

DLP RESOURCES INC.

Management Discussion & Analysis

For the period from incorporation on June 7, 2019 to January 31, 2020

## **DLP Resources Inc.**

### **Management's Discussion and Analysis For the period from incorporation on June 7, 2019 to January 31, 2020**

This management's discussion and analysis ("MD&A") reviews the significant activities of DLP Resources Inc. ("DLP" or the "Company") and the financial results for the period from incorporation on June 7, 2019 to January 31, 2020. This MD&A should be read in conjunction with the accompanying unaudited financial statements for the period ended January 31, 2020 and the related notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis and presented in Canadian dollars.

The effective date of this MD&A is April 3, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, is complete and reliable.

#### **CORPORATE SUMMARY**

DLP Resources Inc. is an exploration-stage company engaged in the acquisition, exploration and development of mineral properties of merit in British Columbia, Canada with the aim of developing them to a stage where they can be exploited at a profit or arranging joint ventures whereby other companies provide funding for development and exploitation.

The Company's head office is located at #201 – 135 - 10<sup>th</sup> Ave. S., Cranbrook, B.C., V1C 2N1.

The Company was incorporated on June 7, 2019.

On November 14, 2019, MG Capital Corp. ("MG") completed a reverse takeover transaction pursuant to an Amalgamation Agreement with DLP (See Amalgamation Agreement below). Subsequently DLP became the wholly owned subsidiary of MG. MG is trading on TSX Venture Exchange under the symbol of DLP.V on November 22, 2019.

#### **Private Placement/Common Shares**

In advance of the completion of the Qualifying Transaction (see note Amalgamation Agreement below), DLP completed a non-brokered private placement and raised gross proceeds of \$1,152,007 (the "**DLP Financing**") upon its completion on October 11, 2019. In the DLP Financing, DLP raised \$172,007 through the issuance of 1,323,131 flow-through common shares of DLP (each a "**DLP FT Share**") at a price of \$0.13 per DLP FT Share and through the issuance of 9,800,000 units of DLP (each a "**DLP Unit**") at a price of \$0.10 per DLP Unit and raised \$980,000. Each DLP Unit is comprised of one DLP Share and one-half of one DLP Warrant. Each DLP Warrant will entitle the holder thereof to purchase one additional DLP Share at an exercise price of \$0.15 per DLP Share for a period of 24 months from the date of issue, subject to the Acceleration Right (as defined below). Each DLP FT Share will be a flow through share which will qualify as a "flow-through share" as defined in s. 66(15) of the *Income Tax Act* (Canada).

The "**Acceleration Right**" means the right of DLP to accelerate the expiry date of the DLP Warrants to 30 days from the date notice of such acceleration is delivered to warrant holders if the closing price of the

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shares of the Resulting Issuer on the TSXV, or any other stock exchange on which such shares are then listed, is at a price equal to or greater than \$0.25 for a period of twenty consecutive trading days.

DLP paid a cash commission equal to up to 7.5% of the aggregate combined gross proceeds raised from the sale of applicable DLP Units and DLP FT Shares to subscribers introduced to DLP by qualified finders and also expects to issue (i) such number of non-transferable warrants ("**FT FINDER WARRANTS**") that is equal to 7.5% of the gross proceeds raised in respect of the issuance of DLP FT Shares to subscribers introduced to DLP by such finders, divided by \$0.13 and (ii) such number of non-transferable warrants ("**UNIT FINDER WARRANTS**") that is equal to up to 7.5% of the gross proceeds raised in respect of the issuance of DLP Units to subscribers introduced to DLP by such finders, divided by \$0.10. Each FT FINDER WARRANT will entitle the holder thereof to acquire one DLP Share for a period of 24 months from the closing date of the DLP Financing at a price of \$0.13 per share. Each UNIT FINDER WARRANT will entitle the holder thereof to acquire one DLP Share for a period of 24 months from the closing date of the DLP Financing at a price of \$0.10 per share.

