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**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in Canadian Dollars)

(Unaudited)

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**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditor.



**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND**  
**COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>EXPENSES</b>				
Exploration expenses	\$ 185,696	\$ 147,516	\$ 530,914	\$ 2,065,958
Professional fees	7,462	87,134	19,546	99,100
Management fees and salaries (Note 13)	47,000	61,062	117,505	184,406
Office and general	15,965	8,553	29,540	19,619
Regulatory and transfer agent	1,955	5,244	13,236	47,324
Investor relations	80,067	48,567	128,480	84,941
Share-based payments (Notes 12 and 13)	-	-	61,180	245,385
<b>Loss before the under noted</b>	<b>338,145</b>	<b>358,076</b>	<b>900,401</b>	<b>2,746,733</b>
Interest income	(1,973)	(5,335)	(4,601)	(14,988)
Foreign exchange gain	-	(3,758)	(2)	(8,589)
Flow-through shares premium	(14,747)	(63,022)	(56,414)	(807,516)
Unrealized (gain) loss on marketable securities (Note 7)	1,033	43	215	1,464
<b>Loss for the period</b>	<b>\$ 322,458</b>	<b>\$ 286,004</b>	<b>\$ 839,599</b>	<b>\$ 1,917,104</b>
<b>Loss per share - basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.05</b>
Weighted average number of common shares outstanding - basic and diluted	45,118,932	42,543,834	44,622,210	42,543,834

The accompanying notes are an integral part of these condensed interim consolidated financial statements

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Reserves</u>				Total
	Share Capital	Equity settled share-based payments reserve	Warrants reserve	Deficit	
<b>Balance, December 31, 2017</b>	\$ 28,802,248	\$ 598,266	\$ 1,241,802	\$ (27,231,143)	\$ 3,411,173
Net loss for the period	-	-	-	(1,917,104)	(1,917,104)
Issuance of stock options	-	245,385	-	-	245,385
<b>Balance, June 30, 2018</b>	<b>\$ 28,802,248</b>	<b>\$ 843,651</b>	<b>\$ 1,241,802</b>	<b>\$ (29,148,247)</b>	<b>\$ 1,739,454</b>
<b>Balance, December 31, 2018</b>	<b>\$ 28,895,886</b>	<b>\$ 808,011</b>	<b>\$ 458,456</b>	<b>\$ (29,002,753)</b>	<b>\$ 1,159,600</b>
Net loss for the period	-	-	-	(839,599)	(839,599)
Issuance of common shares	330,892	-	-	-	330,892
Issuance of stock options	-	61,180	-	-	61,180
Expiry of stock options	-	(513,663)	-	513,663	-
<b>Balance, June 30, 2019</b>	<b>\$ 29,226,778</b>	<b>\$ 355,528</b>	<b>\$ 458,456</b>	<b>\$ (29,328,689)</b>	<b>\$ 712,073</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements

**MURCHISON MINERALS LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>CASH (USED IN) PROVIDED BY:</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (322,458)	\$ (286,004)	\$ (839,599)	\$ (1,917,104)
Share-based payments	-	-	61,180	245,385
Flow-through shares premium	(14,747)	(63,022)	(56,414)	(807,516)
Unrealized loss on marketable securities	1,033	43	215	1,464
Common shares issued for mineral property	-	-	65,000	-
	(336,172)	(348,983)	(769,618)	(2,477,771)
Net change in non-cash working capital items:				
Amounts receivable and prepaid expenses	8,370	81,923	115,171	(3,999)
Accounts payable and accrued liabilities	(63,041)	(600,126)	(21,211)	63,152
<b>Net cash flows used by operating activities</b>	<b>(390,843)</b>	<b>(867,186)</b>	<b>(675,658)</b>	<b>(2,418,618)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(14,216)	-	(14,216)	-
<b>Net cash flows used by investing activities</b>	<b>(14,216)</b>	<b>-</b>	<b>(14,216)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	408,600	-	408,600	-
Issue costs	(12,699)	-	(12,699)	-
<b>Net cash flows provided by financing activities</b>	<b>395,901</b>	<b>-</b>	<b>395,901</b>	<b>-</b>
<b>NET CHANGE IN CASH</b>	<b>(9,158)</b>	<b>(867,186)</b>	<b>(293,973)</b>	<b>(2,418,618)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>891,882</b>	<b>2,843,508</b>	<b>1,176,697</b>	<b>4,394,940</b>
<b>CASH, END OF THE PERIOD</b>	<b>\$ 882,724</b>	<b>\$1,976,322</b>	<b>\$ 882,724</b>	<b>\$1,976,322</b>
<b>Supplemental non-cash information</b>				
Shares issued for mineral property	\$ -	\$ -	\$ 65,000	\$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statements

# **MURCHISON MINERALS LTD.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**June 30, 2019 and 2018**

(Expressed in Canadian Dollars)

(Unaudited)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Murchison Minerals Ltd. (the "Company" or "Murchison") was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal business of the Company is the acquisition, exploration and evaluation of mineral property interests. The primary office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada, M5H 1T1.

