



## Management's Discussion and Analysis

For the year ended  
March 31, 2018

Dated: July 30, 2018

(Expressed in Canadian Dollars)

## **Introduction**

This Management Discussion and Analysis (“MD&A”) is dated July 30, 2018 and is in respect of the year ended March 31, 2018. The following discussion of the financial condition and results of operations of Zenyatta Ventures Ltd. (“Zenyatta” or the “Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the year ended March 31, 2018.

This discussion should be read in conjunction with the Corporation’s audited consolidated financial statements and corresponding notes to the consolidated financial statements for the year ended March 31, 2018. The Corporation’s audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars which is the Corporation’s functional and reporting currency.

Additional information relating to the Corporation can be found under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Forward Looking Statements**

This MD&A of the Corporation contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward- looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from those anticipated, expressed or implied in such forward-looking statements.

Factors that could affect these statements include, without limitation, availability of financing and personnel, fluctuations in metal prices, future exploration and development programs, general business and economic conditions, social and political stability, security of title, timing and receipt of permits and licenses, the impact of changes in future legislation and regulations, changes in mining or environmental regulations, competition and currency fluctuations. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Shareholders are cautioned not to place undue reliance on forward-looking information. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

These factors and other risks and uncertainties are detailed in the Corporation’s reports and disclosure documents filed by the Corporation from time-to-time with Canadian securities regulatory authorities.

## **Overview**

The Corporation is an emerging high-tech nanographite materials company focused on developing the Albany Graphite Deposit in Northern Ontario, Canada and its opportunities in the graphene nanomaterials market and graphite as a graphene source material and other traditional graphite markets. The deposit is a large and unique type of igneous-hosted, fluid-derived graphite mineralization contained in two adjacent breccia pipes. The Company has completed a Preliminary Economic Assessment (PEA) which indicates an open pit mine life of 22 years (excludes subsequent underground development and the deposit is open at depth) producing 30,000 tonnes purified graphite per annum. The Company is seeking end users for their high-purity graphite and the graphene produced from this material. The Company is working collaboratively with several potential partners globally. Potential markets for graphene include composites (e.g. concrete, rubber, plastic polymers and

ceramics), sensors, water purification and filtration, coatings and solid-state lubricants, silicon-graphene anode material for next generation batteries along with aerospace and military applications to name a few. The markets for graphite include Li-ion batteries, fuel cells and powder metallurgy. The application for graphitic material is constantly evolving due to its unique chemical, electrical and thermal properties. It maintains its stability and strength under temperatures in excess of 3,000°C and is very resistant to chemical corrosion. It is also one of the lightest of all reinforcing elements and has high natural lubricating abilities. The Company has signed a Collaborative Agreement with Larisplast Ltd. and Ben-Gurion University (BGU) to develop graphene infused concrete. Preliminary tests indicate the addition of graphene has the potential to create a much stronger concrete with a faster curing time at a cost advantage. Also, the addition of graphene in concrete has the potential to reduce the amount of cement needed which in turn reduces CO<sub>2</sub> emissions.

The Corporation holds an interest in exploration licenses on properties in Northern Ontario, Canada. The properties, located 30 km north of the Trans-Canada Highway, 86 km from the Town of Hearst, Ontario, Canada, are unpatented, non-contiguous, and consist of 6 blocks of claims (originally consisted of 28 block claims), 157 claims and 2,356 claim units, totaling 376.96 km<sup>2</sup> and 37,696 hectares (the “Claims”). The Corporation’s current objective is to focus on the exploration of the Claims and development of the Albany Graphite Deposit on claim block 4F.

The Corporation was registered and incorporated in Ontario, Canada as 1774119 Ontario Limited on July 29, 2008. Pursuant to Articles of Amendment dated November 24, 2009, the Corporation changed its name to Zenyatta Ventures Ltd. On December 23, 2010, the Corporation became a reporting issuer in Ontario, Alberta and British Columbia. The common shares of the Corporation commenced trading on the TSX Venture Exchange under the symbol ZEN.

## **Outlook**

The Company is presently assessing the various graphene conversion methods being utilized on its high-purity graphite material by its network of collaborative partners. Zenyatta plans to source the appropriate equipment required for a graphene manufacturing (exfoliation) process and also evaluate the associated costs for graphene production in a vertically integrated structure. The company is also in discussions with various participants in the graphene market and end users of graphene products for potential off-take agreements, strategic partnerships or other business opportunities; however, there is no guarantee that any of these discussions will lead to agreements.

Zenyatta will continue to focus on advancing the Albany graphite deposit towards production and will supply consistent, high-quality graphite or graphene to its wholly owned subsidiary Zen-tech Materials Limited (“Zen-tech”) in a vertically integrated structure. The formation of Zen-tech is a strategic move that will provide a downstream vehicle to market, capture value and advance graphene application development separate from the mineral development company.

At March 31, 2018, the Company had working capital of \$20,116. Subsequent to the fiscal year-end, the Company completed a private placement of units priced at \$0.55 yielding total net proceeds of \$712,000, as more fully described under subsequent events below. Additional financing will be required to allow the Company to continue to fund its ongoing project development activities.

## **Overall Performance**

During the year ended March 31, 2018, the Corporation was mainly involved in metallurgical test work, market development as well as R&D activities. No mineral exploration activities were performed on any of the remaining properties during this period. Overall, during the year ended March 31, 2018, the Corporation had cash expenditures of \$1,550,527 consisting of deferred exploration costs, share issue costs and operating expenses.

As at March 31, 2018, the Corporation had \$22,027,880 in deferred exploration costs as a result of its airborne survey, additional staking and exploration costs, drilling program, which includes \$1,292,500 worth of cash, shares and warrants given to Cliffs Natural Resources Exploration Canada Inc. (“Cliffs Canada”) in connection

with the Amended Albany Agreement.

## Results of Operations

### Net loss

The Corporation recorded a loss of \$418,564 with basic and diluted loss per share of \$0.01 for the three month period ended March 31, 2018 (2017 – loss of \$647,168 and \$0.01). The loss for the year ended March 31, 2018 was \$1,564,521 with basic and diluted loss per share of \$0.02 (2017 – loss of \$2,840,621 and \$0.05).

### Revenue

The Corporation is currently in the development stage and therefore did not have revenues from operations. Interest and other income for the three month period ended March 31, 2018 was \$54,071 (2017 - \$2,355). Interest and other income for the year ended March 31, 2018 was \$75,314 (2017 - \$5,525). Grant income netted against the exploration and evaluation assets for the three month period ended March 31, 2018 was \$nil (2017 - \$216,010). Grant income netted against the exploration and evaluation assets for the year ended March 31, 2018 was \$63,261 (2017 - \$268,535).

### Expenses

Stock-based compensation costs were \$169,138 for the three month period ended March 31, 2018 (2017 - \$187,508) and \$462,961 for the year ended March 31, 2018 (2017 - \$1,152,529). Stock-based compensation was based on the fair value of the options described in Note 7(c) of the audited consolidated financial statements as calculated using the Black-Scholes option pricing model. Stock-based compensation is recognized over the vesting period of the underlying options.

