



**CLEGHORN MINERALS LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FIRST QUARTER ENDED  
JUNE 30, 2018**

**DATED AUGUST 17, 2018**

# Cleghorn Minerals Ltd.

Management's discussion and analysis for the first quarter ended June 30, 2018

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## SCOPE OF THIS MANAGEMENT'S DISCUSSION AND ANALYSIS AND NOTICE TO INVESTORS

This management's discussion and analysis of financial position and results of operations ("MD&A"), is prepared as of August 17, 2018, and complements the unaudited interim condensed financial statements of Cleghorn Minerals Ltd. ("Cleghorn" or the "Company"), for the first quarter ended June 30, 2018, which are compared to the first quarter ended June 30, 2017.

The interim condensed financial statements and related notes have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not contain all the information required to be disclosed in annual financial statements. Certain information and notes usually provided in the annual financial statements have been omitted or condensed when not deemed essential to the understanding of the interim financial information of the Company. Therefore, this MD&A should be read in conjunction with the information contained in the annual audited financial statements of the Company and the notes thereto for the year ended March 31, 2018. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated.

The Company's independent auditors have not conducted a review of the interim condensed financial report in accordance with the standards established by the Canadian Institute of Chartered Accountants regarding the review of the interim financial report.

The unaudited interim condensed financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on August 17, 2018. These documents and more information about the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Michael P. Rosatelli who is a "Qualified Person" as such term is defined in National Instrument 43-101 – *standard of Disclosures for Mineral Projects*.

## FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results are summarized below under the heading "Risks and Uncertainties".

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Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

## **ABOUT CLEGHORN**

Cleghorn Minerals Ltd., incorporated on February 16, 2010 under the Business Corporations Act of British Columbia (the "Company") is involved in the process of exploring, evaluating and promoting its mineral property and other projects. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada J9P 7B6. The Company also has exploration offices located at 2864 Chemin Sullivan, Val-D'Or, Quebec, J9P 0B9.

The Company's shares are listed on the TSX Venture Exchange under the trading symbol CZZ.

## **MINERAL PROPERTY**

### **Meech Lake Prospect**

The Company owns a 100% in the Meech Lake Prospect which consists of four (4) legacy mining claims situated in Argyle, McNeil and Robertson Townships, located approximately 25 km Northwest of Matachewan, in Northeastern Ontario, within the Abitibi Greenstone Belt.

Three (3) mining claims are subject to a 3% NSR on metals or minerals produced from the property. The Company shall be entitled to repurchase 0.5% of the NSR, leaving the vendor with a 2.5% NSR, by paying to the vendor \$1,000,000, and an additional 1%, leaving the vendor with a 1.5% NSR, by paying the vendor an additional \$3,000,000.

Funding for the initial sampling program of the historical pits and/or trenches on the property for the first phase of work was received from the Ontario Exploration Corp. (OEC) through its prospector assistance program initiative via an initial \$10,000 grant in exchange for a 0.5% royalty on the property.

The Company plans to proceed with the second (\$25,000 for an additional 0.25% royalty) and third (\$50,000 for an additional 0.25% royalty) project funding applications. The royalty has a buyback clause which provides that the company can purchase one-half of the 0.5% royalty for a dollar value that increases over time, ranging from a purchase price of \$15,000 before the second anniversary of the date of the agreement to a purchase price of \$250,000 from the 11th anniversary of the agreement and beyond.

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## *Exploration Program Work*

The Company provided an update subsequent to the quarter ending March 31, 2018 on the diamond drilling and surface stripping program conducted over the *Meech Lake Prospect*.

The program focused on testing for the strike and depth extensions of historical mineralization previously defined by the Kell's, Waterhole and T25 showings, where recently completed sampling by Cleghorn identified and confirmed the presence of two separate mineralized systems on the property. Selective grab sample assay results from the sampling program of the historical pits and trenches on the property included:

**8.31% Cu, 3.80% Ni, 13.5 g/t Pt, 60.4 g/t Pd & 1.89 g/t Au (Kell's Showing)**

**7.01 g/t Au, 31.2 g/t Ag, 2.25% Zn (Waterhole Showing)**

**0.268 g/t Au, 2.1 g/t Ag, 2.17% Zn (T25 Trench Showing)**

## Historical Exploration review:

The area of the present-day Meech Lake Prospect has a long history of mineral exploration dating from the early 1930's and has been staked over the years because of interest in its polymetallic (gold, and Ni-Cu-PGE) mineral deposit potential. In the early 1930's, prospector Hugh Kell's discovered the so-called "Waterhole" gold/zinc showing on the property. Persistent trenching in 1946 exposed a massive-sulphide bearing ultramafic "dunite" dike hosting highly anomalous grades of copper, nickel, platinum, and palladium in the west-central part of the property, the so-called "Kell's Showing".