The condensed interim consolidated financial statements were approved by the Board of Directors on August 21, 2019.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The continuance of the Company is dependent upon completion of the acquisition of the exploration and evaluation properties, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write downs of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at June 30, 2019, the Company has a cumulative deficit of \$29,328,689 (December 31, 2018 - \$29,002,753), continuing losses and is not yet generating positive cash flows from operations. These condensed interim consolidated financial statements were prepared on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS"). Funding for operations has been obtained primarily through private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These condensed interim consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### *Statement of compliance*

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, these unaudited condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

#### *Basis of consolidation*

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Exploration and evaluation properties*

The acquisition costs of exploration and evaluation properties are expensed the condensed interim consolidated statements of loss in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources.

The acquisition costs of exploration and evaluation properties include the cash consideration and the estimated fair market value of share-based payments issued for such property interests.

Exploration costs are expensed in the period incurred. Option payments which are solely at the Company's discretion are recorded as acquisition costs as they are made. Administrative expenditures are expensed in the period incurred.

#### *New accounting standards*

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's condensed interim consolidated financial statement.

### 3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit which at June 30, 2019 totalled \$712,073 (December 31, 2018 - \$1,159,600). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2019. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

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### 4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures during the period ended June 30, 2019.

#### *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 balances and amounts receivable. Cash is held with reputable banks, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of sales tax receivable and refundable tax credits from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019, the Company had a cash balance of \$882,724 (December 31, 2018 - \$1,176,697) to settle accounts payable and accrued liabilities of \$116,988 (December 31, 2018 - \$138,199). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

#### *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 prices.

#### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is minimal as cash and cash equivalents investments have maturities of three months or less.

#### *Commodity price risk*

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of commodities. Commodity prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of base and/or precious metals may be produced in the future, a profitable market will exist for them. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. As at June 30, 2019, the Company is not a commodities producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

#### *Sensitivity analysis*

Based on management's knowledge and experience, the Company believes the following movements are "reasonably possible" over a one-year period:

- (i) Based on cash balances earning interest at June 30, 2019, a 1% change in interest rates would result in a corresponding interest income change of approximately \$5,700 for the one-year period.



**MURCHISON MINERALS LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2019 and 2018**  
(Expressed in Canadian Dollars)  
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**5. CATEGORIES OF FINANCIAL INSTRUMENTS**

	<b>June 2019</b>	<b>December 2018</b>
<b>Financial assets:</b>		
Amortized cost		
Cash	\$ 882,724	\$ 1,176,697
Amounts receivable	-	816
FVPL		
Investment	1,895	2,110
<b>Financial liabilities:</b>		
Amortized cost		
Accounts payable and accrued liabilities	\$ 116,988	\$ 138,199

As of June 30, 2019 and December 31, 2018, the fair value of all the Company's current financial instruments approximates the carrying value, due to their short-term nature.

**6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES**

	<b>June 30 2019</b>	<b>December 31 2018</b>
Sales tax receivable	\$ 26,323	\$ 75,493
Other receivable	-	816
Prepaid expenses and advances	19,165	84,350
	\$ 45,488	\$ 160,659

**7. INVESTMENT**

The Company's investment is classified as fair value through profit and loss ("FVPL") and is carried at fair value. The balance is comprised of the following:

	<b>Number of shares</b>	<b>June 30 2019</b>	<b>December 31 2018</b>
First Mining Gold Corp.	8,612	\$ 1,895	\$ 2,110

The Company holds 8,612 (December 2018 – 8,612) common shares of First Mining Gold Corp. The unrealized loss of \$215 for the six month period ended June 30, 2019 (June 30, 2018 – \$1,464) was recognized on the condensed interim consolidated statement of loss.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

### 8. PROPERTY AND EQUIPMENT

	Exploration Equipment	Total
<b>Six months ended June 30, 2019</b>		
Opening net book amount	\$ -	\$ -
Amortization for the period	-	-
Acquisitions	14,216	14,216
<b>Closing net book amount</b>	<b>\$ 14,216</b>	<b>\$ 14,216</b>

### 9. EXPLORATION AND EVALUATION PROPERTIES

#### *Canada*

#### Brabant Lake Property – Saskatchewan

As at June 30, 2019, the Company held a 100% interest in certain claims forming the Brabant Lake property in Saskatchewan.