General and administrative expenses were \$185,688 for the three month period ended March 31, 2018 (2017 - \$275,448) and \$840,622 for the year ended March 31, 2018 (2017 - \$1,115,576). The most significant components of general and administrative expenses are wages and benefits. The following table details the material components of the Corporation's general and administrative expenses for the years ended March 31, 2018 and 2017.

	Year Ended March 31, 2018	Year Ended March 31, 2017
Salaries and Benefits	\$ 510,748	\$ 658,978
Meals and Entertainment	23,849	43,812
Accommodations	28,787	47,403
Investor Communications	51,992	105,840
Travel	44,163	49,003
Occupancy and Office Expenses	181,083	210,540
<b>Total</b>	<b>\$ 840,622</b>	<b>\$ 1,115,576</b>

Stock exchange and filing fees were \$11,320 for the three month period ended March 31, 2018 (2017 - \$10,200) and \$11,320 for the year ended March 31, 2018 (2017 - \$10,200).

Professional fees were \$84,440 for the three month period ended March 31, 2018 (2017 - \$16,501) and \$153,435 for the year ended March 31, 2018 (2017 - \$88,358). These fees consist primarily of the amounts charged for services provided by the Corporation's lawyers, auditors, and accountants.

Investor relations and promotion expenses were \$3,700 for the three month period ended March 31, 2018 (2017 - \$937) and \$25,620 for the year ended March 31, 2018 (2017 - \$11,717). These expenses consist primarily of the costs of marketing trips and other costs such as attending industry conferences.

Consulting fees were \$16,831 for the three month period ended March 31, 2018 (2017 - \$156,501) and

\$139,808 for the year ended March 31, 2018 (2017 - \$458,052). The most significant component of consulting fees related to costs associated with fees paid for advisory services related to institutional investors and investor relations as well as mineral exploration activities.

Amortization expense was \$1,518 for the three month period ended March 31, 2018 (2017 - \$2,428) and \$6,069 for the year ended March 31, 2018 (2017 - \$9,714). Amortization is taken on the capitalized cost of the Corporation's computers and equipment.

#### Cash Flows

During the three month period ended March 31, 2018, cash decreased overall by \$363,131 (2017 – increased by \$65,844). Operating activities resulted in a decrease in cash of \$207,227 (2017 – decrease of \$359,878) due to continued spending on consulting and professional fees and general and administrative expenses. Investing activities resulted in a decrease in cash of \$155,904 (2017 – increase of \$425,722) due to continued spending on mineral exploration and evaluation activities partially offset by redemptions of temporary investments. Financing activities resulted in a change in cash of \$nil (2017 – change of \$nil) as no financing activities took place during the period.

During the year ended March 31, 2018, cash decreased overall by \$287,230 (2017 – increased by \$214,370). Operating activities resulted in a decrease in cash of \$999,855 (2017 – decrease of \$1,710,072) due to continued spending on consulting and professional fees and general and administrative expenses. Investing activities resulted in an increase in cash of \$256,726 (2017 – decrease of \$955,583) due to redemptions of temporary investments and receipt of government assistance partially offset by continued spending on mineral exploration and evaluation activities. Financing activities resulted in an increase in cash of \$455,899 (2017 – increase of \$2,880,025) due to net proceeds received from units issued in conjunction with a private placement.

#### **Mineral Exploration Activities**

Interest in mineral properties and exploration costs capitalized were \$67,130 for the three month period ended March 31, 2018 (2017 – \$211,951) and \$377,082 for the year ended March 31, 2018 (2017 - \$667,278). All of these costs relate to the Albany Project. Costs capitalized relate to contracted geological services, general exploration costs, drilling costs, geophysical survey costs and stock-based compensation. The following table details the material components of the Corporation's exploration and evaluation assets for the years ended March 31, 2018 and 2017.

<b>ALBANY PROPERTY</b>	<b>Year Ended March 31, 2018</b>	<b>Year Ended March 31, 2017</b>
Opening Balance	\$ 21,650,798	\$ 20,983,520
Contractor Services	182,562	190,662
Field Camp Expenses	-	657
Equipment Rental	8,496	10,973
Supplies	31	8,817
Processing and Testing	61,650	51,137
Metallurgical Testing	168,243	591,780
Site Costs	14,400	14,400
Stock-Based Compensation	4,961	67,387
Cost Recovery (grants)	(63,261)	(268,535)
<b>Closing Balance</b>	<b>\$ 22,027,880</b>	<b>\$ 21,650,798</b>

#### Albany Project

During the year ended March 31, 2010, the Corporation signed an option agreement which was subsequently superseded and replaced effective November 2, 2010 (the "Albany Agreement"), to earn an interest in the Albany Property located in Northern Ontario. Under the terms of the Albany Agreement, the Corporation can acquire, upon exercise of the first option, a 25% interest in the Albany Property, and upon exercise of

the second option, an additional 55% interest in the Albany Property. The first option was exercised after completion of a helicopter-borne geophysical survey on the property during the quarter ended June 30, 2010 and issuance of 1,000,000 Units to the optionor during the quarter ended September 30, 2010, each unit being comprised of one common share and one warrant to purchase one additional common share at a price of \$1.50 any time before December 23, 2015.

The second option was exercised after making certain payments totaling \$140,000 and incurring aggregate expenses on the property in excess of \$10,000,000.

On November 21, 2012, the Company reached an agreement with the optionor to amend the Albany agreement and acquired the remaining 20% interest in the Albany Property (claim block 4F) bringing the Company's total interest in the property to 100%. Pursuant to the terms of the transaction, the Company and the optionor agree to the following with respect to this agreement:

- a) The Company will issue to the optionor a total of 1,250,000 shares as follows: (i) 500,000 shares upon signing the agreement (issued); (ii) 250,000 shares to be issued upon completion of a pre-feasibility study; (iii) 500,000 shares to be issued upon completion of a feasibility study;
- b) The Company granted the optionor a net smelter return royalty of 0.75% on the 4F claim block, of which 0.5% can be purchased at any time for \$500,000; and
- c) Assumption of all liabilities of the property.

The following disclosure relating to the Albany Project has been derived from the report prepared for the Corporation by Jean M. Legault, M.Sc., P.Geo., of Geotech **dated November 1, 2010**, as amended on **November 26, 2010**, and entitled "*43-101 Technical Report on the Albany Project – Porcupine Mining District, Ontario NTS: 42K / 01, 02, 03, 07, 08, 09, 10, 14, 15, 16 - 42F / 15, 16 - 42N / 01, 02, 03, 04, 06 for Zenyatta Ventures Ltd.*" (the "Technical Report"). Mr. Legault, the author of the Technical Report, is a "qualified person" within the meaning of NI 43-101 and is independent of the Corporation. The Technical Report may also be reviewed under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### ***Project Description and Location***

The Claims are located north of Lake Superior and west of James Bay in north-western Ontario, Canada. The southernmost claim block (4b) is approximately 86.5 km west of the town of Hearst, just north (0.46 km) of the TransCanada Highway #11.

