |
|   | (5,007,883)   | (1,697,937)   | (1,850,081)   | (2,056,141)   |
| Net income (loss)                               | (5,003,096)   | (1,662,512)   | (1,751,345)   | (1,677,356)   |
| Basic and fully diluted income (loss) per share |               |               |               |               |
| - from continuing operations                    | (0.00)        | (0.01)        | (0.02)        | (0.03)        |
| - from discontinued operations                  | (0.03)        | 0.00          | 0.00          | 0.00          |
| - net income (loss)                             | (0.05)        | (0.02)        | (0.02)        | (0.03)        |
| Total assets at end of period                   | 6,145,572     | 10,919,534    | 12,642,331    | 14,541,868    |

Over the past eight quarters, revenues from discontinued operations ranged from a low of \$nil in the first three quarters of 2019 to a high of \$940,005 in the fourth quarter of 2017. Revenues in the other periods ranged in general between \$0.3 million to \$0.7 million. The revenue trend saw sales increase in 2016 and 2017 reflecting an increase in detectors and ancillary products revenue of Xenemetrix due primarily to the investment the Company made into the ED-XRF platform and marketing which introduced the updated Xenemetrix product line, in particular its mobile systems. Despite sales increasing for a period in 2017, the Discontinued Subsidiaries continued to operate at a loss. With continued losses anticipated, in March 2018, the Company's board of directors instituted a strategic review. The steady decline in sales in 2018 led to the Company's decision to discontinue the operations in Israel. Cost of sales over the quarters varied depending on the level of customization on equipment sales and margins over sales decreased in 2018 compared to an average margin of 52% during 2017 due to the impact of fixed costs over less revenue. Cost of sales ranged from a low of \$nil in the first three quarters of 2019 to a high of \$561,220 during the fourth quarter of 2017 which variance is attributed to fluctuations based on the degree of customization on detector and ancillary equipment sales with gross profit varying in correlation as well as the effect of foreign exchange rates.

Expenses from continuing operations have fluctuated somewhat quarter over quarter ranging from a low of \$204,474 in the first quarter of 2019 to a high of \$8,233,343 in the second quarter of 2019. Expenses from continuing operations have historically ranged from \$200,000 to \$300,000 with the first and third quarters of 2018 realizing higher expenses due to severance costs for the former CEO as well as severance costs pursuant to the decision to terminate operations of the former subsidiaries in Israel. The Company expects these costs to increase for quarters going forward as the Company incurs exploration and evaluation expenditures on its mineral properties.

Expenses from discontinued operations also fluctuated quarter over quarter ranging from a low of \$278,336 in the fourth quarter of 2018 to a high of \$2,421,604 in the first quarter of 2018. The lower expenditure during the last quarter in 2018 is attributable to only one month of operations being included in the results prior to the sale of the Discontinued Subsidiaries in Israel which was effective October 31, 2018.

#### Disclosure of Outstanding Share Data as of November 20, 2019

|  | Authorized              | Outstanding  |
|--|-------------------------|--|
| Voting or equity securities issued and outstanding                 | Unlimited Common Shares | 91,240,074 Common Shares   |
| Securities convertible or exercisable into voting or equity shares |                         | a) Options to acquire up to 4,031,250 common shares<br>b) 100,000 RSU's to acquire up to nil common shares<br>c) 12,248,566 Warrants exercisable to acquire common shares of the Company |

*See note 9, 10 and 11 to the condensed interim financial statements for the three and nine month periods ended September 30, 2019 and 2018 for more detailed disclosure of outstanding share data.*

#### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

#### Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

## **Dividends**

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its common shares in the foreseeable future.

## **Assessment of Recoverability of Deferred Income Tax Assets**

In preparing the financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the deferred income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the income statement.

## **Estimate of Stock Based Compensation and Associated Assumptions**

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This valuation required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 11 of the condensed interim financial statements for the three and nine month periods ended September 30, 2019 and 2018 for more detailed disclosure of outstanding shares data.