#### Pickle Lake Properties - Ontario

The Company holds a 51% interest in the Dorothy-Dobie Lake property and the Kasagiminnis property, both located in the Pickle Lake Greenstone Belt. The Company also has a 100% interest in the Pickle Lake Gold property which comprises certain claims acquired in 2009.

In June 2016 (with amendment on February 2, 2017), the Company entered into an agreement with White Metal Resources Corp. ("White Metal") whereby White Metal can acquire all of the Company's interest ("Earned Interest") in its above Pickle Lake Gold properties. White Metal may exercise the option and acquire the Earned Interest by completing all of the following expenditures and cash payments:

- (i) pay \$10,000 at the signing of the agreement (received);
- (ii) pay \$15,000 on or before the date which is 12 months from the date of the agreement (received);
- (iii) pay \$20,000 on or before the date which is 24 months from the date of the agreement. (received)
- (iv) spend \$1,200,000 over three years beginning on the date of the agreement as follows:
  - i. complete a work commitment of \$900,000 on or before the date which is twenty-four (24) months from the date of the agreement (with at least \$250,000 on drilling);
  - ii. complete a cumulative work commitment of \$1,200,000 on or before the date which is thirty-six (36) months from the date of the agreement (with at least \$700,000 on drilling).
- (v) once the Earned Interest is completed, Murchison will be entitled to a 1% net smelter return (the "NSR") of which fifty percent (50%) can be purchased by White Metal for \$1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for \$1,500,000.

On July 27, 2017, White Metal assigned its option and right to acquire the Earned Interest to Ardiden Ltd., an Australian exploration company. On June 24, 2019, Ardiden Ltd. notified the Company of the completion of the option payments and expenditures by delivering a notice to the Company setting out that it has exercised the option, subject to Murchison's NSR.

In August 2014, the Company entered into an agreement with Frontline Gold Corporation ("FGC") and White Metal whereby FGC acquired 100% of the Company's 51% interest and the 49% interest held by White Metal in two claims known as the Pickle Lake East property. The claims will be subject to a 2% NSR (1% for the Company and 1% to White Metal for which 0.5% can be purchased for \$500,000 from each of White Metal and the Company).

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

### 9. EXPLORATION AND EVALUATION PROPERTIES (Continued)

#### HPM Property - Quebec

On February 28, 2019, the Company announced the acquisition of the other 50% interest held by joint venture partner Pure Nickel Inc. in the nickel-copper-cobalt HPM property. On March 5, 2019, as per the agreement and following the TSX Venture Exchange approval, the Company paid \$50,000 and issued 500,000 common shares of the Company valued at \$65,000 to Pure Nickel Inc. The Company now owns 100% of the HPM property in Québec.

### 10. SHARE CAPITAL

#### (a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

#### (b) Issued

	Number of Shares	Amount
<b>Balance – December 31, 2017 and June 30, 2018</b>	<b>42,543,214</b>	<b>\$ 28,802,248</b>
<b>Balance - December 31, 2018</b>	<b>44,209,881</b>	<b>\$ 28,895,886</b>
Issuance of common shares <sup>(i)</sup>	500,000	65,000
Issuance of flow-through common shares <sup>(ii)</sup>	3,714,545	408,600
Issue costs <sup>(ii)</sup>	-	(12,699)
Flow-through premium <sup>(ii)</sup>	-	(130,009)
<b>Balance – June 30, 2019</b>	<b>48,424,426</b>	<b>\$ 29,226,778</b>

<sup>(i)</sup> On March 5, 2019, the Company completed the acquisition of the remainder 50% interest in the nickel-copper-cobalt HPM property held by joint venture partner Pure Nickel Inc. by making a cash payment of \$50,000 and issued 500,000 common shares of the Company valued at \$65,000 to Pure Nickel Inc.

<sup>(ii)</sup> On June 19 and 27, 2019, the Company completed a non-brokered flow-through private placement and issued 3,714,545 flow-through common shares priced at \$0.11 per share for gross proceeds of \$408,600 of which, \$130,009 was allocated to the flow-through premium. Finders' fees of \$3,000 were also paid.

Officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600. See Note 12.

