

IRVING RESOURCES INC.

Management's Discussion and Analysis
For the nine months ended November 30, 2019

The following Management Discussion and Analysis ("MD&A") is an overview of the activities of Irving Resources Inc. ("Irving" or the "Company"), for the nine months ended November 30, 2019. The MD&A is prepared as of January 29, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended November 30, 2019. The reader should also refer to the Company's audited consolidated financial statements for the year ended February 28, 2019. Unless otherwise cited, references to dollar amounts are Canadian Dollars and financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company recommends that readers consult the "**Cautionary Statement and Forward Looking Statement Disclaimer**" on the last page of this report.

Additional information related to the Company is available on its website at www.IRVresources.com and on SEDAR at www.sedar.com.

Description of Business

Irving is a junior exploration company with a focus on gold in Japan. Irving also holds, through a subsidiary, a Project Venture Agreement with Japan Oil, Gas and Metals National Corporation for joint regional exploration programs in the Republic of Malawi.

The Company was incorporated under the Business Corporation Act (British Columbia) on August 28, 2015 under the name 1047431 B.C. Ltd. and was a privately held company and wholly-owned subsidiary of Gold Canyon Resources Inc. ("Gold Canyon"). On September 23, 2015, 1047431 B.C. Ltd. changed its name to Irving Resources Inc. On November 13, 2015, Irving, Gold Canyon and First Mining Finance Corp. ("First Mining") completed a Plan of Arrangement (the "Arrangement") under the Business Corporation Act (British Columbia) that resulted in Irving holding title to various exploration properties located in Africa.

As of the date of this report, the Company has six wholly-owned subsidiaries: Irving Resources GK ("Irving GK") in Japan; Spring Stone Mining Corporation, ("SSM") and Spring Stone Exploration Inc., ("SSE") in the Province of British Columbia; Spring Stone Limited, ("SSL") in Malawi; Spring Take Limited, ("STL") in Tanzania; and New River Stone Ltd. ("NRS") in the Republic of Madagascar.

Technical Disclosure in the Management Discussion and Analysis

Dr. Quinton Hennigh, Ph.D., P.Geo., a Qualified Person pursuant to NI 43-101 who is acting as a technical adviser to, and a director of, Irving, is responsible for reviewing and approving the technical information in this MD&A.

Overall Performance

During the nine months ended November 30, 2019, the Company recorded a comprehensive loss of \$1,958,706. As at November 30, 2019, the Company has total assets of \$23,996,711 and working capital of \$9,006,260. During the period, there were 1,103,333 stock options exercised for proceeds of \$473,750 and 4,882,160 warrants exercised for proceeds of \$2,685,188. In addition, the Company completed a private placement raising gross proceeds of USD\$6,000,000 by the issuance of 3,715,630 units at a price of CDN\$2.16 per unit.

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Projects Update

Japan Properties

Omu Gold-Silver Project

The Company, through its wholly-owned Japan subsidiary, Irving GK, entered into an agreement to purchase a 100% interest in a mining right for the Omui Property located in Hokkaido, Japan. The total purchase price for the mining right is JPY40,000,000 cash (CAD \$477,000) and JPY10,000,000 (CAD \$118,100) worth of the Company's common shares. During 2016, the Company paid JPY20,000,000 cash (CAD \$245,000) towards the acquisition of this agreement. In August, 2017, the Company paid the balance of JPY20,000,000 cash (CAD \$232,000) as the definitive registration procedure of the transfer of the mining right was completed. In February, 2018, the Company completed the acquisition when it issued 135,747 common shares upon completion of the registration of the transfer of the mining right. The mining right encompasses an area of roughly 2.98 sq km covering a young, Miocene-aged hot spring center hosted by Tertiary-aged intermediate and felsic volcanic rocks.

To augment this land position, Irving GK has filed a total of 55 prospecting licenses (including alluvial claims) covering an additional 170.56 sq km of prospective ground in the vicinity of the Omui mine and including another past producing Au-Ag mine, Hokuryu, situated about seven km west of Omui. Acceptance of all prospecting and alluvial applications was granted by the Ministry of Economy, Trade and Industry ("METI") and a multi-step review started for final approval. Mitsui Mineral Development Engineering Co, Ltd ("MINDECO") is assisting the Company throughout the process. In May, 2018, the Company announced it received approval of nine of these 55 prospecting licenses. These nine licenses had been submitted for expedited approval and cover critical areas around the Omui Mining Right and Omu sinter. In addition, the Company has received approval on a further 13 of the 55 prospecting licenses.