### **Amalgamation Agreement**

On November 14, 2019, MG Capital Corporation ("**MG**") and DLP Resources Inc. ("**DLP**") closed their previously announced business combination which resulted in a reverse take-over of MG by the shareholders of DLP and which constituted MG's Qualifying Transaction, as defined under TSX Venture Exchange Policy 2.4 – Capital Pool Companies (the "**Transaction**"). The common shares of MG (the "MG Shares") resumed trading on the TSX Venture Exchange (the "**TSXV**") on November 22, 2019 – trading symbol TSXV: DLP.

The Transaction proceeded by way of a three cornered amalgamation (the "**Amalgamation**") pursuant to which DLP amalgamated with 1224395 B.C. Ltd., a wholly-owned subsidiary of MG incorporated under the laws of the Province of British Columbia, and MG acquired all of the issued and outstanding Class A Common Shares of DLP (the "**DLP Shares**"). The amalgamated entity became a wholly-owned subsidiary of MG and the shareholders of DLP were issued one MG Share in exchange for every one DLP Share held immediately prior to the completion of the Transaction. Each outstanding common share purchase warrant of DLP (each a "**DLP Warrant**") was also exchanged for one common share purchase warrant of MG ("**MG Warrants**") on the same terms and conditions as the original security.

Upon completion of the Transaction, there are an aggregate of 50,558,131 MG Shares issued and outstanding in the capital of the Corporation, of which the existing shareholders of MG hold approximately 10.9% in the capital of the Corporation, and the former shareholders of DLP hold approximately 89.1% in the capital of the Corporation, respectively.

Additional details immediately following the Transaction are as follows:

- 5,510,000 MG Shares are held by existing MG shareholders;
- 32,000,000 MG Shares are issued to DLP shareholders in exchange for DLP Shares;
- 1,323,131 MG Shares are issued to DLP shareholders in exchange for flow-through common shares of DLP ("**DLP FT Shares**") issued at a price of \$0.13 per DLP FT Share;
- 9,800,000 MG Shares and 4,900,000 MG Warrants are issued to DLP shareholders in exchange for units of DLP ("**DLP Units**") issued at a price of \$0.10 per DLP Unit. Each MG Warrant entitles the holder thereof to acquire one additional MG Share at an exercise price of \$0.15 per MG Share for a period of 24 months from the closing of DLP's private placement completed on October 11, 2019 (the "**Financing**");
- 1,925,000 MG Shares are issued to Haywood Securities Inc. ("**Haywood**") as the finder's fee payable in connection with the Financing;
- 525,000 MG Warrants ("**Unit FINDER WARRANTS**") were issued to Haywood in exchange for DLP Warrants, which is equal to 7.5% of the gross proceeds raised in respect of the Financing and the issuance of DLP Units, divided by \$0.10. Each Unit FINDER WARRANT entitles Haywood to acquire one MG Share at an exercise price of \$0.10 per MG Share for a period of 24 months from the closing of the Financing; and

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- 49,042 MG Warrants (“**FT Finder Warrants**”) are issued to Haywood in exchange for DLP Warrants, which is equal to 7.5% of the gross proceeds raised in respect of the Financing and the issuance of DLP FT Shares, divided by \$0.13. Each FT Finder Warrant entitles Haywood to acquire one MG Share at an exercise price of \$0.13 per MG Share for a period of 24 months from the closing of the Financing.

### **Resulting Issuer**

After completion of the Transaction, and when approved by the shareholders of the Resulting Issuer, the Resulting Issuer’s name will be changed to “DLP Resources Inc.”.

Upon completion of the Transaction (i) the minimum amount was raised under the DLP Financing and (ii) the Finder’s Fee was satisfied entirely through the issuance of 1,925,000 DLP Shares to Haywood, former shareholders of DLP hold approximately 88.8% of the Resulting Issuer common shares (“**Resulting Issuer Shares**”) and MG shareholders holds 11.2% of the Resulting Issuer Shares. The Resulting Issuer carried on the mineral exploration business conducted by DLP, and the Resulting Issuer Shares were listed under the new trading symbol TSXV:DLP. On closing of the Transaction, the Resulting Issuer met the TSXV’s initial listing requirements for a mining issuer.

The directors and officers and or companies controlled by them collectively will own a total of 14,222,222 Resulting Issuer Shares of the Resulting Issuer or 28.9% of the total number of Resulting Issuer Shares.