The majority of the Claims were staked during the late summer and fall of 2009, followed by additional staking in the winter and spring of 2010. The "4f Extension" claims were staked in the spring of 2013. The Claim Blocks 1c, 2c, 4a, 4b and 4e are currently owned 80% by the Corporation and 20% by 50 King Capital Canada Incorporated, previously owned by Cliffs Canada. Claim Blocks 4f and 4f Extension are owned 100% by the Corporation.

A total of approximately \$1,550,000 was spent on the Technical Report on a Geotech airborne EM geophysical survey that began in the field on March 20, 2010 and ended on May 19, 2010. Data processing and interpretation was complete on June 30, 2010. This amount will be filed with the Ministry of Northern Development and Mines (the "MNDM"). The Claims have not been the subject of a cadastral survey. Currently, there are no pending challenges to the title of the claims, and surface rights are owned by the Crown.

There are no environmental liability issues related to previous exploration work on the Claims. The Corporation has not received from any government authority, any communication or notice concerning any actual or alleged breach of any environmental laws, regulations, policies or permits.

### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The Claims (5 non-contiguous groups) are located over a large area of ten townships, with all claims located within the Porcupine Mining District of Northern Ontario. The Claims are all located north of Highway 11, and the town of Hearst is situated approximately 86 km to the east of the southernmost Claim block, 4B.

The Claims are situated within the Hudson Bay-James Bay Lowlands area where the topography is essentially flat, low-lying and swampy. Overburden is very thick in places with little or no outcrop exposure. The Kenogami River flows north in the eastern section of the map area with several meandering tributaries flowing in from the west. There are many creeks flowing between peat bogs throughout the area. Vegetation is dominated by wetlands, with some areas of spruce and alder trees, and cedar swamps. Spruce and alder trees are also abundant along the banks of the Nagagami River and other smaller rivers.

The Claims are located in a remote area of Northern Ontario. Access to most of the Claims can only be gained using float plane, helicopter and All-Terrain-Vehicle. Claim blocks 4a and 4b, located in the southern area can be accessed from Highway 11. Some of the Claims located near the Kenogami River, or other rivers are accessible by boat or canoe. The town of Hearst, with a population of 5825, located 86 km east from claim block 4b, has many facilities to keep an exploration camp well supplied. Facilities include hotels, housing, hardware stores, gas stations, a hospital and a local airport. Float plane and helicopter companies can also be found in Hearst.

The Claims are situated in Northern Ontario where there are different climates and weather extremes. Most of the region has a continental climate with warm to hot summers (June, July and August; 25°C to 35°C) and cold winters (December to March, 10 °C to -20 °C). Spring and autumn tend to be short seasons and have some of the weather of winter and summer. As a generalization, precipitation ranges from 600 mm to around 900 mm.

Surface exploration work can be carried out during the months of May to November, possibly later if there is no accumulation of snow. Additional exploration work (geophysical surveys and diamond drilling) can be conducted year-round.

### ***History***

The Claims were originally acquired to explore for nickel, copper, platinum group metals, and graphite mineralization. The ground was underexplored and considered new frontier. The land staked by Cliffs in 2009 and 2010 was selected based on geophysical information from Ontario Geological Survey airborne magnetic maps, the geological interpretation of those maps, and additional geological and geophysical data from historical exploration assessment reports.

In 2010, the Company was exploring for mafic-ultramafic intrusion hosted Cu-Ni-PGM deposits ranging in age from Archean to which are stratabound, and host copper, nickel and/or platinum-group sulphides. The Corporation conducted exploration programs targeting nickel, copper, platinum (PGMs) and graphite on the Claims. The Corporation identified in the Claims a highly prospective 'new frontier' containing a vast underexplored area referred to as the Albany Project in the James Bay Lowlands. The area was largely ignored in the past as a result of swamp and the younger Phanerozoic (460-360 Ma) cover rocks, up to 200m thick, overlying the prospective Archean rocks. Recent advances in airborne EM technology allowed deeper penetration/resolution through the Fe-deficient shallow marine carbonate/clastic sediments to target favourable geological and structural settings within the underlying Archean.

The Albany Project covers several large multi-phased mafic-ultramafic-alkalic complexes forming an arcuate structure approximately 150km long. One of these complexes, called the Nagayama River Alkaline Ring Complex, shows similarities to the Mid-Continent Rift related Coldwell Complex on the north shore of Lake Superior. The arcuate structure is believed to also represent a deep seated Proterozoic structure that may be related to the 1.1 billion year old Mid-Continent Rifting. The Mid-Continent Rift is a known deep seated structural environment that hosts a number of significant mineral deposits around Lake Superior, including Rio Tinto's Eagle and Tamarack Cu-Ni deposits and Magma's TBN PGM deposit. Rifting environments around the world are host to many large mineral deposits due to a tapping of the copper- nickel rich mantle by way of

the structural conduits and traps for metal transport and deposit.

In 2010, preliminary exploration work utilized a helicopter-borne time-domain EM geophysical VTEM35 survey flown by Geotech Ltd. The VTEM35 EM system utilizes modern advances in digital electronics and signal processing and has the highest signal to noise ratio of any airborne EM system resulting in a deeper depth of investigation.

The field portion of the survey commenced on March 20, 2010 and ended May 19, 2010, with lines flown in a north-south direction using 150 metre line spacing. The survey totaled approximately 9450 line km over 28 Claim blocks. Results of this survey were used to identify several high priority geophysical electromagnetic (EM) targets for follow-up drilling under the recommended Phase I and II Drill Budgets.

The Claims had limited historical exploration work such as reconnaissance geophysical surveys (airborne and ground magnetic, and electromagnetic projects), with a minor amount of follow-up diamond drilling. Past geophysical magnetic surveys have outlined several anomalies within the Precambrian rocks that underlie the Paleozoic limestone. A helicopter borne VTEM geophysical survey was successfully completed over the Claims. Results have been presented as stacked profiles, and contour color images at a scale of 1:10,000 & 1:20,000. The survey results are supported by the EM anomaly picking, EM time-constant (Tau) and magnetic derivative analyses that were performed. The results of the Corporation's recently flown helicopter borne magnetic and EM survey outlined several high priority targets for diamond drill testing of possible Cu-Ni-PGM mineralization.

In 2010, the Corporation finished preliminary exploration for Cu-Ni-PGE targets on the Claims and conducted a follow-up two-phase exploration program described below.

Preliminary exploration on the Claims, carried out in the winter and spring of 2010, consisted of a Geotech helicopter borne VTEM 35 survey. Results of this survey have been used to identify high priority airborne EM targets for diamond drilling. A total of 22 high priority geophysical anomalies (EM and magnetic) were identified for follow-up modeling and drill testing with a minimum of 1000 metres per target in 2011. Based on the geophysical results obtained, a number of other EM anomalies were identified on various Claim blocks and warranted drill testing. The magnetic results also contained worthwhile information in support of exploration targets of interest. It was therefore recommended in the Technical Report that a detailed interpretation of the available geophysical data be conducted, in conjunction with the geology. It was recommended that this should include 2D - 3D inversion modeling analyses and magnetic derivative analysis prior to ground follow up and drill testing.