In November, 2018, the Company voluntarily filed a technical report prepared pursuant to NI 43-101 for the Omu gold-silver project. The independent technical report, entitled "Independent Technical Report on the Omu Property, Hokkaido, Japan" (the "**Omu Technical Report**"), with an effective date of November 6, 2018, was prepared for the Company by Christopher Mark Barrett, (MSc., CGeol) of SRK Exploration Services Ltd, in London, UK, and others. Mr. Barrett is a "qualified person" as defined under NI 43-101.

In October, 2018, the Company received approval from METI of its Omui Mine Plan covering mining and exploration related activities at its Omui Mining Licence. With this approval, the Omui Mine Safety Regulation has been submitted and accepted.

In January, 2019, the Company announced it received approval from METI of its Otoineppu Prospecting Plan covering drilling activities at the Omu Sinter. With the approval, the Otoineppu Mine Safety Regulation has been submitted and accepted.

In March, 2019, the Company began drilling and by early August had completed drilling of the first eight holes. These eight holes, collectively totaling approximately 3,388.5 m, test approximately one kilometer of strike from north to south along the very large zone of alteration and mineralization underlying the Omu

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Sinter terrace. All eight drill holes intersected long intervals of highly altered volcanic and sedimentary rocks. Notable vein intervals have been intersected in all holes.

To date, the most significant drill intercept is a high-grade vein interval in hole 19OMS-002 between 184.93-185.72 m grading 48.96 gpt Au and 945.4 gpt Ag and discussed in the Company's news release dated May 6, 2019. Sixteen additional veins and vein breccia zones were encountered in hole 19OMS-002, but of low Au grades and variable Ag grades. Assays from the remaining six holes were reported in a press release dated November 5, 2019. All eight widely spaced diamond drill holes at Omu Sinter encountered significant gold-silver mineralization including notable vein intercepts in seven of eight holes. Drilling resumed at Omu Sinter in early January, 2020 and will continue over the following months.

The Company has undertaken two geophysical surveys to help evaluate subsurface structure to better design its drill program. MINDECO completed a loop electromagnetic ("EM") survey at the Omu Sinter which revealed further evidence that basement rocks may underlie the target area as well as providing a very clear picture of the underlying structural architecture that hosts the Omu hydrothermal "plumbing" system.

In addition, with technical assistance from Newmont Corporation and help from MINDECO, Irving undertook a controlled-source audio-frequency magnetotellurics ("CSAMT") survey at each of its three main target areas, Omu Sinter, Omui mine and Hokuryu mine and these results have provided more refined phase two drilling targets. A detailed gravity survey was also completed to complement the CSAMT survey.

Three north-south oriented trenches totaling approximately 200 m length were dug across the Honpi target area at Omui mine site. The weathering profile proved to be thicker than anticipated being over three meters deep in places and this has made gaining exposure of bedrock challenging in certain areas. Where vein material was encountered, it was stockpiled on site and will comprise part of the upcoming bulk sample being collected at Omui.

In October 2019, the Company announced that drilling resumed at the Omu Gold-Silver Project with a phase one drill campaign at the Omui Mine site. Further to press releases dated December 17, 2019 and January 17, 2020, ten drill holes were completed with six of them encountering significant vein mineralization. Of the recent drill results, the best intercept to date is hole 19OMI-001 which encountered a vein grading 19.25 gpt Au and 27.50 gpt Ag (19.57 gpt Au eq) over 1.00 m.

Over the past two years, the Company has purchased a total of 0.97 sq km of surface rights covering an area over the Omu Property for the total purchase price of JPY32,027,974 (CAD\$382,089).

In addition, the Company entered into long-term leases of surface rights covering a total area of 1.21 sq km in an area over the Omui Property. The total costs for the initial five-year period is JPY10,617,140, (CAD\$129,369). The leases are for a five-year term and can be extended for up to three additional five-year periods.

Securing ownership and long-term lease agreements of these key properties puts the Company in a strong position to advance the Omu gold-silver project. These surface rights are considered critical for Irving to proceed with mining work.