Subsequent exploration drilling in 1951-52 and 1973-74 was unsuccessful in expanding the Kell's Showing along strike but did identify new gold mineralization at the Waterhole Showing. Later work indicated that the dunite dike hosting the Kell's Showing extends to the southwest (West Dunite Showing), and also inferred that the gold-zinc and gold occurrences (Waterhole Showing) may be related to a northeast-striking shear zone. The dunite from the Kell's Showing was described as being completely altered to talc + calcite + serpentine (Szetu, 1974; AFRI: 42A02SW0098).

## Drill and surface stripping program summary:

Drill testing of the Kell's, Waterhole and T25 showings was primarily based on a geological targeting methodology following completion of a comprehensive compilation of the property's historical exploration work and results. Additional detailed ground geophysical surveying (magnetics and horizontal loop electromagnetic - HLEM or Max-Min) results, also provided additional targeting information with respect to the on-strike and depth extensions of the Kell's, Waterhole and T25 showings and potentially new mineralized zones. The results of this work identified drill targets based on a new ore deposit model on the property, with a particular emphasis on a structural control component to the mineralization, versus solely on lithological targeting that was the basis in past exploration campaigns.

The drill program consisted of seventeen (17) drillholes totalling 1,836 metres. Assay results for the individual holes will be released in batches once results have been received from the analytical laboratory and compiled.

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**Table I: Summary of Diamond Drilling: Meech Lake Prospect**

DDH Pad	Hole	Zone / Target	Easting	Northing	Azimuth	Dip	Length
1	ML-18-001	Waterhole	513357	5327455	335	-45	81
1	ML-18-002	Waterhole	513357	5327455	335	-75	93
2	ML-18-003	Waterhole	513401	5327457	335	-45	81
2	ML-18-004	Waterhole	513401	5327457	335	-75	102
3	ML-18-005	Waterhole	513324	5327457	335	-45	81
3	ML-18-006	Waterhole	513324	5327453	335	-75	102
4	ML-18-007	HLEM Conductors (3) (Northeast of Kell's)	513252	5327728	228	-45	198
4	ML-18-008	Kell's	513252	5327728	315	-45	81
4	ML-18-009	Kell's	513252	5327728	315	-75	150
5	ML-18-010	Kell's	513233	5327724	315	-45	87
5	ML-18-011	Kell's	513233	5327724	315	-75	102
5	ML-18-012	HLEM Conductors (2) (West of Kell's)	513233	5327724	228	-45	102
6	ML-18-013	HLEM Conductors (2) (West of Kell's)	513227	5327652	228	-45	72
7	ML-18-014	T25 + HLEM Conductors (3)	513249	5327623	228	-45	99
7	ML-18-015	T25+ HLEM Conductors (3)	513249	5327623	228	-75	132
8	ML-18-016	HLEM Conductors (2) (Between Waterhole & T25)	513274	5327579	228	-45	99
8	ML-18-017	HLEM Conductors (2) (West of & between Waterhole & T25)	513274	5327579	228	-65	174

In addition, a borehole electromagnetic survey was completed on holes ML-18-008 and ML-18-009 (Kell's Showing) testing for the down-plunge extensions of the surface exposed massive sulfide mineralization.

In conjunction with the drill program, a campaign of stripping of selective historical pits and trenches was completed to take advantage of winter access conditions. A total of seven excavations was completed with three (3) on and over the western inferred strike extensions respectively of the Kell's Showing, one (1) on the T25 Showing, one (1) on a historical trench between the T25 and Waterhole showings, one (1) on the Waterhole Showing, and one (1) on the Cabin Showing.

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## *Future exploration plans:*

Planning for a summer field exploration program is currently underway. The focus of the work will be directed to the seven (7) excavated historical pits and trenches. The objective of this work program will be to re-examine, characterize and to identify possible strike extensions of the defined mineralization for delineation of future drill targets. The program is expected to consist of the following work stages:

- Cleaning, surveying (incl. 2018 drillholes) and detailed mapping and sampling; and
- Establishment of detailed mini-grids over the pits and trenches to conduct geophysical (magnetic, IP and electromagnetic) surveying.

