

# BOND RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the period ended September 30, 2020

Directors and Officers as at November 25, 2020

Directors:

Joseph A. Carrabba  
Robert Eadie  
Scott Brison  
Elaine J. Dorward-King  
Valéry Zamuner  
Robert Power

Officers:

President & Chief Executive Officer – Joseph A. Carrabba  
Chief Financial Officer – Gary Arca  
Secretary – Cynthia Avelino

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# BOND RESOURCES INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended September 30, 2020

### 1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Bond Resources Inc. ("Bond" or the "Company") for the period ended September 30, 2020. All dollar amounts herein are expressed in United States Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com)

This MD&A is prepared as of November 25, 2020.

*This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

### 1.2 Overall Performance

#### *Description of Business*

The Company was incorporated on January 22, 2007 under the Business Corporations Act of British Columbia as J. Bond Capital Corporation. It did not commence operations until August 15, 2017. Bond changed its legal name to Bond Resources Inc. on November 16, 2018 and commenced trading on the Canadian Securities Exchange (the "CSE") on May 2, 2019 under the trading symbol "BJB". On May 15, 2020, Bond acquired MJ Mining Inc. ("MJ Mining"). MJ Mining was incorporated on January 15, 2020 under the laws of British Columbia, Canada. MJ Mining's 100% owned subsidiary, MJ Mining Corp., was formed on October 25, 2019 (originally under the name of MJ Mining LLC) under the laws of the State of Delaware, United States of America. The Company's principal business activity is the exploration of mineral properties in the United States.

### 1.3 **Selected Annual Information**

The highlights of financial data for the Company's annual period from January 15, 2020 (date of incorporation) to June 30, 2020, which was prepared in accordance with International Financial Reporting Standards ("IFRS"), is as follows:

	<b>June 30, 2020</b>
	<b>\$</b>
(a) Total revenues	-
(b) Total expenses	1,810,623
(c) Net loss	(3,074,506)
(d) Loss per share – basic and diluted	(0.06)
(e) Total assets	1,876,250
(f) Total long-term liabilities	-
(g) Cash dividends declared per - share	-

### 1.4 **Results of Operations**

#### *Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the period ended September 30, 2020 unaudited condensed interim consolidated financial statements of the Company and notes attached thereto.

#### 1.4.1 **Property Activity**

##### **Acquisition of MJ Mining Inc.**

On April 2, 2020, MJ Mining entered into a share exchange agreement ("Agreement") with Bond whereby Bond issued 62.2 million common shares to the shareholders of MJ Mining, for 100% of the issued and outstanding shares of MJ Mining. The Agreement closing was subject to, among other conditions; completion of a 43-101 technical report on the Mary K Property; the completion of a private placement of at least \$1,600,000 by Bond; and, CSE and shareholder approval, all of which were completed and obtained by May 15, 2020. As a result, the acquisition by Bond resulted in a change of control, which transaction amounts to a reverse merger transaction ("Reverse Merger"). As a Reverse Merger, Bond is the legal parent, however, the accounting parent going forward will be MJ Mining with the acquisition value being the net assets of Bond.

##### **Mary K Property in Idaho**

MJ Mining, through its US subsidiary MJ Mining Corp., has been granted the exclusive option to acquire, over a period of ten years, the right, title and interest in and to the Mary K Property, free and clear of all charges, encumbrances, claims, royalties, or other interests except for a 5% State Royalty, for a total purchase price of \$8,650,000 (the "Purchase Price") as follows:

- a) \$500,000 payable based upon the "Initial Closing", defined as April 10, 2020, as follows:
- \$50,000 towards land purchase (paid);
  - \$350,000 on Initial Closing (paid);

- \$100,000 on May 10, 2020 (paid); and
- \$100,000 June 10, 2020 (paid).

b) The balance of the Purchase Price, \$8,150,000 will be paid as a Net Profit Royalty ("NPR"), paid on a quarterly basis and will vary depending on the grade of gold realized from operations as follows:

- if the gold grade is 1.0 ounce per ton or greater, the NPR will be 50%;
- if the gold grade is between 0.25-0.9999 ounces per ton, the NPR will be 30%; or
- if the gold grade is less than 0.25 ounces per ton, the NPR will be 10%.