A two phase exploration program was conducted that included geophysical modeling and a minimum of 22,000 metres of diamond drilling to test airborne magnetic and EM anomalies. The two-phase exploration program on the Claims in 2011 & 2012 cost an estimated total of >\$10 million and included the discovery of a rare form of graphite mineralization, now termed the Albany Graphite Deposit.

## ***Albany GRAPHITE Deposit***

The Company owns the Albany Graphite Deposit, a very rare, igneous-hosted fluid-related graphite deposit which occurs in two large breccia pipes. First discovered in 2011, it is currently the largest and only known hydrothermal graphite deposit advancing toward development in the world.

Preliminary bench-scale metallurgical studies demonstrate that a high-purity graphite concentrate can be produced from the mineralization utilizing a relatively low-cost processing technique of caustic bake (NaOH) compared to the traditional method of aggressive acids and thermal treatment. The Company is actively working to target the high-purity (high-quality), synthetic graphite market. A 2012-2013 drill campaign has been completed and was used to develop a NI 43-101 resource estimate. A PEA was completed in June 2015.

**Location:** Zenyatta's Albany graphite deposit is located 30 km north of the Trans-Canada Highway, and close to excellent infrastructure including a power line and a natural gas pipeline near the communities of Constance Lake First Nation and Hearst. A rail line is located 70 km away and an all-weather road extends to approximately 4-5 km from the graphite deposit.

**History:** A two-phase exploration program on the Albany Project in 2011 and 2012 led to the discovery of a unique graphite deposit. Testing a large airborne EM conductor measuring 1400 m by 800 m, the first drill hole on the Albany project intersected an extensive graphite-rich breccia zone hosted within an alkalic intrusion. The deposit is near surface, underneath glacial till overburden and a thin veneer of limestone. In early 2012, a mineralogical report prepared by Dr. Andrew Conly of Lakehead University Mineralogy and Experimental Laboratory characterized the deposit as a magmatic, fluid-related style of graphite mineralization. Magmatic, fluid-related, breccia hosted graphite is very rare, and the purest form of graphite found in nature.

In March 2012, Zenyatta commenced an initial 4,000 m exploration drill campaign at the Albany Graphite Deposit with a goal of further testing the extent of the EM conductor. The nine-hole drill program succeeded in establishing widespread graphite mineralization over the targeted airborne geophysical conductor in a lateral and vertical extent, where it remained open.

In March 2013, Zenyatta began a fully-funded \$6 million drill program to define the size and grade of the Albany Graphite Deposit. The 50-60 hole drill campaign will be used to complete a NI 43-101 resource estimate.

In April 2013, Zenyatta announced that all trials using a simple caustic baking leach process (sodium hydroxide) conclusively demonstrated that a high-purity graphite product with >99.99% Carbon can be produced from the Albany graphite deposit mineralization. Mineralogical work showed the graphite material to be of high-quality, containing insignificant amounts of impurities.

In May 2013, Zenyatta reported results of a ground survey using EM geophysics to better define the geometry of the Albany graphite deposit. The survey revealed two discrete, strongly conductive zones which are coincident with the graphite mineralization associated with the East and West breccia pipes.

Zenyatta has also drilled three HQ size holes on the East Pipe in order to obtain 5 tonnes of graphite mineralization to proceed with a second phase processing of a mini-bulk sample at SGS Canada Inc. ('SGS') in Lakefield, Ontario. This processing will allow additional optimization of the flow sheet for the PEA and provide material for further testing by Zenyatta and also other interested parties who have requested material. A similar 5 tonne mini-bulk sample was also planned for the West Pipe.

**2014 Albany Project NI 43-101 Technical Report**

The Corporation has filed a complete technical report (the “Technical Report”) on SEDAR at [www.sedar.com](http://www.sedar.com) further to the news releases dated December 2, 2013 and January 16, 2014 with respect to the Company’s 100%-owned Albany graphite deposit in northeastern Ontario, Canada.

The January 16, 2014 Technical Report is titled “Technical Report on the Albany Graphite Deposit, Northern Ontario, Canada”, and was authored by David Ross, P. Geo., and Katherine Masun, P. Geo., of Roscoe Postle Associates Inc. (“RPA”), who are independent “qualified persons” as defined by National Instrument 43-101 (“NI 43-101”). Significantly, the Technical Report highlights a large and discrete graphite deposit with an estimated Mineral Resource which is relatively insensitive to cut-off grades from 0.4% Cg up to at least 2.0% Cg.

RPA estimates Indicated Mineral Resources delineated to date total 25.1 million tonnes (“Mt”) at an average grade of 3.89% graphitic carbon (“Cg”), containing 977,000 tonnes of Cg. In addition, Inferred Mineral Resources delineated to date are estimated to total 20.1 million tonnes at an average grade of 2.20% Cg, containing 441,000 tonnes of Cg. These results are based on a cut-off grade of 0.6% Cg with an assumed market price of \$8,500 per tonne Cg. The results below, as given in the Technical Report, show that even if the assumed market price of Cg varies, any appropriate increase in the cut-off grade results in a relatively minor reduction of the resource estimate.

	<b>Tonnage</b>	<b>Grade</b>	<b>Tonnes Graphitic Carbon</b>
<b>Classification, Cut-off Grade</b>	<b>(Mt)</b>	<b>(%Cg)</b>	<b>(t Cg)</b>
Indicated			
2.0	20.7	4.41	914,000
1.0	24.3	3.99	971,000
0.6	25.1	3.89	977,000
0.4	25.4	3.85	978,000
Inferred			
2.0	9.4	3.34	315,000
1.0	15.9	2.57	408,000
0.6	20.1	2.20	441,000
0.4	23.0	1.98	455,000

It is emphasized that the Technical Report defines a preliminary pit shell to fulfill the NI 43-101 requirement of “reasonable prospects for economic extraction”. The economic potential and mining plans of these Mineral Resources has been outlined in greater detail in the Preliminary Economic Assessment (PEA), filed July 13, 2015, including more detailed definition of mining methods, pit slopes, costs and price assumptions.

Mr. Peter Wood, P. Geo., Zenyatta Ventures Ltd., Vice President Exploration, is the “Qualified Person” under National Instrument 43-101 and has reviewed and approved this technical information.

Zenyatta provided an update in December 2014 on the metallurgical process development on the Albany graphite deposit being carried out at the SGS facility in Lakefield, Ontario. Designing a new process flow sheet for a specialty industrial mineral product from a unique deposit like Albany involves innovation with timelines for completion that are difficult to predict. The SGS team made significant progress improving upon the bench scale caustic bake process and an innovative, viable flow sheet has been developed for the Albany graphite deposit.