### 11. WARRANTS AND FINDERS' WARRANTS

The following summarizes the warrants and finders' warrants activity for the six months ended June 30, 2019 and June 30, 2018:

	Number of Warrants	Issue Date Fair Value	Weighted Average Exercise Price
<b>Balance - December 31, 2017 and June 30, 2018</b>	<b>12,662,970</b>	<b>\$ 1,241,802</b>	<b>\$ 0.28</b>
<b>Balance - December 31, 2018 and June 30, 2019</b>	<b>4,844,970</b>	<b>\$ 458,456</b>	<b>\$ 0.24</b>

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

### 11. WARRANTS AND FINDERS' WARRANTS (Continued)

As at June 30, 2019, the Company had warrants and finders' warrants outstanding as follows:

Date of Grant	Number of Warrants	Exercise Price (\$)	Grant Date Fair Value (\$)	Expiry Date	Weighted Average Remaining Contractual Life (years)
December 15, 2017	3,879,942	0.24	364,495	December 15, 2019	0.46
December 21, 2017	965,028	0.24	93,961	December 21, 2019	0.48
	<b>4,844,970</b>		<b>458,456</b>		<b>0.48</b>

### 12. STOCK OPTIONS

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

The following summarizes the stock option activity for the six month periods ended June 30, 2019 and 2018:

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance - December 31, 2017</b>	<b>2,133,800</b>	<b>\$ 0.39</b>
Granted <sup>(i)</sup>	1,435,000	0.19
<b>Balance - June 30, 2018</b>	<b>3,568,800</b>	<b>0.31</b>
<b>Balance - December 31, 2018</b>	<b>3,502,800</b>	<b>\$ 0.30</b>
Granted <sup>(ii)</sup>	665,000	0.095
Expired	(1,753,900)	0.36
<b>Balance - June 30, 2019</b>	<b>2,413,900</b>	<b>0.20</b>

(i) On January 10, 2018, the Company granted 1,435,000 stock options exercisable at \$0.19 for 5 years to directors, officers and consultants of the Company. The grant date fair value of the these options of \$245,385 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 1.95%, expected volatility – 145%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the \$245,385 fair value was recorded as share-based payment on the *Statement of Loss* for the period ended June 30, 2018.

(ii) On March 6, 2019, the Company granted 665,000 stock options exercisable at \$0.095 for 5 years to directors, officers and consultants of the Company. The grant date fair value of the these options of \$61,180 was estimated using the Black Scholes valuation model with the following weighted average assumptions: risk free interest rate – 1.69%, expected volatility – 186%, expected dividend yield – 0%, expected forfeiture rate of – 0% and expected life – 5 years. The options vested immediately and the \$61,180 fair value was recorded as share-based payment on the *Statement of Loss* for the period ended June 30, 2019.

# MURCHISON MINERALS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

### 12. STOCK OPTIONS (Continued)

As at June 30, 2019, the Company had incentive stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

Date of Grant	Options Outstanding <sup>(1)</sup>	Exercise Price (\$)	Grant Date Fair Value (\$)	Expiry Date	Weighted Average Remaining Contractual Life (years)
December 2, 2014	558,900	0.30	67,068	December 2, 2019	0.42
September 27, 2016	305,000	0.30	75,945	September 27, 2021	2.25
January 10, 2018	885,000	0.19	151,335	January 10, 2023	3.53
March 6, 2019	665,000	0.095	61,180	March 6, 2024	4.69
	<b>2,413,900</b>	<b>0.20</b>	<b>355,528</b>		<b>2.97</b>

<sup>(1)</sup> All options are exercisable.

### 13. RELATED PARTY TRANSACTIONS

a) *Remuneration of directors and the officers was as follows:*

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Salaries and benefits	\$ 47,000	\$ 61,062	\$ 117,505	\$ 184,406
Share-based payments	-	-	59,340	211,185
	<b>47,000</b>	<b>61,062</b>	<b>\$ 176,845</b>	<b>\$ 395,591</b>

For the three month period ended June 30, 2019, the salaries and benefits amount above includes \$21,125 (2018 - \$23,562) for fees invoiced by a corporation controlled by the CFO of the Company for his services and \$25,875 (2018 - \$nil) for fees invoiced by the CEO of the Company for his services as CEO. Also, \$nil (2018 - \$37,500) is included in the salaries and benefits amount above for fees invoiced by a corporation controlled by the former CEO of the Company.

For the six month period ended June 30, 2019, the salaries and benefits amount above includes \$51,625 (2018 - \$79,406) for fees invoiced by a corporation controlled by the CFO of the Company for his services and \$65,880 (2018 - \$nil) for fees invoiced by the CEO of the Company for his services as CEO. Also, \$nil (2018 - \$105,000) is included in the salaries and benefits amount above for fees invoiced by a corporation controlled by the former CEO of the Company. Included in accounts payable and accrued liabilities at June 30, 2019 is \$11,439 (December 31, 2018 - \$10,376) owed to the corporation controlled by the CFO and \$14,189 (December 31, 2018 - \$6,247) to the CEO.

b) *Private Placement*

As part of the private placement completed in June 2019, officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600 (Note 9).