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Shimokawa Property

During the year ended February 28, 2019, the Company filed 15 mineral prospecting licenses covering 48.50 sq km of the Shimokawa area. The mineral prospecting licenses have been accepted by the METI and a multi-step review has started for the final approval. At Shimokawa, multiple hot spring silica sinter terraces have recently been identified by Irving geologists. Follow up prospecting and mapping are being planned.

Engaru Property

During the year ended February 28, 2019, the Company filed 25 mineral prospecting licenses totaling 84.42 sq km (8,442 hectares) covering an area a few km south of the historic Konomai gold field. All applications were accepted by METI and a multi-step review has started for final approval. Reconnaissance prospecting near Engaru by Irving geologists in November, 2018, led to discovery of several areas of epithermal quartz vein float within a sub-basin of Miocene intermediate and felsic volcanic rocks. Hot spring silica sinter deposits, some with fossilized wood, are also present at Engaru.

Eniwa Project

In May, 2017, the Company announced that Irving GK filed applications for 20 mineral prospecting licenses totaling 56.15 sq km (5,615 hectares) covering a prospective area approximately 20 km south of Sapporo, Hokkaido, Japan. All applications have been accepted by the METI and a multi-step review has started for the final approval.

The Eniwa Project encompasses areas in or around the historic Koryu and Eniwa mines, both of which exploited high-grade epithermal Au-Ag veins on a limited basis. Both mines closed abruptly due to the Gold Mine Closure Act in 1943. Koryu mine saw brief periods of mining and exploration activity in the 1950's, 1960's and 1970-80's, but Eniwa mine remained closed. Veins at both mines are hosted by Miocene and Neogene volcanic and sedimentary rocks and are associated with local structural doming believed related to underlying magmatic intrusions, a possible source of mineralization. Banded quartz-adularia veins with ginguero, a Japanese term for dark grey bands of fine-grained silver and gold-rich minerals, characterize mineralization. Precious metal-rich, silica-rich veins are the focus of Irving's exploration strategy in Japan where such material is routinely utilized as smelter flux by the numerous base metals smelters throughout the country.

Utanobori Property

In December, 2016, the Company filed 26 mineral prospecting licenses covering 88.14 sq km of the Utanobori mining centre and in February, 2017, a further 12 prospecting licenses covering 33.41 sq km were filed. A total of 38 mineral prospecting licenses totaling 121.55 sq km have been accepted by the METI and a multi-step review has started for the final approval.

Utanobori is approximately 30 km northwest of the Omui project. Geologically, Utanobori is similar to Omui, a classic volcanic rock-hosted epithermal vein system. Irving is particularly interested in a remote area near the town of Utanobori where historic surface samples taken from veins reportedly contain very high-grade silver and lesser gold. Irving geologists also collected one vein sample from this area that carries 231 gpt Ag and 0.4 gpt Au. Irving conducted reconnaissance work including sampling in 2017.

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Rubeshibe Property

In 2016, the Company filed 56 mineral prospecting licenses to explore for gold and other metals in an area called Rubeshibe on the island of Hokkaido, Japan. All 56 applications totaling 188.8 sq km have been accepted by the METI and a multi-step review has started for the final approval.

The Rubeshibe Property covers parts of a broad Tertiary-aged graben filled with intermediate to felsic volcanic rocks overlying a thick sequence of Mesozoic-aged sedimentary rocks. Hot spring alteration and silicification are evident in multiple areas and may be related to late-stage rhyolitic domes that have emerged along graben faults. Several small epithermal Au-Ag veins were mined in the region, mostly prior to the middle of the last century.

Sado Island Gold Project

In May, 2017, the Company announced that Irving GK filed applications for 25 mineral prospecting licenses totaling 86.53 sq km (8,653 hectares) covering a prospective area on Sado Island, a small island west of Honshu Island, Japan. All applications have been accepted by the METI and a multi-step review started for the final approval.

In April, 2018, the Company announced that it had received approval of all 25 prospecting licenses from METI, Kanto Bureau. Sado Island is host to the Sado Kinzan gold mine (Mitsubishi Materials Corporation) and around 30 smaller mines. Gold was discovered at Sado Kinzan in 1601 and was mined continuously for 388 years making it one of the longest lived gold mines on earth. Recorded production totals 2.51 million oz Au (average grade 5.2 gpt) and 74 million oz Ag (average grade 153 gpt). Veins at Sado Kinzan are classed as epithermal but are unusual because they were productive over vertical distances of several hundred meters. Such vertical continuity is typical of some alkaline gold deposits. Extensive potassic alteration in the form of adularia, potassium-rich feldspar, is common at Sado Kinzan, and gold and silver telluride minerals are present. Adularia and tellurides are common to alkaline gold deposits. Such attributes form Irving's view that Sado Kinzan is a hybrid epithermal-alkaline gold deposit. Irving plans to collect BLEG samples at Sado in 2018.