## **Assessment of Recoverability of Receivables**

The carrying amount of amounts receivable are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded. The Company considers current receivables to be fully collectible.

## **LIQUIDITY AND CASH FLOWS**

The Company ended the second quarter of fiscal 2019 with cash of \$7,587,154, compared to \$946,611 as at December 31, 2018. The Company had working capital of \$7,442,318 as at September 30, 2019 compared to working capital of \$4,165,835 as at December 31, 2018.

Cash used by operating activities was \$2,011,191 for the nine month period ended September 30, 2019 compared to cash used of \$3,385,504 for the nine month period ended September 30, 2018. Cash flows used by operating activities was lower between the two periods primarily due to the receipt of the final instalment under the SICPA long term receivable and a decrease in expenditures due to the elimination of the discontinued operations in Israel.

Cash flows provided by investing activities was \$2,526,633 for the nine month period ended September 30, 2019, compared to cash used of \$3,078,904 for the nine month period ended September 30, 2018. Investing activities mainly related to investments in marketable securities. The amount of cash provided by investing activities was higher in the comparable period primarily due to the net sale of marketable securities of \$2,526,633 (2018 - \$2,514,385 purchases), as well as the elimination of cash used in investing activities of the discontinued operation.

Cash flows provided by financing activities was \$6,125,101 for the nine month period ended September 30, 2019, compared to \$nil for the nine month period ended September 30, 2018. The amount of cash provided by financing activities was higher in the current period primarily due to private placements completed during the nine month period ended September 30, 2019 of 37,902,520 shares and units for net proceeds of \$6,125,101 (2018 - \$nil).

Cash used by discontinued operations was \$nil for the nine month period ended September 30, 2019 (2018 - \$4,371,316). Discontinued operations relate to the operations of the Discontinued Subsidiaries. The lower cash flows for the nine month period ended September 30, 2019 as compared to 2018 is due to the sale of the subsidiaries in Isearl during the year ended December 31, 2018

It is not possible to predict if or when the Company will achieve profitable levels of operations as the Company has sold its former operations and has changed its business focus to mineral exploration. Management of the Company expects that the Company's existing cash will be adequate to meet its short-term working capital requirements for the next 12 months. As at September 30, 2019, the Company had working capital of \$7,442,318 (December 31, 2018 - \$4,165,835). Based on working capital of \$7,442,318 (December 31, 2018 - \$4,165,835), the Company believes it will meet its working capital requirements for the next 12 months.

## TRANSACTIONS WITH RELATED PARTIES

### *Compensation of key management personnel of the Company*

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the three and nine month periods ended September 30, 2019 and 2018 were as follows:

|   | <b>Three months<br/>ended<br/>September<br/>30, 2019</b> | Three months<br>ended<br>September<br>30, 2018 | <b>Nine months<br/>ended<br/>September<br/>30, 2019</b> | Nine months<br>ended<br>September<br>30, 2018 |
|---|--|--|---|---|
| Short term employee benefits, director fees | <b>\$ 194,225</b>  | \$ 600,971                                     | <b>\$ 507,933</b>                                       | \$ 1,308,977                                  |
| Share based payments                        | -  | 78,500   | <b>303,000</b>  | 78,500  |
|   | <b>\$ 194,225</b>  | \$ 679,471                                     | <b>\$ 810,933</b>                                       | \$ 1,387,477                                  |

As at September 30, 2019, an amount of \$48,951 (December 31, 2018 - \$434,418) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

The Company's Board of Directors has overall responsibility for the oversight of the Company's risk management policies. In carrying on its business, the Company is exposed to a variety of risks, including the risks described elsewhere in this MD&A. The Company can neither predict nor identify all such risks nor can it accurately predict the impact, if any, of such risks on its business, operations or the extent to which one or more risks or events may materially change future results of financial position from those reported or projected in any forward looking statements. Accordingly, the Company cautions the reader not to rely on reported financial information and forward-looking statements to predict actual future results. This MD&A and the accompanying financial information should be read in conjunction with this statement concerning risks and uncertainties. Some of the risks, uncertainties and events that may affect the Company, its business, operations, and results, are given in this section. However, the factors and uncertainties are not limited to those stated. The Company has policies and practices mandated by the Board of Directors to manage the Company's risks which include the risks described elsewhere in this MD&A and below.