# **MURCHISON MINERALS LTD.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**June 30, 2019 and 2018**

(Expressed in Canadian Dollars)

(Unaudited)

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### **14. COMMITMENTS AND CONTINGENCIES**

#### *Flow-Through Obligation*

As at June 30, 2019, the Company has to incur \$362,252 in qualifying exploration expenditures prior to December 31, 2020 to meet its flow-through commitment.

#### *Environmental*

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

End of Notes to Financial Statements

# **MURCHISON MINERALS LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019**

This Management's Discussion and Analysis ("MD&A") is intended to supplement the condensed interim consolidated financial statements and notes of Murchison Minerals Ltd. (the "Company" or "Murchison") for the three and six months ended June 30, 2019. The unaudited condensed interim consolidated financial statements including comparative figures have been prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") applicable to preparation of interim financial statements. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2018, which have been prepared in accordance with IFRS and available on the Company's web-site ([www.murchisonminerals.com](http://www.murchisonminerals.com)). This MD&A covers the most recently completed financial quarter and the subsequent period up to August 21, 2019. The information is presented in Canadian dollars unless stated otherwise.

## **OVERALL PERFORMANCE**

### **Description of Business**

Murchison is a Canadian based exploration company with a focus on its Brabant Lake property which includes the high-grade Brabant-McKenzie zinc-copper-silver deposit (the "Deposit") in north-central Saskatchewan. The Company also owns 100% of the HPM nickel-copper-cobalt project in Quebec. The Company expects to acquire additional properties as attractive opportunities are identified. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan in the future rests entirely on its ability to secure equity and other financings or realize cash from the sale of assets.

### **Trends**

The financing, exploration and development of any properties the Company holds or may acquire in the future will be subject to a number of factors including the commodity prices for minerals, applicable laws and regulations, political conditions, currency fluctuations, the hiring of qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors could change at any time and negatively affect the Company's operations and business. Apart from these, the risk factors noted under the heading "Uncertainties and Risk Factors" and "Forward Looking Statement" included in MD&A for the year ended December 31, 2018, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## **OUTLOOK**

The Company initiated an exhaustive follow up field prospecting program at its Brabant Lake project (the "Property") in late May 2019. The field program is still underway and the teams are covering the claims acquired over the past few months as well as approximately 30 recently identified geophysical anomalies. Once the field program is completed, the Company is planning to conduct a diamond drill program over previously identified drill targets at the Property, subject to funds availability and/or financing.

In June 2019, the Company raised \$408,600 in flow-through funds which are being used towards the field program and which will also cover a portion of the planned drill program.

Regionally, the Company is focused on identifying additional deposits on the Property and believes that in addition to the Deposit, the Property exhibits what appears to be the potential for a VMS district or camp based on the number of known mineralized showings and geophysical anomalies identified along its 38 kilometre strike length.

There are no known legal, political, environmental or other risks that could materially affect the potential development of the mineral resources.

Management's objective is to maximize the money spent "in the ground". The long-term goal remains to develop the Company's properties and achieve commercial production. The Company may enter into partnerships in order to fully exploit the production potential of its exploration assets.

## **MINERAL PROPERTIES – EXPLORATION ACTIVITIES**

### **Brabant Property – Saskatchewan**

The Brabant property is owned 100% by Murchison, has no royalties and is strategically located along Highway 102 approximately 171 kilometres northeast of the town of La Ronge and near major infrastructure, including grid power. The Brabant property consists of the Deposit and numerous additional zinc and copper occurrences and geophysical anomalies over approximately 38 kilometre strike length of favourable geological horizon, all of which remain under-explored and mostly untested. The Property area shares geological characteristics, including similar age, with the Flin Flon and Lynn Lake volcanogenic massive sulphide (VMS) mining camps in Manitoba.

### **SUMMER 2019 FIELD PROGRAM**

The Company started a field prospecting program at the end of May 2019. The goal of this program is to locate any surface expression of sulphide mineralization spatially linked to the electromagnetic ("EM") and magnetic ("Mag") conductors identified during last winter's VTEM Airborne Survey. The whole district is covered by a shallow soil and there are relatively very few outcrops making successful prospecting more challenging. The Company is using several Beep Mat instruments which detect both Mag and EM conductors down 2 metres below surface. These instruments have allowed to accurately locate 95% more targets compared to relying on sight alone. The prospecting crews are also equipped with a backpack diamond drill and rock saw, both of which have allowed the collection of numerous mineralized samples on surface and down to 4 metres below surface. Samples collected are sent to a laboratory in Saskatoon for assay.