The Net Profits Royalty is also subject to certain minimum annual payments of:

- at least \$200,000 per year commencing in 2020;
- at least \$4,075,000 must be paid, in aggregate, after five years; and
- at least \$8,150,000 must be paid, in aggregate, after 10 years.

Due to the consideration being payable over time, the parties have agreed to a two-phase closing of the Transaction. Subject to approval from the Idaho Department of Lands, the Company will be subleasing the rights starting on the Initial Closing date and continuing until the earlier of the Final Closing Date or the date the agreement is terminated by the Company. If the agreement is not terminated by the MJ Mining, on or before the Final Closing Date the lease will be terminated, and the Vendors will assign their rights of the Mary K Mine to MJ Mining.

On March 10, 2020, MJ Mining entered into a ground lease ("Ground Lease") with certain arm's length parties ("Vendors") for a mineral lease located in the State of Idaho ("Mary K Mine"). The term of this Ground Lease commences on April 1, 2020 and expires at the end of the tenth full lease year. MJ Mining will pay fixed rent in advance on the first day of each calendar quarter of \$26,000.

In exchange for MJ Mining's payment of non-refundable fees of \$350,000, MJ Mining was granted an option to purchase the Mary K Property during the term of this lease (see above).

On March 11, 2020, MJ Mining entered into a mineral sublease ("Sublease") for the Mary K Mine. The term of this Sublease commences on March 11, 2020 and expires on February 28, 2022.

#### *Property Description and Location*

The Mary K prospect, Elk City Mining District, Idaho County, Idaho is about 2.4 linear kilometres (1.5 miles) southeast of central Elk City, Idaho and about 33 miles east-southeast of Grangeville, Idaho, the Idaho County seat. The project is located in central Idaho County which is in the south central Idaho panhandle.

The Mary K prospect property and area of mineral lease agreement covers approximately 446 acres. See NI43-101 technical report filed on SEDAR, dated May 19, 2020. The Report on the Property has been prepared for the Company by Richard C. Capps Ph.D., P.Geo., who is the Qualified Person for the Report and is independent of the Company, as those terms are defined in NI 43-101.

### **Aspen and Bearcat Properties**

#### *Property Descriptions and Location*

Pursuant to the reverse merger, MJ Mining also acquired 2 properties previously held by the Company. The Company holds a 100% interest in the Aspen property claim block, which is a 1,292 hectare, early stage, prospective mineral exploration property located on the Nechako Plateau in British Columbia, approximately 162 kilometres west-southwest of Prince George. *See NI43-101 technical report filed on SEDAR, dated January 11, 2019.* The Report on the Property has been prepared for the Company by Gerald E. Ray Ph.D., P.Geo., who is the Qualified Person for the Report and is independent of the Company, as those terms are defined in NI 43-101.

In addition, through staking, the Company has acquired the Bearcat mineral property near Nazko, British Columbia.

#### **1.4.2 Results of Operations**

The expenses relating to the loss and comprehensive loss for the period ended September 30, 2020 of \$410,627 are as follows:

<b>Pre-exploration costs</b>	
Assays	\$ 44
Consulting/ Labour	133,471
Office and rent	134,019
Permitting	5,513
Repairs and maintenance	5,953
Supplies	29,577
Travel/ auto	15,605
	<hr/>
	324,182
<b>Expenses</b>	
Accounting and audit fees	12,932
Finance costs	30
Foreign exchange loss	894
Legal and corporate services	13,539
Management activities	9,009
Marketing activities	31,347
Office, rent and administration	2,763
Shareholder communications	10,524
Transfer agent and filing fees	5,407
<b>Total expenses</b>	<hr/>
	410,627
<b>Net loss</b>	<hr/>
	\$ (410,627)

During the period ended September 30, 2020 the Company incurred overhead expenses, including marketing of \$31,347, accounting fees of \$12,932 and legal, consulting and corporate services of \$13,539. Pre- exploration costs total \$324,182 for the period ending September 30, 2020 due to advancement of the Mary K property towards production.