## **Highlights:**

- A higher grade flotation concentrate of up to 92.5% graphitic carbon ('Cg') was produced compared to the previous 78.3% Cg concentrate; this concentrate will be fed to the purification process to target greater than 99% Cg.
- For the first time, a fully engineered purification process has been completed providing data for energy requirements, water treatment, reagent consumption & equipment sizing;
- Optimization of NaOH consumption was achieved such that re-cycling was eliminated thereby reducing costs related to introduction of re-cycling engineering & equipment;
- Significant (~86%) reduction in the NaOH reagent dosage;
- A technically feasible & distinctive process flow sheet was developed and work continues to fully optimize it to meet customer expectations on purity.

The metallurgical test work was performed under the supervision of Alex Mezei, M.Sc., P.Eng., Director, Engineering Technical Services at SGS, independent consultants to Zenyatta, and Peter Wood, P.Eng., P.Geo., VP Exploration of Zenyatta. Peter Wood and Alex Mezei are the Qualified Person's under NI 43-101 who supervised the preparation of this scientific and technical information.

## **2015 Preliminary Economic Assessment**

On June 1, 2015, the company issued a news release announcing the results of a positive preliminary economic assessment ('PEA') on its Albany Graphite Project located in northern Ontario, Canada. The PEA was prepared by RPA in Toronto with mill design input from SGS. The RPA report concluded that the PEA is positive and the project should be advanced to the pre-feasibility stage. An animated video of the proposed mining project can be found on the Zenyatta website.

### **PEA Highlights:** *(Note: All dollar amounts in US currency unless otherwise specified)*

- Open-Pit, Life of Mine ('LOM') of 22 years based on less than 50% of the Indicated & Inferred Mineral Resources. Underground mining of Inferred Resources below the sill are not included in this study. The deposit is open at depth;
- 3,000 tonne per day open-pit mine and process plant to produce 30,000 tonnes of high-purity (>99.9% Cg) graphite annually;
- Price of purified graphite @ \$7,500 per tonne and operating costs of \$2,046 per tonne showing a margin of \$5,454 per tonne;
- Total LOM gross revenue of ~\$4.8 Billion and an after-tax cash average annual cash flow of \$110 Million;
- A base case after-tax Net Present Value at a 10% discount rate of \$438 Million yielding an after-tax Internal Rate of Return of 24%.

RPA proposes a 22-year, open-pit mine with a processing plant located on site which generates a strong annual cash-flow and high rate of return. The PEA indicates that the Albany graphite project has excellent potential to be a low-cost source of high-purity graphite without the use of dangerous and environmentally harmful hydrofluoric acid (as in China) or costly thermal upgrading (as in synthetic graphite derived from petroleum coke). Work performed by SGS, on behalf of Zenyatta, successfully completed and tested

an innovative and relatively benign purification process for the production of consistent and highly crystalline graphite exceeding 99.9% purity from the Albany deposit. Feedback from the clean-tech sector suggests that environmental considerations are critical when sourcing raw materials for today's high tech applications like energy storage. Supply chain transparency is easier to track and is expected in an ever demanding 'green' world.

The PEA is based on mineral resources that are not mineral reserves and have not demonstrated economic viability. Thus, there is no certainty that the results of this PEA will be realized.

#### **OPERATING (US\$)**

Purified Graphite (>99.9% Cg) Price per tonne	\$7,500
Purified Graphite Operating Cost per tonne	\$2,046
Total Operating Cost per tonne processed ore	\$62
Tonnes Ore Mined per day (grade @ 4.05%Cg)	2,736
Tonnes Purified Graphite Product per year (350 days)	30,000
Tonnes Ore Processed (Mill Feed – LOM)	20,927,000
Tonnes Purified Graphite Product (LOM)	633,636
Tonnes Contained Graphite in Mineral Resource (Indicated + Inferred)	977,000 + 441,000

It is common practice in the mining industry to assess the economic viability of a mineral project at various development stages. Generally, a mining company will first conduct a PEA, then a pre-feasibility study followed by a feasibility study. Each stage will analyze, in further detail and to a greater level of certainty, the economic, technical and geological factors that will determine whether the mining project is commercially viable. The goal of a PEA is to determine, at an early stage, whether a mining project is potentially viable, in order to advance to a pre-feasibility phase.

#### **CASH FLOW (LOM- US\$)**

Total Gross Revenue	\$4,752,271,000
Net Revenue	\$4,700,312,000
EBITDA	\$3,344,895,000
Pre-Tax Cash Flow	\$2,641,987,000
After-Tax Cash Flow	\$1,999,891,000

#### **CAPITAL COST (US\$)**

Total Direct Capital Cost	Mining, Processing & Infrastructure	\$262,908,000
EPCM/Owners/Indirect	Engineering, Procurement, & Construction Management	\$68,732,000
Contingency (24%)		\$79,826,000
Total Initial Capital Cost		\$411,465,000

Zenyatta's 100% owned Albany graphite deposit is located in northern Ontario, Canada near good infrastructure. The deposit is located 30 km north of the Trans-Canada Highway ('TCH'), with access to the power line and natural gas pipeline near the communities of Constance Lake First Nation and Hearst. A rail line is located 70 km away, with an all-weather (all season) logging road approximately 20 km from the graphite deposit.

The PEA proposes building an access road, power line and gas line to the property from near the TCH. Planned infrastructure and facilities at the project site include the open-pit mine, processing plant, tailings management facility, handling facilities, crushers and secondary buildings, including offices and workshops.

**PROJECT ECONOMICS (US\$)**

Pre-Tax Payback Period		3.7 yrs
Pre-Tax Internal Rate of Return		27%
Pre-Tax Net Present Value	0% Discount	\$2,641,987,000
Pre-Tax Net Present Value	8% Discount	\$814,717,000
Pre-Tax Net Present Value	10% Discount	\$614,676,000
Pre-Tax Net Present Value	12% Discount	\$462,942,000
After-Tax Payback Period		4.0 yrs
After-Tax Internal Rate of Return		24%
After-Tax Net Present Value	0% Discount	\$1,999,891,000
After-Tax Net Present Value	8% Discount	\$593,115,000
After-Tax Net Present Value	10% Discount	\$438,434,000
After-Tax Net Present Value	12% Discount	\$320,967,000

The pricing model for the PEA was derived from an extensive detailed study of targeted market segments and industry trends that are relevant for the high-quality and high-purity graphite sector. A summary of approximate price ranges for these market segments of the graphite industry are shown here for reference. Estimated annual production of 30,000 tonnes of high-quality graphite product from the Albany deposit represents ~7% of the 2017 market demand estimate.