Some of the conductor targets which are inaccessible on foot or by boat will be covered in the last 2 weeks of August using a helicopter.

The field prospecting program has identified and confirmed the location of numerous targets worth drilling. All information will be collated and targets ranked when all assay results are received by the end of September.

For additional details, refer to Murchison's website: [www.murchisonminerals.com](http://www.murchisonminerals.com).

For the three months ended June 30, 2019, the Company incurred \$176,358 (Q2/18 - \$167,516) in exploration expenses at the Brabant Lake property. For the six months ended June 30, 2019, the Company incurred \$404,719 (2018 - \$2,085,238) in exploration expenses at the Property.

### **HPM Property – Quebec (100%)**

During the first quarter of 2019, the Company announced that it now owned 100% of the nickel-copper-cobalt HPM property. The Company purchased the other 50% held by joint venture partner Pure Nickel Inc. by paying \$50,000 and issuing 500,000 common shares of the Company to Pure Nickel Inc. in March 2019.



For the quarter ended June 30, 2019, the Company incurred \$nil (Q2/18 - \$nil) at the HPM property. For the six months ended June 30, 2019, the Company incurred \$116,857 (2018 - \$720) at HPM mainly on payments made to Pure Nickel Inc. to acquire their 50% interest.

### **Pickle Lake Gold Properties - Ontario**

In June 2016 (with amendment on February 2, 2017), the Company entered into an agreement with White Metal Resources Corp. ("White Metal") whereby White Metal could acquire all of the Company's interest ("Earned Interest") in its Pickle Lake Gold properties. On July 27, 2017, White Metal assigned its option and right to acquire the Earned Interest to Ardiden Ltd. ("Ardiden"), an Australian exploration company. Under the agreement, Ardiden had to incur \$1,200,000 in expenditures and make \$45,000 in cash payments within 3 years of the agreement in order to exercise the option and acquire the Earned Interest. Once the Earned Interest was completed, Murchison will be entitled to a 1% net smelter return (the "NSR") of which fifty percent (50%) can be purchased by Ardiden for \$1,000,000 and the balance of the other fifty percent (50%) of the said NSR can be purchased for \$1,500,000.

On June 24, 2019, Ardiden Ltd. notified the Company of the completion of the option payments and expenditures by delivering a notice to the Company setting out that it has exercised the option, subject to Murchison's NSR.

### **Qualified Persons**

Exploration programs at the Company's project in Saskatchewan are being carried out under the supervision of Finley Bakker, P. Geo., "Qualified Person" as defined by National Instrument 43-101. Mr. Bakker is an independent consultant to Murchison and the Brabant-McKenzie Project. Mr. Bakker has supervised the preparation of, and confirmed all of the scientific and technical disclosure in this MD&A.

### **Access to Properties**

The Company's access to its Canadian properties is dependent on climate and weather conditions. The Brabant property in Saskatchewan is accessible all year round. Projects in Québec can be accessed from January to September as weather limits the activities during other times of the year.

## **RESULTS OF OPERATIONS**

For the six months ended June 30, 2019, the Company incurred a loss of \$839,599 (2018 - \$1,917,104). The decrease of \$1,077,505 is mainly related to the following factors: **1.** lower exploration expenses of \$1,535,044 (2019 - \$530,914 vs 2018 - \$2,065,958) as the Company completed a 12,431 metre drill program in 2018 and geophysical surveys and field exploration in 2019 at the Brabant Lake project. Also in 2019, the Company increased its interest in the HPM property to 100% at a cost of \$116,857; **2.** lower share-based payments of \$184,205 (2019 - \$61,180 vs 2018 - \$245,385) as the lower number of options granted in 2019 translated into a lower estimated value for the options granted compared to those granted in 2018; **3.** lower professional fees of \$79,554 (2019 - \$19,546 vs 2018 - \$99,100) directly related to the court case involving a former director in 2018; **4.** lower management fees and salaries of \$66,901 (2019 - \$117,505 vs 2018 - \$184,406) related to \$50,000 paid in bonuses in Q1/18; offset by; **5.** lower non-cash flow-through shares premium of \$751,102 (2019 - \$56,414 vs 2018 - \$807,516) as the Company recognized the income based on the lower level of exploration activities in 2019.

For the six months ended June 30, 2019, exploration expenses totaled \$530,914 (2018 - \$2,065,958) with \$404,719 (2018 - \$2,085,238) associated to exploration activities the Brabant Lake project, \$116,857 (2018 - \$720) related to payments made to Pure Nickel Inc. to acquire their 50% interest in the HPM project in Quebec, \$9,338 (2018 - \$nil) in general exploration expenses offset by \$nil (2018 - \$20,000) in property option payment received.