Tanzania Project

During 2015 and 2016, the Company, through its wholly-owned subsidiary, STL, was granted a total of four Prospecting Licences ("PLs") by the Ministry of Energy and Minerals in the United Republic of Tanzania, Africa for exploration in the Dodoma Region in east-central Tanzania. Through 2016 and 2017, the Company and Japan Oil, Gas and Metals National Corporation ("JOGMEC") conducted geological mapping and magnetic surveys in these PL areas. During the year ended February 28, 2018, the Company wrote down the carrying value of these PLs and during the year ended February 28, 2019, the Company surrendered all PLs. As of the date of this report, the Company is in the process of winding up the operations and subsidiary in Tanzania.

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Malawi Property

The Company has an interest in a Rare Earth Element ("REE") Property in Malawi, Africa through its JEA with its joint venture participant, JOGMEC. The Company's wholly-owned subsidiary, SSL, currently holds one Exclusive Prospecting Licences ("EPL") granted by the Malawi Ministry of Natural Resources, Energy Environment for the Mulanje Project. Under the JEA, the participating interest and contributions of each of the joint venture partners is 67% JOGMEC and 33% the Company.

Exploration work was completed across the Chambe Basin of the Mulanje Project. The Company and JOGMEC evaluated the metallurgy of clay samples and determined high leachability of REE's and the quality and composition of resulting REE carbonate concentrates. Although the leaching tests proved highly successful, data from drilling indicated that a potential resource at the Chambe Basin is too small to be considered economic. During the year ended February 28, 2019, the Company elected to write-down the deferred exploration costs. During the period, the Company filed the necessary paperwork to surrender the EPL and as of the date of this report, the Company is in the process of winding up the operations and subsidiary in Malawi.

Results of Operations

For the nine months ended November 30, 2019

During the nine months ended November 30, 2019, the Company's general and administration expenses were \$2,094,510 before other items of interest income of \$120,521 and management fee income of \$15,283, for a total comprehensive loss of \$1,958,706.

Key items included \$47,252 in depreciation, \$196,408 in consulting fees, \$11,943 in insurance expense, \$48,915 in investor relations, \$54,000 in management fees, \$72,201 in office expenses, \$111,326 in professional fees, \$29,124 in property investigation, \$95,719 in salaries and benefits, \$1,296,252 in share-based compensation expense, \$171,452 in travel and promotion offset with a gain of \$101,157 in foreign exchange.

The Company's general and administrative costs are increasing in relation to the level of activity in Japan. The prior periods costs include: consulting fees of \$81,323, investor relations of \$36,590, management fees of \$54,000, office and miscellaneous of \$54,157, professional fees of \$79,130, property investigation of \$40,006, salaries and benefits of \$80,216, share-based compensation of \$342,336, travel and promotion of \$125,655, offset by a gain in foreign exchange of \$41,088, interest income of \$17,923, management income of \$34,879 and a onetime write-down on a mineral property of \$1,514,763 resulting in a total comprehensive loss of \$2,364,349.

Additional costs have been incurred for consulting fees, professional fees, share-based compensation, depreciation and travel and most of these costs have been incurred as a result of the growth in Japan and a general increase in the overall affairs of the business. The increase in depreciation and new interest expense of \$7,550, are new in the current year as a result of the implementation of IFRS 16 which changed the way operating leases are recorded. Removing the significant variances of the share-based compensation, gain in foreign exchange and the write-down on the mineral property in the prior year, the variance for the comparative period is an increase to general and administrative costs of \$381,277.

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Otherwise, with these costs included, the comparative period is a decrease in comprehensive costs of \$2,187,187.

For the three months ended November 30, 2019

During the three months ended November 30, 2019, the Company's general and administration expenses were \$1,364,907 before other items of interest income of \$37,543 and management fee income of \$5,021, for a total comprehensive loss of \$1,322,343.

Key items included \$18,032 in depreciation, \$123,004 in consulting fees, \$19,935 in investor relations, \$18,000 in management fees, \$42,015 in office expenses, \$16,444 in professional fees, \$2,894 in property investigation, \$29,900 in salaries and benefits, \$847,241 in share-based compensation expense, \$31,763 in travel and promotion and a foreign exchange loss of \$202,417.