**HIGH-PURITY GRAPHITE MARKET**  
**Zenyatta Ventures Ltd. – Albany Project**

Market Segment	2017 Market Demand Estimate (kt)	Price Range (US\$/tonne)	Average Price (US\$/tonne)
Batteries <sup>1</sup>	160	4,000 -> 20,000	12,000
Powder Metallurgy <sup>2</sup>	20	3,000 -> 12,000	7,000
Fuel Cells <sup>3</sup>	15	5,000 -> 10,000	8,000
Conductive Polymers <sup>3</sup>	6	3,000 -> 5,000	4,000
Carbon Brushes <sup>3</sup>	90	3,000 -> 5,000	4,000
Nuclear <sup>3</sup>	30	10,000 -> 35,000	23,000
Lubricants <sup>4</sup>	80	3,000 -> 5,000	4,000
Super-Capacitors <sup>3</sup>	2	5,000 -> 10,000	8,000
Graphite Artifacts <sup>3</sup>	15	3,000 -> 10,000	7,000
Electronics <sup>2</sup>	8	30,000 -> 40,000	35,000
<b>Total</b>	<b>426</b>		

*Sources and Notes:*

1. Includes lithium-ion and additives for primary and secondary batteries. Source: Roskill and BCC Research
2. Source: Roskill and end-user data provided to Zenyatta market development personnel under a confidentiality agreement
3. Source: Roskill, BCC Research
4. Volume includes only high-purity (>99.9% Cg) graphite. Source: Roskill

Zenyatta has previously reported that preliminary testing has indicated that the performance of Albany graphite is within the range of anode materials that are presently used for Lithium-ion Batteries ('LIBs'). Independent

testing has also indicated that it is suitable for use in hydrogen fuel cells and in powder metallurgy ('PM') applications. At this time, Zenyatta anticipates having a targeted market application segmentation which includes 25-30% in LIBs, 20-25% for Fuel Cell products, 25-30% for high-purity graphite in PM and 15-30% from other applications in the list above. The Corporation is in discussion with end-users on other types of high-purity applications that could possibly change the market segmentation and will disclose these potential markets at the appropriate time.

The outlook for the global graphite market is very promising with demand growing rapidly from new applications. Graphite is now considered one of the more strategic elements by many leading industrial nations, particularly for its growing importance in high technology manufacturing and in the emerging "green" industries such as components of energy storage devices for electric vehicles, computers, smartphones etc. The applications for graphitic material are constantly evolving due to its unique chemical, electrical and thermal properties. It maintains its stability and strength under temperatures in excess of 3,000°C and is very resistant to chemical corrosion. It is also one of the lightest of all reinforcing elements and has high natural lubricating abilities. Some of these key physical and chemical properties make it critical to modern industry.

The June 1, 2015 news release describes a PEA cash flow model based upon geological, engineering, technical and cost inputs developed by RPA. Jason Cox, P.Eng. Executive VP – Mine Engineering - Principal Mining Engineer of RPA, Alex Mezei, M.Sc., P.Eng., Director, Engineering Technical Services at SGS Lakefield, independent consultants to Zenyatta, Peter Wood, P.Eng., P.Geo., VP Exploration and Dr. Bharat Chahar, P.E., VP Market Development for Zenyatta are the Qualified Persons under National Instrument 43-101. Jason Cox, Alex Mezei, Peter Wood and Bharat Chahar have supervised and approved this scientific and technical information.

Subsequent to completion of the 2015 PEA, most of the Albany Project work has been focused on metallurgical process development, market studies and research and development to determine the most attractive market opportunities for the Albany graphite products. Increasing interest in the Albany Graphite product as a feed material for producing graphene or graphene oxide, is motivating management to reconsider the project development model conceived for the 2015 PEA. While graphene is an emerging new nanotechnology material with limited market demand at present, initial indications from various groups involved in graphene research and development indicate potential for creating a very high-value product from the Albany Graphite deposit with excellent long term growth potential and high profit margins. Consequently, the Company is now planning to prepare an updated PEA to reflect this new market opportunity.

### **Subsequent Events**

On May 3, 2018, Zenyatta announced that it had appointed Paul Gardner as CEO of Zen-Tech.

On May 3, 2018, 200,000 stock options were issued to a senior official of ZEN-tech Materials Limited under the stock option plan described in Note 7(c). The stock options have an exercise price of \$0.56 per share and an expiry date of May 3, 2023. The vesting period of the options is as follows: 33% at May 3, 2018; 33% at November 3, 2018; 34% at May 3, 2019.

On May 11, 2018, Zenyatta's shareholders voted for a new board of directors as recommended by the Dissidents following a proxy battle. As of May 11, 2018, the directors were Dr. Francis Dubé, Brian Bosse, Eric Wallman, Brett Richards and Brian Davey.

On May 16, 2018, the board appointed Brett Richards as Chairman of the Board, Brian Bosse to the executive role of Chief Restructuring Officer and added Greg Fenton as an advisor to the Board of Directors. It also created the following committees:

Audit committee, fully comprising independent directors:

- Eric Wallman CPA, CA (chair)

- Brian Davey
- Francis Dubé

Compensation committee, fully comprising independent directors

- Francis Dube (chair)
- Brett Richards
- Eric Wallman CPA, CA

Restructuring committee, (majority of independent directors)

- Brain Bosse (chair)
- Francis Dube
- Eric Wallman

On June 1, 2018, Tom Mustapic resigned as Chief Financial Officer. The company also issued 180,027 shares at a deemed price of \$0.55 to settle debt of \$99,015 with various creditors.

On June 6, 2018, the Company extended the expiry date of 982,567 warrants exercisable at a price of \$0.83. The original expiry date of June 11, 2018 was extended to a new expiry date of June 11, 2019.

On June 22, 2018, Zenyatta announced the closing of the private placement announced on May 17, 2018, and subsequently extended it, as announced on June 1, 2018 (the “Offering”). Approximately \$712,000 was raised in respect of the equity offering, which will be used for general expenses of the Company, including the advancement of the Albany project, initiating an Environmental Assessment, and other corporate expenses. The Offering consisted initially of the issuance of up to 910,000 units (“Units”) at a price of \$0.55 per Unit, for aggregate gross proceeds of up to \$500,500. Each Unit consisted of one common share of the Company (“Common Share”) and one half of one non-transferable share purchase warrant (“Warrant”). Each whole Warrant will entitle the holder thereof to acquire one additional Common Share at an exercise price of \$0.80 per Warrant, exercisable for a period of twenty-four months from the closing of the Offering. Due to market demand, the Company increased the size of the Offering to 1,311,693 Units, raising a total of \$721,431, less \$9,900 paid in cash commissions. The total number of Units includes approximately 141,000 units purchased by directors of the Company.

Also at this time, Donald Bubar, a long-time Zenyatta shareholder, joined Zenyatta’s board of directors and Brett Richards resigned as a director and Chairman of the Board to focus his attention on his other ventures in Africa. Peter Wood was also promoted to Vice President of the company. Mr. Wood joined Zenyatta on January 1, 2013 and was directly involved in the resource estimate and preliminary economic assessment. More recently he has been involved in market development and research and development activities.

On July 3, 2018, 1,450,000 stock options were issued to a number of directors, consultants and management under the stock option plan described in Note 7(c). The stock options have an exercise price of \$0.50 per share and an expiry date of July 3, 2023. The vesting period of the options is as follows: 1/3 at July 3, 2018; 1/3 at January 3, 2019; 1/3 at July 3, 2019.