For the three months ended June 30, 2019, the Company incurred a loss of \$322,458 (Q2/18 - \$286,004). The increase of \$36,454 is mainly related to the following factors: **1.** higher exploration expenses of \$38,180 (Q2/19 - \$185,696 vs Q2/18 - \$147,516); **2.** higher investor relations expense of \$31,500 (Q2/19 - \$80,067 vs Q2/18 - \$48,567) as management attended two main conferences in May and June 2019; **3.** lower non-cash flow-through shares premium of \$48,275 (Q2/19 - \$14,747 vs Q2/18 - \$63,022) as the Company recognized the income based on the lower level of qualifying exploration activities in Canada in Q2/19; offset by **4.** lower professional fees of \$79,672 (Q2/19 - \$7,462 vs Q2/18 - \$87,134) directly related to the court case involving a former director in 2018.

For the quarter ended June 30, 2019, exploration expenses totaled \$185,696 (Q2/18 - \$147,516) with \$176,358 (Q2/18 - \$167,516) at the Brabant Lake project, \$9,338 (Q2/18 - \$nil) in general exploration expenses offset by \$nil (Q2/18 - \$20,000) in property option payment received.

## SUMMARY OF QUARTERLY RESULTS

	Second Quarter 2019	First Quarter 2019	Fourth Quarter 2018	Third Quarter 2018
	\$	\$	\$	\$
Total Assets	944,323	948,668	1,339,466	1,830,107
Current Assets	928,212	945,740	1,337,356	1,827,179
Non-current Assets	16,111	2,928	2,110	2,928
Total Liabilities	116,988	180,029	179,866	247,462
Interest Income	1,973	2,628	4,607	5,475
Loss	322,458	517,141	516,683	156,809
Loss Per Share <sup>(1)</sup>	0.01	0.01	0.01	0.00

	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017
	\$	\$	\$	\$
Total Assets	2,023,442	2,972,594	4,439,525	1,088,054
Current Assets	2,019,567	2,968,676	4,434,186	1,082,241
Non-current Assets	3,875	3,918	5,339	5,813
Total Liabilities	283,988	947,136	1,028,352	96,624
Interest Income	5,335	9,653	2,751	1,820
Loss	286,004	1,631,100	253,719	131,747
Loss Per Share <sup>(1)</sup>	0.01	0.04	0.01	0.01

<sup>(1)</sup> Loss per share remains the same on a diluted basis

Due to the nature of the business, the cash balance and short-term investments generating interest income are subject to fluctuations from quarter to quarter. The timing of equity financing and ensuing exploration and operating expenses are the main factors affecting the level of funds invested from time to time. The variation in interest rates also has an impact on the interest income.

In Q2-2019, the Company initiated a field exploration program at the Brabant Lake project and completed a \$408,600 non-brokered flow-through private placement. In Q1-2019, the Company completed an extensive airborne geophysical survey at the Brabant Lake property and on the newly acquired claims. It also acquired joint venture partner Pure Nickel's 50% interest in the HPM project in Québec. In Q4-2018, the Company made a \$225,000 termination payment in December 2018 to end the contract with the former President and CEO of the Company. In Q1-2018, the Company completed a 12,431 metre drill program and a geophysical survey at the Brabant Lake project in Saskatchewan at a total cost of \$1.9 million. This amount was offset by \$744,494 of non-cash flow-through shares premium income. In Q4-2017, the Company completed a non-brokered private placement of units and flow-through shares for gross proceeds of \$3,839,189 which triggered the recognition of a \$905,490 non-cash flow-through share premium liability.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2019, the Company had no debt, cash of \$882,724 and working capital (excluding flow-through share premium liability) of \$811,224 (December 31, 2018 – \$1,176,697 and \$1,199,157, respectively). The Company's excess cash, when available, is deposited into interest-bearing accounts or invested in redeemable GICs with major Canadian chartered banks.

As at June 30, 2019, the Company had amounts receivable and prepaid expenses totaling \$45,488 which included sales tax receivable of \$26,323 and prepaid expenses of \$19,165 consisting mainly of prepaid insurance.

The June 30, 2019, condensed interim consolidated financial statements were prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is always dependent on its ability to raise new funds to meet its obligations and continue its exploration activities.

### Equity Financing

The Company's exploration projects are at an early stage and it has not yet been determined whether any of its properties contain economically recoverable ore. As a result, the Company has no current sources of revenue and has relied on the issuance of shares to generate the funds required to further its projects.

#### Private Placement

On June 19 and 27, 2019, the Company completed a non-brokered flow-through private placement and issued 3,714,545 flow-through common shares priced at \$0.11 per share for gross proceeds of \$408,600 of which, \$130,009 was allocated to the flow-through premium. Finders' fees of \$3,000 were also paid. Officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600. All securities issued are subject to a four-month and one day statutory hold period.

### Stock Options

In January 2019, the Company granted 665,000 stock options exercisable at \$0.095 to its officers, directors and key consultants. The options are for a period of 5 years and vested immediately.

During the six months ended June 30, 2019, 1,753,900 stock options expired.

### General

The Company's ability to successfully acquire mineral projects or recover amounts expended on mineral properties is conditional on its ability to secure financing when required. The Company expects to meet additional financing requirements through equity financing. The Company may seek other alternatives for financing in the future depending on market conditions and exploration results; however, there can be no assurance that such financing attempts will be successful. The impact on our business and the cost and availability of financing remain uncertain and could affect our overall liquidity.

### Commitments and Obligations

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

As at June 30, 2019, the Company has to incur \$362,252 in qualifying exploration expenditures prior to December 31, 2020 to meet its flow-through commitment.

The Company has no long-term contractual obligations.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

a) Remuneration of directors and the officers was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Salaries and benefits	47,000	61,062	\$ 117,505	\$ 184,406
Share-based payments	-	-	59,340	211,185
	<b>47,000</b>	<b>61,062</b>	<b>\$ 176,845</b>	<b>\$ 395,591</b>

For the three month period ended June 30, 2019, the salaries and benefits amount above includes \$21,125 (2018 - \$23,562) for fees invoiced by a corporation controlled by the CFO of the Company for his services and \$25,875 (2018 - \$nil) for fees invoiced by the CEO of the Company for his services as CEO. Also, \$nil (2018 - \$37,500) is included in the salaries and benefits amount above for fees invoiced by a corporation controlled by the former CEO of the Company.

For the six month period ended June 30, 2019, the salaries and benefits amount above includes \$51,625 (2018 - \$79,406) for fees invoiced by a corporation controlled by the CFO of the Company for his services and \$65,880 (2018 - \$nil) for fees invoiced by the CEO of the Company for his services as CEO. Also, \$nil (2018 - \$105,000) is included in the salaries and benefits amount above for fees invoiced by a corporation controlled by the former CEO of the Company. Included in accounts payable and accrued liabilities at June 30, 2019 is \$11,439 (December 31, 2018 - \$10,376) owed to the corporation controlled by the CFO and \$14,189 (December 31, 2018 - \$6,247) to the CEO.

b) Private Placement

As part of the private placement completed in June 2019, officers of the Company acquired 260,000 flow-through common shares for gross proceeds of \$28,600.

## PROPOSED TRANSACTIONS

The Company continues to evaluate quality exploration projects and financing opportunities. There are no transactions currently pending.

## CHANGES IN ACCOUNTING POLICIES

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

with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's condensed interim consolidated financial statement.

## FINANCIAL INSTRUMENTS

	June 2019	December 2018
<b>Financial assets:</b>		
Amortized cost		
Cash	\$ 882,724	\$ 1,176,697
Amounts receivable	-	816
FVPL		
Investment	1,895	2,110
<b>Financial liabilities:</b>		
Amortized cost		
Accounts payable and accrued liabilities	\$ 116,988	\$ 138,199

As of June 30, 2019 and December 31, 2018, the fair value of all the Company's current financial instruments approximates the carrying value, due to their short-term nature.

### Significant accounting judgments and estimates:

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed interim consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas that require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to the following:

- Assets' carrying values and impairment charges**  
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- Income and other taxes**  
Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

- **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The Company currently estimates the expected volatility of its common shares based on historical volatility taking into consideration the expected life of the options and warrants.

#### **Capital Management:**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to consist of equity, comprising share capital, reserves and deficit. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its exploration and development activities. Selected information is regularly provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the quarter and six months ended June 30, 2019 and the year ended December 31, 2018. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

## ADDITIONAL INFORMATION

### Outstanding Shareholders' Equity Data

As of August 21, 2019, the following are outstanding:



### Uncertainties and Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

In addition to the risks outlined the December 31, 2018 annual MD&A, Murchison has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Murchison are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets to raise the funds required for its future expenditures.

## FORWARD-LOOKING STATEMENTS

*This document contains forward-looking statements based on the Company's current expectations. Forward-looking information can often be identified by forward looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.*

*These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those presented in this document. Accordingly, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. Readers are cautioned not to place undue reliance on forward-looking information.*