### **British Columbia Properties**

#### ***Aldridge 1 (RJ) & Aldridge 2 (JR) – Pb/Zn prospects***

Aldridge 1 (RJ), totaling 2914.4 ha, and the Aldridge 2 (JR), totaling 1855.2 ha, mineral properties are separate claim blocks located 80 km southwest of Cranbrook B.C. on Highway 3 in the East Kootenay region of the province. They are separated by about 5.7 km north-south. Both the Aldridge 1 (RJ) & Aldridge 2 (JR) properties are Lead/Zinc prospects and are within the same favorable Leadville Corridor. The Aldridge 1 (RJ) property is centered on UTM (Nad83) coordinates 5446000N and 558000E; the Aldridge 2 (JR) property is centered on UTM coordinates 5457000N and 555000E.

Aldridge 1 (RJ) and Aldridge 2 (JR) properties had geological fieldwork performed on the ground during the field season. During the quarter, an MT Geophysical Survey was conducted, during November and completed in December, 2019, on the Aldridge 1 and 2 properties to test for Sullivan-style lead/zinc mineralization. The total paid for the survey was \$185,650.

#### ***Redburn Property - Cu/Co prospect***

The Redburn property is 5359.5 hectares in size and is located 10 air-km north-east of Golden, B.C. Good logging roads and old logging roads give access to 50% of the property. The property is centered on UTM (Nad 83) coordinates 5698510N and 508355E. The Redburn property is a Copper/Cobalt prospect.

During the field season, a heavy mineral stream sediment sampling program was completed as well as a soil sampling program. There were 24 heavy mineral stream samples taken and 67 soil samples collected. A 2-day prospecting program was also completed during the quarter.

#### ***Hungry Creek Property – Cu/Co prospect***

In early August, 2019, the Company staked the Hungry Creek property which is 4261.5 ha in size and is located 35 km west of Kimberley, British Columbia. Good logging roads come to within 4 km of the property. The property is centered on UTM coordinates 5506699N and 538220E.

Hungry Creek property was staked as recent prospecting in the stream bed of Hungry Creek discovered numerous boulders of massive to semi massive sulfides. The Hungry Creek Property is 100% owned by DLP Resources Inc.

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During the field season, a Mag/VLF ground geophysical survey was completed, a soil sampling program was performed as well as prospecting and rock sampling.

**Strategy Claim**

On August 26, 2019, the Company staked the stand alone Strategy claim which is 211 hectares in size and located 1 km west of the Aldridge 1 (RJ) property. It was staked in response to competitor ground coming available. No work was performed on the property during the quarter.

**RESULTS OF OPERATIONS**

During the quarter November 1, 2019 to January 31, 2020 (the “current period”), the Company incurred a loss of \$786,112 (from June 7, 2019 to January 31, 2020 - \$1,113,615).

**Exploration Costs**

During the current period, a total of \$203,304 was spent the **Aldridge 1 and Aldridge 2** properties (from June 7, 2019 to January 31, 2020 - \$255,356) – refer to table below for details.

During the current period, a total of \$7,014 was spent on the **Redburn property** (from June 7, 2019 to January 31, 2020 - \$28,016) – refer to table below for details.

During the current period, at total of \$9,769 was spent on the **Hungry Creek property** (from June 7, 2019 to January 31, 2020 - \$48,002) – refer to table below for details.

**For the three months ended January 31, 2020:**

<b>Exploration Costs</b>	<b>General</b>	<b>Aldridge 1</b>	<b>Aldridge 2</b>	<b>Redburn</b>	<b>Hungry Creek</b>	<b>Total</b>
Geology-Fieldwork	\$ -	\$ 7,300	\$ 3,150	\$ 5,625	\$ 2,125	\$ 18,200
Geology-Transport/Fuel	-	-	-	-	-	-
Geophysics	-	122,072	68,665	-	3,150	193,887
Geochemistry	-	-	-	-	3,121	3,121
Technical Report	-	-	-	-	-	-
Maps & Reproductions	-	1,328	789	1,389	1,373	4,879
Others	551	-	-	-	-	551
<b>Total</b>	<b>\$ 551</b>	<b>\$ 130,700</b>	<b>\$ 72,604</b>	<b>\$ 7,014</b>	<b>\$ 9,769</b>	<b>\$ 220,638</b>