On July 5, 2018, Zenyatta provided an update on the Company’s recent activities. Zenyatta’s planned activities for the following four months include:

**Market Development:** The Company has recently hired two new consultants, Mr. Philippe Chataigneau as Head of Sales and Dr. Colin van der Kuur as Research Catalyst. Both are working closely with Peter Wood and Dr. Francis Dubé and have already initiated seven new contacts with companies that have a commercial interest in using graphene or graphene oxide to enhance the performance of their products.

**Metallurgical Process Development:** Zenyatta is pleased to announce that James Jordan, P.Eng., will renew his engagement with Zenyatta as its Project Manager and will continue to manage the metallurgical process testwork and project development.

Update on Third Party Research Agreements: The new Zenyatta team has reviewed the list of research agreements covering collaboration with various groups who are investigating applications using Albany Graphite. Assessment of their status is ongoing and the Company plans to report on progress within the next six weeks.

Community Engagement and Environmental Assessment: The new Zenyatta team is in discussion with Constance Lake First Nation (“CLFN”) toward establishing a partnership agreement. The Company is also in consultation with CLFN to seek their input and establish priorities before preparing a budget and schedule for the environmental assessment work.

Bulk Sample: Zenyatta is currently assessing the required bulk sample size and cost for a program which will include equipment access at site, sample collection and transportation of the recovered material. The mineralized material will be processed to provide a large volume of purified graphite samples having specific physical and purity specifications for end user evaluation. The purified graphite will also be used to produce larger quantities of graphene and graphene oxide for continued large-scale end user evaluation and product development.

Pre-Feasibility Study (“PFS”): In light of new market opportunities involving graphene applications, simplification of the metallurgical process and a much better understanding of the unique characteristics of Albany graphite deposit, Zenyatta intends to review all new information to determine the optimal development model for the next level of technical study.

Funding: A private placement financing was completed on Friday June 22, 2018 and this gives Zenyatta the time to assess the work that needs to be accomplished over the next 12 months along with the required budgets to complete these endeavors.

On July 12, 2018, Zenyatta welcomed Mr. Frank Klees and Mr. Greg Fenton as new directors of the Company as part of our mission to build a strong and experienced team. Also, Mr. Brian Davey has resigned from the board to pursue other business interests.

#### Metallurgical Update

On July 16, 2018, the company announced significant improvements to the metallurgical process including improved recovery from 75.4% in the PEA to approximately 90% with a simpler, lower energy process that has a lower reagent consumption and also permits more efficient recycling of the leach solutions. The Company will be re-starting its metallurgical test-work program for the Albany Graphite Deposit to collect engineering data for the next technical report. The goal of the latest round of purification test-work was to develop a flowsheet which is more cost effective than the PEA caustic (NaOH) bake/leach process and deliver graphite product which is suitable for the emerging graphene and nanographite market. The test program investigated a process based on high-pressure caustic leaching of graphite concentrate followed by acid leaching (Zenyatta Pressure Leach or ZPL). It was concluded that a purity of 97.5% Cg, representing 85% impurity removal, could be consistently achieved. Process conditions chosen for the tests were kept within industry proven limits of temperature and caustic concentration. A second stage acidic fluoride leach (ZHL) process was also investigated to upgrade the ZPL product to >99% purity. ZHL purification using a solution containing a mixture of NH<sub>4</sub>F and HCl yielded a minimum graphite purity of 99.8% Cg. The process operates at 50 degrees C, will require relatively simple equipment and also has a low reagent and energy consumption.

## Selected Financial Information

The following table sets forth selected financial information with respect to the Corporation as at and for the years ended March 31, 2018 and 2017. The selected financial information has been derived from the audited consolidated financial statements of the Corporation for the financial years indicated. The following should be read in conjunction with the said financial statements and related notes thereto.

	Year ended March 31, 2018 (Audited)	Year ended March 31, 2017 (Audited)
Total Revenue	\$ 75,314	\$ 5,525
Net Loss	\$(1,564,521)	\$(2,840,621)
# Shares Outstanding	63,597,361	62,884,284
Net Loss per Share (Basic)	\$(0.02)	\$(0.05)
Net Loss per Share (Diluted)	\$(0.02)	\$(0.05)
Total Assets	\$ 22,224,303	\$ 22,796,268
Total Financial Liabilities	\$ 152,035	\$ 83,300
Total Equity	\$ 22,072,268	\$ 22,712,968

## Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recently completed quarters, for which financial statements are prepared.

	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Revenue	\$54,071	\$7,290	\$11,745	\$2,208	\$2,355	\$992	\$1,198	\$980
Loss	\$418,564	\$314,149	\$290,705	\$541,103	\$647,168	\$774,778	\$1,023,449	\$395,227
Loss per Share (Basic)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01
Loss per Share (Diluted)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01

## Liquidity and Capital Resources

As at March 31, 2018, the Corporation had working capital of \$20,116 (2017: \$1,023,307) and cash of \$96,738 (2017: \$383,968). The Corporation funded operations during the year ended March 31, 2018 through the net proceeds of units issued as well as the use of existing cash and investments.

The Corporation will need to raise additional funding to finance future exploration programs and development activity. The availability of equity capital, and the price at which additional equity could be issued, is dependent upon the success of the Corporation's activities, and upon the state of the capital markets generally. Additional financing may not be available on terms favourable to the Corporation or at all. If the Corporation does not receive future financing, it may not be possible for the Corporation to advance the exploration and development of the Claims.

## Off Balance Sheet Arrangements

There are currently no off balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of the Corporation.

## **Transactions with Related Parties**

The total transactions with a company controlled by a member of key management personnel during the years ended March 31, 2018 and 2017 were as follows:

- a) Exploration and evaluation assets - \$150,212 (2017: \$156,128)
- b) General and administrative - \$23,316 (2017: \$36,903)

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$10,246 (2017 - \$10,516). The amounts owing are unsecured, non-interest bearing and are repayable under normal terms and conditions.

The remuneration of directors and other members of key management personnel during the years ended March 31, 2018 and 2017 were as follows:

- a) Short-term benefits - \$359,114 (2017: \$496,058)
- b) Share-based payments - \$391,329 (2017: \$892,442)

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

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

## **Current and Future Changes in Accounting Policy**

### ***Future Accounting Changes***

Certain pronouncements were issued by the International Accounting Standards Board (“IASB”) or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning on or after April 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation

and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

## **Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash, temporary investments, amounts and other receivables, and accounts payable and accrued liabilities. Unless otherwise noted, the Corporation does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Corporation estimates that the fair value of these financial instruments approximate carrying values.

The Corporation has designated its temporary investments as held-for-trading, which are measured at fair value. Financial instruments as at March 31, 2018 included cash and amounts and other receivables, which are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2018, the carrying and fair value amounts of the Corporation's financial instruments are approximately the same.

At of March 31, 2018, the Company does not have any financial instruments recorded at fair value and that require classification within the fair value hierarchy.

Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

## **Disclosure of Outstanding Share Data**

The Corporation is authorized to issue an unlimited number of shares, of which 63,597,361 (2017: 62,884,284) shares were issued and outstanding as fully paid and non-assessable as at March 31, 2018. Also, 2,195,724 (2017: 1,827,567) warrants were outstanding as at March 31, 2018.

Refer to Note 7(c) of the audited consolidated financial statements for details regarding stock options issued and exercisable as at March 31, 2018.

As at July 30, 2018, the Corporation had 64,909,054 shares which were issued and outstanding as fully paid and non-assessable. The Corporation also had 2,851,571 warrants and 6,965,000 stock options outstanding as at July 30, 2018.

## **Risks and Uncertainties**

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below. As at March 31, 2018, there had been no changes in the risks, objectives, policies and procedures from the previous period.

### *Credit risk*

As at March 31, 2018, the Corporation's credit risk was primarily attributable to cash and amounts and other receivables. The Corporation has no significant concentration of credit risk arising from operations. Financial instruments included in accounts and other receivables consisted of harmonized sales tax due from the Federal Government of Canada. The Corporation's cash and temporary investments are held with reputable financial institutions. Management believes that the credit risk with respect to financial instruments included in accounts

and other receivables is remote.

#### *Liquidity risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of March 31, 2018, the Corporation had a cash balance of \$96,738 to settle current liabilities of \$152,035. The Corporation's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### *Interest rate risk*

The Corporation has cash balances and temporary investments. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Corporation closely monitors interest rates to determine the appropriate course of action to be taken by the Corporation.

#### *Price risk*

The Corporation is exposed to price risk with respect to commodity prices. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation.

#### *Exploration risk*

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into producing mines. There is no assurance that the Corporation's future exploration and development activities will result in the definition of a body of commercial 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 environmental regulations.

#### *Financial Capability and Additional Financing*

The Corporation's development programs will require additional funds. The only sources of future funds presently available to the Corporation are the sale of additional equity capital or the entering into of joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Corporation's capital resources are largely determined by the strength of the junior resource market and by the status of the Corporation's projects in relation to these markets, and its ability to compete for investor support of its projects.

There is no assurance that the Corporation will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Corporation does not raise the necessary capital to meet its obligations under current contractual obligations, the Corporation may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Corporation does not raise the funds to complete the currently proposed exploration programs, the viability of the Corporation could be jeopardized.

#### *Permits and Government Regulation*

Although the Corporation believes it has all of the necessary permits to carry out the proposed exploration programs, the operations of the Corporation may require licenses and permits from time to time from various governmental authorities to carry out exploration and development at its projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Corporation will be able to obtain the necessary licenses and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Corporation from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even

if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Corporation will have the resources or expertise to meet its obligations under such licenses and permits.

The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the exploration activities of the Corporation are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development. New rules and regulations may be enacted or existing rules and regulations may be applied to the operations and activities of the Corporation and could have a substantial adverse impact on the Corporation.

#### *Fluctuating Prices*

The profitability of the Corporation's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, rate of inflation, world supply of mineral commodities, consumption patterns, sales of nickel and copper, forward sales by producers, production, industrial and consumer demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The prices of commodities are affected by numerous factors beyond the Corporation's control.

#### *Risks Associated with NI 43-101 Estimates and Technical Reports*

The figures for resources presented herein, including the anticipated tonnages and grades that may be achieved or the indicated level of recovery that may be realized, are estimates and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change.

Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves by drilling, to develop metallurgical processes, to extract the metals from the ore and to construct mining and processing facilities at a site. There is no guarantee that any property on which the Company intends to incur explorations expenditures or in which it has mining interests will ever reach the stage of commercial production.

#### *Environmental Regulation*

The Corporation's activities are subject to environmental laws and regulations which may materially and adversely affect its future operations. These laws and regulations control the exploration and development of the Albany Project and their effects on the environment, including air and water quality, waste handling and disposal, the protection of different species of plant and animal life, and the preservation of lands. These laws and regulations will require the Corporation to acquire permits and other authorizations for certain activities. There can be no assurance that the Corporation will be able to acquire such necessary permits or authorizations on a timely basis, if at all.

Further, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and

employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

The Corporation is not currently insured against most environmental risks. Without such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Corporation has to pay such liabilities and result in bankruptcy.

### **Proposed Transactions**

As is typical of the mineral exploration and development industry, the Corporation is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows of any asset of the Corporation.

### **Commitments and Contingencies**

#### *Leases*

On December 20, 2016, the Company entered into a vehicle lease agreement. The lease term is for a period of two years expiring December 19, 2018. The Company must pay \$708 per month under the terms of the lease.

Minimum lease payments remaining in the Company's fiscal years to the expiration of the leases are as follows:

2019	\$ 6,372
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#### *Employment Agreements*

As at March 31, 2018, the Company's President and Chief Executive Officer is the only officer who currently has an employment agreement with the Corporation with a change of control provision. The agreement, dated August 1, 2010, provides that in the event that the employment is terminated by the Corporation other than for cause, or within 90 days of a change of control of the Corporation, then the officer is entitled to (i) a lump sum payment equal to the greater of 24 months' salary or six months' salary for each year or partial year of service, (ii) all outstanding and accrued regular and vacation pay and expenses and (iii) the immediate vesting of his options which shall continue to be available for exercise for a period of two years following the date of termination. As at March 31, 2018, current salary level for this individual pursuant to the employment agreement is \$225,000 per annum.

The Company has renewed the consulting agreement with its Vice-President Exploration and Chief Geologist dated July 1, 2018 and the individual was also promoted to company Vice President. The current salary level for the individual pursuant to the employment agreement is \$180,000 annually.

The company has also renewed the employment agreement with its Project Manager dated July 1, 2018.

#### *Exploration Agreement*

The Corporation has entered into an agreement with Constance Lake First Nation ("CLFN") governing the relationship between them in regard to the Corporation's exploration on traditional lands of CLFN.

### **Cost of Implementation Committee**

On a yearly basis, commencing on the date that the implementation committee is formed and continuing for the following twelve (12) months, the Corporation shall make a total contribution of \$22,000, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, to pay: the reasonable expenses of the Corporation's implementation committee members; the reasonable costs of an archaeologist for any archaeological assessments.

**Cost of Annual Gathering**

On an annual basis, \$1,200, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, for CLFN and the Corporation to have a community “feast” and conduct an information session with CLFN members about the exploration, this agreement and any issues pertaining to this agreement’s implementation;

**Critical Accounting Estimates**

A detailed summary of all of the Corporation’s significant accounting policies is included in Note 2 to the March 31, 2018 audited annual consolidated financial statements.

**Internal Controls over Financial Reporting**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on regular reviews of its internal control procedures during and at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

**Changes to Internal Control over Financial Reporting**

There have been no significant changes to the Corporation’s internal controls over financial reporting that occurred during the year ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

**Disclosure Controls**

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation is made known to the Corporation’s certifying officers. The Corporation’s Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation’s disclosure controls and procedures as of March 31, 2018 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation.