

# **MITCHELL RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED NOVEMBER 30, 2015**

The following management's discussion and analysis ("MD&A") and financial review, prepared as at January 20, 2016, should be read in conjunction with the condensed interim financial statements and related notes for the six months ended November 30, 2015 of Mitchell Resources Ltd. ("Mitchell" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

### **Forward-looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

### **Company Overview**

The Company currently is a reporting issuer in British Columbia and Alberta. On May 26, 2015 the Company changed its name from Kola Mining Corp. to Mitchell Resources Ltd. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "MI". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company was previously engaged in the sourcing, exploration and development of unproven mineral interests in Russia. The Company was in default of the performance criteria called for by the Souker License and, effective March 6, 2015 the Company was advised by governmental authorities that the Souker License had been terminated. Management recorded a write-off of the remaining nominal amount of \$1 in fiscal 2015.

The Company continues with its recapitalization process and still relies on the continued financial support from its management and other shareholders. The Company requires additional financing to meet its ongoing levels of corporate overhead, retire existing liabilities and debt obligations, and acquire other resource properties. As a result of this uncertainty, there is significant doubt as to the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, this report does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

## Selected Financial Data

The following selected quarterly financial information is derived from the unaudited condensed interim financial statements of the Company and prepared using IFRS.

	Fiscal 2016		Fiscal 2015				Fiscal 2014	
	Nov 30/15 \$	Aug 31/15 \$	May 31/15 \$	Feb 28/15 \$	Nov 30/14 \$	Aug 31/14 \$	May 31/14 \$	Feb 28/14 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(25,269)	(32,593)	(24,000)	(22,001)	(41,230)	(18,729)	(17,672)	(29,608)
Other Items	(6,837)	(6,944)	(4,192)	(47,277)	(43,197)	515	7,822	(17,212)
Net income (loss)	(32,106)	(39,537)	(28,192)	(69,278)	(84,427)	(18,214)	(9,850)	(46,820)
Basic and diluted earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)
<b>Statement of Financial Position:</b>								
Working capital (deficiency)	(72,244)	(51,146)	(18,786)	(726,338)	(1,012,710)	(928,283)	(910,069)	(900,219)
Total assets	58,982	71,950	84,738	73,967	38,694	54,950	58,705	61,361
Total long-term liabilities	515,078	519,770	512,593	Nil	Nil	Nil	Nil	Nil

## Results of Operations

### *Three Months Ended November 30, 2015 Compared to Three Months Ended August 31, 2015*

During the three months ended November 30, 2015 (“Q2”) the Company reported a net loss of \$32,106 compared to a net loss of \$39,537 for the three months ended August 31, 2015 (“Q1”), a decrease in loss of \$7,431. The fluctuation was primarily due to the recognition of \$10,710 of audit fees in Q1. No audit fees were incurred in Q2.

### *Six Months Ended November 30, 2015 Compared to Six Months Ended November 30, 2014*

During the six months ended November 30, 2015 (the “2015 period”) the Company reported a net loss of \$71,643 (\$0.00 per share) compared to net loss of \$102,641 (\$0.01 per share) for the six months ended November 30, 2014 (the “2014 period”), a decrease in loss of \$30,998. Specific expenses of note are as follows:

- (i) incurred \$9,900 (2014 - \$9,600) with Chase Management Ltd. (“Chase”) a private corporation owned by Mr. Nick DeMare, the President/CEO of the Company, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare;
- (ii) incurred \$10,710 (2014 - \$15,300) for audit fees, reflecting the reduced scope for the audit of the fiscal 2015 year-end financial statements compared to fiscal 2014;
- (iii) incurred \$7,516 (2014 - \$5,623) for regulatory and transfer agent fees. The increase in 2015 was due to incremental costs associated with the Company’s name change;
- (iv) commencing November 1, 2014 the Company agreed to pay a financing fee of \$20,000 and to pay interest at the rate of a 6% per annum on loans made by the President. During the 2015 period the Company recognized \$14,185 of interest expense on the loans. During the 2014 period the Company recognized \$2,533 of interest expense and the \$20,000 financing fee on the loans; and
- (v) the exchange rate fluctuation experienced on the US dollar denominated advances, under which the Company recorded a foreign exchange loss of \$20,523 in the 2014 period. The Company repaid the advances during fiscal 2015.

## Cash Flows

During the 2015 and 2014 periods the Company did not complete any financings.

During the 2015 period the President of the Company exercised warrants and the Company issued 314,000 common shares for \$15,700.

## Financial Condition / Capital Resources

As at November 30, 2015 the Company had a working capital deficiency \$72,244, non-current liabilities of \$515,078 and shareholder’s deficiency of \$587,322. In the immediate term, the Company’s ability to continue as a

going concern is dependent upon the continued support of its President, shareholders and other related parties, its ability to acquire mineral property interests and to continue to raise additional capital to fund its ongoing corporate activities and retire its loans. Additional capital may be sought from existing shareholders from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. Accordingly, this report does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Critical Accounting Estimates**

#### *Critical Judgments and Sources of Estimation Uncertainty*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

#### *Estimation Uncertainty*

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

(i) Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

#### *Critical Judgments*

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as well as the determination of functional currency.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the May 31, 2015 audited annual financial statements.

## Changes in Accounting Policies

There are no changes in accounting policies. For accounting standards adopted during fiscal 2015 and for accounting standards and interpretations issued but not yet effective, refer to Note 3 in the May 31, 2015 audited annual financial statements.

## Transactions with Related Parties

### (a) *Transactions with Key Management Personnel*

During the six months ended November 30, 2015 and 2014 the following amounts were incurred with respect to the Company's President and CEO (Mr. DeMare) and the Company's CFO (Mr. Lim):

	2015 \$	2014 \$
Professional fees - Mr. DeMare	9,600	9,600
Professional fees - Mr. Lim	6,600	6,600
	<u>16,200</u>	<u>16,200</u>

As at November 30, 2015, \$81,000 (2014 - \$48,600) remained unpaid.

### (b) *Transactions with Other Related Parties*

(i) During the six months ended November 30, 2015 and 2014 the following amounts were incurred with respect to non-management directors (Messrs. Henstridge and Iannacone) of the Company:

	2015 \$	2014 \$
Professional fees - Mr. Henstridge	6,600	6,600
Professional fees - Mr. Iannacone	4,500	4,500
	<u>11,100</u>	<u>11,100</u>

As at November 30, 2015, \$45,500 (2014 - \$33,300) remained unpaid.

(ii) During the six months ended November 30, 2015 the Company incurred a total of \$9,900 (2014 - \$9,600) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at November 30, 2015, \$3,700 (2014 - \$3,000) remained unpaid.

(c) The Company has received ongoing loans from DNG Capital Corp. ("DNG") a private company owned by Mr. DeMare. During the six months ended November 30, 2015 the Company repaid \$11,700.

Commencing November 1, 2014 the Company agreed to pay DNG a financing fee of \$20,000 and to pay interest at a rate of 6% per annum on all outstanding principal amounts. During the six months ended November 30, 2015 the Company recognized \$14,185 (2014 - \$2,533) of interest expense.

## Financial Instruments and Risk Management

### *Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	November 30, 2015 \$	May 31, 2015 \$
Cash	FVTPL	57,127	75,410
GST receivable	Loans and receivables	555	428
Accounts payable and accrued liabilities	Other financial liabilities	(131,226)	(103,524)
Loans	Other financial liabilities	(515,078)	(512,593)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for GST receivable, accounts payable and accrued liabilities and loans approximate their fair value. The Company's cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and GST receivable. Management believes that the credit risk concentration with respect to cash and GST receivable is remote as cash is held with a high quality financial institution and GST receivable represents amounts due from the Government of Canada.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The Company has financial liabilities classified as current that are due within the next fiscal period. The Company will need to obtain additional financing to meet the obligations as they come due.

#### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

##### (a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash is not considered significant. The Company has interest bearing debt at fixed rates and is therefore not subject to fluctuating interest rate risk on its non-current loans payable

##### (b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains minimal cash deposits in US Dollars with its

Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' deficiency. However, as the Company does not maintain significant cash balances in US Dollars and settles any transactions in US Dollars quickly, its exposure to currency risk is considered insignificant as at November 30, 2015.

### **Risks and Uncertainties**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should consider investing in the Company's common shares.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at January 20, 2016, there were 21,045,998 issued and outstanding common shares, 2,567,400 warrants outstanding at exercise prices ranging from \$0.05 to \$0.20 per share and 1,285,000 share options outstanding at an exercise price of \$0.05 per share.