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<b>Exploration Costs</b>	<b>General</b>	<b>Aldridge 1</b>	<b>Aldridge 2</b>	<b>Redburn</b>	<b>Hungry Creek</b>	<b>Total</b>
Geology-Fieldwork	\$ -	\$ 25,095	\$ 19,134	\$ 8,723	\$ 16,080	69,032
Geology-Transport/Fuel	-	790	-	467	15,974	17,231
Geophysics	-	122,072	68,665	-	9,937	200,674
Geochemistry	-	-	-	17,250	4,347	21,597
Technical Report	-	12,469	4,311	-	-	16,780
Maps & Reproductions	-	1,799	1,021	1,576	1,664	6,060
Others	6,118	-	-	-	-	6,118
<b>Total</b>	<b>\$ 6,118</b>	<b>\$ 162,225</b>	<b>\$ 93,131</b>	<b>\$ 28,016</b>	<b>\$ 48,002</b>	<b>\$ 337,492</b>

**Liquidity and Capital Resources**

From June 7 (date of Incorporation) to January 31, 2020, the Company had current assets of \$697,599 which included cash of \$689,401, total assets of \$746,303 and total liabilities of \$176,993. As at January 31, 2020, the Company had no long-term debt outstanding. There are no known trends in the Company's liquidity or capital resources.

The Company, to finance its operation and as part of the terms of the Amalgamation Agreement, completed a Private Placement totaling \$1,152,007 in gross proceeds on October 11, 2019.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and/or commence profitable operations in the future.

**Summary of Quarterly Results**

	June 7 to July 31, 2019	August 1 to October 31, 2019	November 1, 2019 to January 31, 2020
<b>Loss</b>	\$58,257	\$269,246	\$786,112
<b>Loss per Share</b>	\$0.001	\$0.01	\$0.02

**Commitments**

The Company is required to incur exploration expenditures on its mineral claims to meet the conditions of holding its mineral rights and keep the mineral claims in good standing. Each provincial jurisdiction imposes expenditure requirements which vary from province to province and from year to year.

The Company has commenced field work on all of its properties in order to incur enough exploration expenditures to keep all properties in for at least a minimum of 1 year ahead for their current expiration dates. This would put the majority of all claims in good standing until at least 2021.

**Transactions with Related Parties**

The Company's related parties include key management personnel and directors and any transactions with such parties for goods and/or services are made on regular commercial terms and are considered to be at

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arm's length. Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and comprise the Chief Executive Officer and Chief Financial Officer of the Company.

During the quarter, consulting/management fees totaling \$36,000 and salaries and benefits totaling \$15,200, were paid to key management personnel (from June 7, 2019 to January 31, 2020, consulting/management fees totaling \$90,000 and salaries and benefits totaling \$15,200).

### **Contingencies**

The Company has no contingencies as at the date of this MD&A.

### **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements as at the date of this MD&A.

### **Proposed Transactions**

The Company has not entered into any undisclosed proposed transactions, except as detailed in "Subsequent Events", as at the date of this MD&A.

### **Investor Relations**

The Company has no investor relations contracts as at the date of this MD&A.

### **CURRENT DATA SHARE**

As at April 3, 2020, the Company had:

- a) 50,670,631 common shares issued and outstanding
- b) 5,474,042 share purchase warrants
- c) No stock options.

### **INDUSTRY AND OPERATIONAL RISKS**

The Company is subject to a number of risks and uncertainties, the more significant of which are discussed below. Additional risks and uncertainties not presently known to the Company may impact the Company's financial results in the future.

#### **Financing Risks**

Being a junior mining exploration company in Canada and in the exploration business means that the Company must raise the necessary financings for future exploration. Those financings depend to a large degree on commodity price trends, general investment sentiment for companies in the sector and the ability of the Company's ability to find and confirm the existence of minerals in sufficient quantities and qualities on its exploration lands. Management is of the view that these risks faced by the Company are not greater than those risk encountered by its peers in Canada.