Overall, the Company's general and administrative costs are increasing; some of the prior periods costs include: consulting fees of \$41,593, investor relations of \$11,819, management fees of \$18,000, office and miscellaneous of \$14,803, professional fees of \$18,709, property investigation of \$22,359, salaries and benefits of \$25,259, share-based compensation of \$112,873, travel and promotion of \$30,911, offset by a gain in interest income of \$2,274, management income of \$11,155 and a onetime write-down of a mineral property of \$1,514,763, resulting in a total comprehensive loss of \$1,771,899.

Additional costs have been incurred for consulting fees, professional fees, office expenses, share-based compensation, depreciation and travel and most of these costs have been incurred as a result of the growth in Japan and a general increase in the overall affairs of the business. The increase in depreciation and new interest expense of \$2,917, are new in the current year as a result of the implementation of IFRS 16 which changed the way operating leases are recorded.

Events and transactions during the nine months ended November 30, 2019

- a) On April 24, 2019, the Company completed a private placement on April 24, 2019, issuing 3,715,630 common shares for gross proceeds of US\$6,000,000 at a price of CDN\$2.16 per common share.
- b) There were 1,103,333 stock options exercised for gross proceeds of \$473,750 and 4,882,160 warrants were exercised for gross proceeds of \$2,685,188.
- c) In March, 2019, the Company commenced drilling at the Omu Sinter in Hokkaido, Japan and completed eight holes by early August. Further summer exploration was conducted, such as trenching and geophysical surveys, before commencing drilling again in October at the Omui Mine site. From October to the winter break, the Company completed a further ten holes at the Omui Mine site.
- d) The Company announced that it hired Dr. Takeshi Uemoto as its new Omu Project Manager.
- e) The Company held its Annual General Meeting of shareholders on August 28, 2019. All the incumbent directors of the Company standing for re-election, being Akiko Levinson, Quinton Hennigh and Kevin Box, were all re-elected as directors and the proposed new director, Douglas Buchanan, was elected as a director. Dr. Kuang Ine Lu did not stand for re-election.

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Subsequent Events

- a) On January 2, 2020, the Company announced that Mr. Haruo Harada, formerly of MINDECO, was appointed to its board of directors and also assumed the role of President of Irving Resources Japan GK, Irving's 100% wholly-owned Japanese subsidiary.
- b) Subsequent to November 30, 2019, there were 4,544 warrants exercise for gross proceeds of \$7,952.

Summary of Quarterly Results

The following financial information is for the eight most recently completed quarters of the Company.

	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019
Total assets	\$23,996,711	\$20,998,392	\$21,008,445	\$11,030,833
Mineral property costs	11,698,017	8,614,864	6,268,834	4,052,121
Working capital	9,006,260	10,005,492	12,753,202	6,405,336
Equity in net assets	21,280,751	19,324,665	19,248,287	10,782,355
Total comprehensive loss	(1,322,343)	(439,166)	(197,197)	(520,442)
Loss per share	(0.03)	(0.01)	(0.00)	(0.01)
	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018
Total assets	\$10,698,164	\$10,131,427	\$ 8,808,161	\$ 8,654,628
Mineral property costs	3,387,106	4,776,569	4,238,071	4,199,273
Working capital	7,105,694	4,692,601	4,434,338	4,251,396
Equity in net assets	10,517,496	9,493,274	8,696,840	8,474,948
Total comprehensive loss	(1,771,899)	(298,584)	(293,866)	(656,429)
Loss per share	(0.04)	(0.01)	(0.01)	(0.02)

The Company has experienced a substantial amount of growth since inception in August, 2015. During the first quarter of the current year, the Company completed a private placement raising gross proceeds of USD\$6,000,000 and has also received \$3,158,938 from the exercise of warrants and options, increasing the total assets to nearly \$24 million. During the quarter ended November 30, 2018, the Company wrote down the deferred exploration costs of its rare earth property in Malawi, resulting in a substantial increase in that quarter's total comprehensive loss to \$1.771M. The remaining value of mineral property costs is now all attributable to the Company's Japan properties and this amount will continue to increase as the Company explores in Japan. The Company's general and administration costs have been increasing with increased activity, primarily as a result of the growth in Japan also as well as the issuance of incentive stock options. Some of the key costs that have increased as a result of the growth in Japan include consulting fees, office and miscellaneous, professional fees and travel. Foreign exchange has also fluctuated over the last two years, at times contributing to a larger than normal comprehensive loss or gain. Share-based compensation also continues to increase with the issuance of

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stock options at the Company's current market value, which is greater than what it had been with past issuances.