### **Market Risk for Securities**

The market price for Talisker common shares could be subject to wide fluctuations. Factors such as overall market movements, commodity prices, government regulation, interest rates, and share price movements of peer companies and competitors may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### **Uninsured or Uninsurable Risk**

Talisker may become subject to liability for risks against which the Company cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

### **Key Personnel Risk**

The Company's success is reliant on its directors and officers developing the business and managing its operations. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that Talisker will be able to attract or retain key personnel in the future, which may adversely impact its operations.

### **Global Economy Risk**

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Talisker will be dependent upon the capital markets to raise additional financing in the future. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, Talisker may be subject to liquidity risks in meeting development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on favourable terms.

### **Other Risk Factors**

*As the Company has a history of losses, there is no assurance that its business will ever become consistently profitable.* Talisker has incurred substantial losses since the Company was founded. There is no assurance that the Company will generate an overall profit from its business in the future or that it will reach profitability on a sustained basis.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable and accrued liabilities. In the opinion of management of the Company, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair values of these financial instruments approximate their carrying values.

The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;

- Level 3 – Inputs for assets or liabilities that are not based on observable market data

As at September 30, 2019 and December 31, 2018, there were no significant concentrations of credit risk for cash and cash equivalents, marketable securities and receivables. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such cash and cash equivalents, marketable securities and receivables. As at September 30, 2019 and December 31, 2018, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities and accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous reporting period.

### **Credit Risk**

The Company's credit risk is primarily attributable to cash and cash equivalents, marketable securities and receivables. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at September 30, 2019, the Company had a cash and cash equivalents balance of \$7,587,154 (December 31, 2018 - \$946,611) as well as marketable securities of \$nil (December 31, 2018 - \$2,526,633) to settle current liabilities of \$339,020 (December 31, 2018 - \$631,626). Working capital for the Company as at September 30, 2019 was \$7,442,318 (December 31, 2018 - \$4,165,835).

Substantively all of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

### **Market Risk**

#### **(a) Foreign currency risk**

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at June 30, 2019, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately \$1,000 (2018 - \$201,000). This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

- (b) The exposure of the Company's financial assets, including marketable securities as at September 30, 2019 is as follows:

|  | CDN<br>Dollar       | US<br>Dollar     | Total<br>(in CDN dollars) |
|--|---------------------|------------------|---------------------------|
| <b>Financial assets</b>                  |                     |                  |                           |
| Cash and cash equivalents                | \$ 7,577,141        | 10,013           | \$ 7,587,154              |
| Marketable securities                    | -                   | -                | -                         |
| Amounts receivable                       | 72,624              | -                | 72,624                    |
| Current portion of long term receivable  | -                   | -                | -                         |
| Reclamation deposits                     | 50,437              | -                | 50,437                    |
|  | <u>\$ 7,700,202</u> | <u>\$ 10,013</u> | <u>\$ 7,710,215</u>       |
| <b>Financial liabilities</b>             |                     |                  |                           |
| Accounts payable and accrued liabilities | \$ 339,020          | \$ -             | \$ 339,020                |
|  | <u>\$ 339,020</u>   | <u>\$ -</u>      | <u>\$ 339,020</u>         |

- (c) *Commodities price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

- (d) *Political risk*

The Company has no exposure to political instability.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

### Adoption New Accounting Standards

The adoption of the following new standards, interpretations and amendments were included in the financial statements for the year beginning January 1, 2019.

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

The Company does not have any leases in place, as such, there was no impact on adoption of the standard.

## MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The unaudited interim condensed financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the unaudited interim condensed financial statements in all material aspects.



Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the unaudited interim condensed financial statements with management. The Board of Directors has approved the unaudited interim condensed financial statements on the recommendation of the Audit Committee.

November 20, 2019

Terence Harbort  
President and CEO, Director