The Company will require additional financing to conduct exploration on its mineral properties and to fund General and Administration costs. There is no assurance that the Company will be able to raise the required financing through equity financings, debt financings, divestment of its properties or joint venture arrangements. A lack of financing in the future could cause the Company to reduce or postpone exploration spending, reduce exploration and corporate personnel, reduce the size of its mineral property ownership and create going concern issues for the Company.

#### **General Economic Risks**

As the Company continues to focus on its exploration in Canada, the operations will be subject to economic, political and social risks inherent in doing business in Canada. The risks come from matters based on

policies of the government, economic conditions, changes in tax regime, changes in regulation, foreign exchange fluctuations and other factors that may change in the future.

### **Environmental Risks**

All phases of the Company's operations are subject to environmental regulations and potentially social licensing in the jurisdictions it operates in. World-wide environmental regulation is changing to require stricter standards and enforcement, increased fines for non-compliance, more assessment for projects, and a heightened degree of responsibility for companies and their officers, directors, employees and consultants. Although the company believes that it has taken the proper steps to protect the environment related to its operations, there is no assurance that future changes in environmental regulation in Canada will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

### **Aboriginal Claims Risks**

Aboriginal peoples have claimed aboriginal title and rights to portions of Canada. The Company is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful, such claim may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### **Forward-looking statements**

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements, which are based on the Company's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. The Company is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Company's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the Company's properties are in the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with title to mineral properties, changes in general economic, market and business conditions; competition for, among other things, capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

### **SUBSEQUENT EVENTS**

#### **A) Earn-In Agreement**

Subsequent to January 31, 2020, the Company entered into a property earn-in agreement dated March 1, 2020 (the "**Earn-In Agreement**") with each of Jonathan Sean Kennedy, R.D. Craig Kennedy, Darlene E. Lavoie, Thomas Peter James Kennedy, Michael Cameron Kennedy and Frederick A. Cook (for Salt Spring Imaging, Ltd.) (together, the "**Field Experts**"). Under the Earn-In Agreement, the Field Experts have agreed to grant to DLP an option to acquire up to a 100% interest in certain mineral claims comprising the Son of Captain, Liger and Hungry Miner properties (the "**Properties**"), which are situated in the vicinity of the Company's Aldridge 1, Aldridge 2 and Hungry Creek properties, respectively.

In order to exercise the option to acquire a 100% interest in the Properties (the "**Option**"), DLP will exclusively earn in to the ownership of the Properties by paying an aggregate of 450,000 common shares of the Company (the "**Earn-In Shares**") through the issuance of 112,500 Earn-In Shares per

year over a four-year period, issuable to the Field Experts on a pro-rata basis. Pursuant to the Earn-In Agreement, the Company will have the option at their discretion to accelerate the payments at any time during the four-year term of the Earn-In Agreement and acquire the Properties on a 100% basis by immediately completing the issuance of the Earn-In Shares as described above. Upon exercise of the Option, the Field Experts shall be entitled to a 1% NSR royalty payable on each of the Properties, with the Company being able to buy back such NSR royalties in exchange for an aggregate of \$1,000,000, payable to the Field Experts on a pro-rata basis at the Company's discretion. The transactions contemplated under the Earn-In Agreement were approved by the TSX Venture Exchange.

**B) Aldridge 1 Property**

Subsequent to January 31, 2020, the Company staked claims that increased the size of the Aldridge 1 property by 109 hectares to a total of 3,104.5 hectares and is located 52 km southwest of Cranbrook B.C., in the East Kootenay region of the province. It was staked in response to competitor ground coming available.

**C) Strategy Property**

Subsequent to January 31, 2020, the Company staked claims that increased the size of the Strategy property by 211 hectares which doubled its size to a total of 422 hectares. The Strategy property is located 1 km west of the Aldridge 1 (RJ) property. It was staked in response to competitor ground coming available.

**D) COVID-19**

Novel Coronavirus ("COVID-19") - The Company could also be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on it and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company and its ability to secure any necessary financing.