Liquidity and Capital Resources

As at November 30, 2019, the Company had working capital of \$9,006,260. This consists of \$11,366,070 in cash, \$91,548 in accounts receivable, \$214,755 in prepaid expenses less \$2,666,113 in accounts payable and current liabilities.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated revenues from operations. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future. The Company will seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Related Party Transactions

The Company has recorded the following amounts in related party transactions:

	Nine months ended November 30, 2019	Nine months ended November 30, 2018
Management fees	\$ 143,840	\$ 128,580
Consulting fees	77,799	60,226
Property investigation	930	1,064
	\$ 276,569	\$ 189,870

- a) Included in the management fees were fees for services provided by the President and Chief Executive Officer and Chief Financial Officer.
- b) Included in consulting fees are amounts paid to independent directors for services other than their role as directors.
- c) During the period, 750,000 (2018 – 625,000) stock options were granted to directors and officers. The total vested share-based compensation allocated to directors and officers is \$610,227 (2018 - \$184,350).
- d) Included in property investigations is \$930 (2018 - \$1,064) paid to a consultant who is a director of a subsidiary of the Company.

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Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than disclosed above, there was no other compensation paid to key management during the periods ended November 30, 2019 and 2018.

Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and receivables.

The Company's cash is held with high-credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and amounts due from joint venture partner.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at November 30, 2019, the Company had cash of \$11,366,070 to settle current liabilities of \$2,666,113.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to

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the market price of rare earth elements and other non-gold minerals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

iii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses by using US Dollars and Japanese Yen converted from its Canadian bank accounts. Management is aware of the possibility of foreign exchange risk derived from currency conversions. Based on the net US dollar and Japanese Yen asset and liability exposure as at November 30, 2019, a 10% fluctuation in the CAD/US and CAD/YEN exchange rates would impact the Company's earnings by approximately \$789,000. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign exchange rate risk at this time.

Commitments

The Company has a two year office lease agreement expiring May 31, 2021. The lease payments will be as follows:

2020	\$ 5,415
2021	21,659
2022	5,415
	<u>\$ 32,489</u>

Contingency

Not applicable.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at November 30, 2019.

Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this Management Discussion and Analysis:

	Number of shares issued or reserved for issuance
Common shares	53,393,994
Stock options	3,958,334
Warrants	942,641

As at the date of this Management Discussion and Analysis, there are no common shares held in escrow.

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Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of share-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

New Accounting Standards

The Company adopted new accounting standard *IFRS 16 – Leases*, effective March 1, 2019. IFRS 16 replaces IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (ie. Leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease, other buildings leased, and an equipment lease. The lease liabilities will be measured at present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at March 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amounts.

For complete details of the new accounting standard, refer to Notes 4 and 7 of the interim consolidated financial statements for the period ended November 30, 2019.

Outlook

The Company is optimistic that exploration at the Omu Property in Japan, as well as the multiple prospecting licenses acquired at its other properties in Japan: Utanobori, Eniwa, Engaru, Shimokawa, Rubeshibe and Sado Island, will merit positive results over the course of the year. The Company is maintaining a watchful eye on the markets, its budgets and managing to minimize cash outflows.

Business Risks

The Company is engaged in the exploration and evaluation of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation,

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Management's Discussion and Analysis

For the nine months ended November 30, 2019

may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and evaluation of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

The Company competes with other junior mineral exploration companies, some of which have greater financial resources and technical facilities. The business of mineral exploration and extraction involves a high degree of risks and few properties that are explored are ultimately developed into production. In addition to specific risks disclosed throughout this discussion, other risks facing the Company include reliance on third parties, environmental and insurance risks, statutory and regulatory requirements, metal prices and foreign currency fluctuations, share price volatility and title risks.

Cautionary Statement and Forward Looking Statement Disclaimer

Certain information included in this discussion may constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements are based on a number of assumptions which may prove to be incorrect.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the ability of obtaining sufficient financial support.

Approval

The Company's Board of Directors have approved the disclosure contained in this MD&A.