## 1.5 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at September 30, 2020, the Company had \$74,761 in cash, working capital of \$54,531 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

While the Company may have sufficient cash resources to meet its obligations for at least twelve months from the end of the last reporting year, the Company may require additional financing to complete additional exploration on its property and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern.

## 1.6 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

## 1.7 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties during the period ended September 30, 2020:

<u>Period ended September 30,</u>	<u>2020</u>
Accounting fees	\$ 1,125
Legal and corporate services	6,944
Management services	8,996
Office, rent and administration	2,248
Shareholder communications	5,698
<b>Total</b>	<b>\$ 25,011</b>

During the period ended September 30, 2020, Bond incurred management fees totalling \$8,996 from officers of the Company and operational expenses for accounting, office and legal and corporate services of \$10,317 from companies controlled by an officer and the secretary of the Company. Shareholder communication expenses of \$5,698 were charged to the Company by a person related to a director for services rendered. Included in Bond's trade and other payables at September 30, 2020 is \$3,149 owed to officers for management fees.

As at September 30, 2020, \$19,492 was owed to the Company from an officer for subscriptions receivable. This amount was collected by the Company subsequent to September 30, 2020. During the period ended September 30, 2020, the CEO advanced \$100,000, and subsequent to September 30, 2020 an additional \$45,000 was advanced, to the Company as an unsecured, non-interest bearing loan due February 28, 2021.

## **1.8 Critical Accounting Estimates**

### a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgement in determining whether it is likely that future economic benefits will follow to the Company, which may be based on estimates and assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the year the new information becomes available.

### b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### c) Going concern

Management makes an assessment about the Company's ability to continue as a going concern by taking into account the consideration of the various factors discussed in Note 2 of the condensed interim unaudited consolidated financial statements for the period ended September 30, 2020.

## **1.9 Changes in Accounting Policies**

N/A

## **1.10 Financial and Other Instruments**

As at September 30, 2020, the Company's financial instruments consist of cash and trade and other payables. The fair value of the Company's cash approximates its carrying value, which is the amount on the statement of financial position, due to the short-term maturities or ability of prompt liquidation.

### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

#### i. *Foreign currency exchange risk*

MJ Mining is exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in the US.

*ii. Interest rate risk*

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

*iii. Commodity price risk*

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

a) Credit Risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfil their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash which is held in major financial institutions in the United States and Canada.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than property payments (note 6 of condensed interim unaudited financial statements for period ending September 30, 2020) and accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of \$175,488 to settle obligations of \$120,957.

**1.11 Disclosure of Outstanding Share Capital as at November 25, 2020:**

	Number		Book Value
Common Shares	78,843,050	\$	4,465,378

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Shares	Exercise Price (CAD)	Expiry Date
140,000	\$0.20	May 2, 2021
4,045,525	\$0.40	March 31, 2022
212,820	\$0.40	March 31, 2022
250,000	\$0.40	April 16, 2022
70,000	\$0.40	April 30, 2022
<b>4,718,345</b>	<b>\$0.39</b>	

56,000 warrants were exercised in August 2020 at CAD\$0.15 per warrant for proceeds of \$6,398.

A summary of the Company's outstanding stock options is presented below:

Number of Shares	Exercise Price (CAD)	Expiry Date
415,000	\$0.20	June 24, 2024
4,030,000	\$0.30	May 25, 2025
<b>4,445,000</b>	<b>\$0.29</b>	

140,000 options were exercised in July 2020 at CAD\$0.20 per share for proceeds of \$20,938.

#### **1.12 Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.