Cleghorn has received an Exploration Permit from the Ministry of Northern Development and Mines (MNDM) to encompass the stripping and diamond drill program. In addition, as part of the Company's corporate social responsibilities and through the aboriginal consultation process, an Exploration Agreement Memorandum of Understanding has been negotiated with the Matachewan First Nation (MFN) and the Wabun Tribal Council. Negotiations are currently on-going towards finalizing and signing a joint Exploration Agreement (EA).

All previously reported grab sample assay results were completed by ALS Minerals, an accredited mineral analysis laboratory. Sample preparation was completed in Val-d'Or, Québec and analyses in Vancouver, British Columbia. Nickel, copper, cobalt, zinc and silver values were determined by a 61 element, Four Acid / ICP-AES analysis and gold values were determined by a 30-gram fire assay and AAS finish. Platinum, palladium and gold values were determined by 30-gram fire assay with ICP finish. When samples received over-limit values they underwent further analysis using ALS Minerals assay procedure Ni-OG62 (for nickel), Cu-OG62 (for copper), Zn-OG62 (for zinc), and PGM-ICP27 (for gold, platinum and palladium). The reader is referred to: [www.alsglobal.com](http://www.alsglobal.com) for details of analytical procedures described above.

## **SELECTED FINANCIAL INFORMATION**

### **GOING CONCERN ASSUMPTION**

These interim condensed financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, which presumes the Company will continue its operations and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. During the three-month period ended June 30, 2018, the Company has incurred a net loss and comprehensive loss of \$21,690 (realized a net income and comprehensive income of \$94,616 for the year ended March 31, 2018) and has an accumulated deficit of \$1,064,347 (March 31, 2018 - \$1,042,657). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company's ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company's discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding will be available to the Company or that they will be available on

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terms acceptable to the Company. These material uncertainties cast significant doubt regarding the ability to continue as a going concern.

## FINANCIAL POSITION ANALYSIS

	June 30, 2018	March 31, 2018	March 31, 2017
	\$	\$	\$
Assets	1,101,677	1,135,637	1,201,639
Liabilities	37,849	50,119	210,737
Equity	1,063,828	1,085,518	990,902

### ASSETS

Total assets at June 30, 2018 were \$1,100,677 compared to \$1,135,637 at March 31, 2018, a decrease of \$33,960 mainly due to a decrease in cash of \$92,258 which served to fund the Company's operations as well as the increase in exploration and evaluation assets of \$56,180 directly attributable to work done on the Meech Lake Matachewan Prospect.

### LIABILITIES

Total liabilities at June 30, 2018 were \$37,849 compared to \$50,119 at March 31, 2018, a decrease of \$12,270 in accounts payable and accrued liabilities.

### EQUITY

Equity totalled \$1,063,828 at June 30, 2018 compared to \$1,085,518 at March 31, 2018, a decrease of \$21,690 due to the period net loss.

## OPERATING RESULTS ANALYSIS

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
	\$	\$
Revenue	-	-
Operating expenses	21,600	27,418
Other expenses (income)	90	(8,969)
Net loss and comprehensive loss	<b>12,330</b>	<b>18,449</b>
Basic and diluted net loss per common share	<b>0.001</b>	<b>0.001</b>

### THREE-MONTH PERIOD ENDED JUNE 30, 2018 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2017

The net loss for the three-month period ended June 30, 2018 was \$21,690 or (\$0.001) per share, compared to \$18,449 or (\$0.001) per share for the same period in 2017, a decrease of \$3,241 due to the following important changes:

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## OPERATING EXPENSES

Operating expenses totalled \$21,600 compared to \$27,418 in 2017, a decrease of \$5,818 mainly due to a decrease in legal fees (\$1,509), in regulatory fees (\$2,977) and in investor relation fees (\$2,769).

## OTHER EXPENSES (INCOME)

Other expenses totalled \$90 compared to other income of \$8,969 in 2017. The other income of 2017 were mainly due to the reversal of the liability component related to the flow-through units (\$9,117).

## CASH FLOW ANALYSIS

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017
	\$	\$
Operating activities	(37,296)	(20,982)
Investing activities	(54,962)	(197)
Financing activities	-	-

## THREE-MONTH PERIOD ENDED JUNE 30, 2018 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2017

### OPERATING ACTIVITIES

Operating activities required cash flows of \$37,296 compared to \$20,982 in 2017. This increase in the use of cash flows is mainly due to the non-cash working capital items which used cash flows of \$15,606 compared to generated cash flows of \$6,584 in 2017. However, the net loss after non-cash items went from \$27,566 in 2017 to \$21,690 in 2018.

### INVESTING ACTIVITIES

Investing activities required cash flows of \$54,962 compared to \$197 in 2017. These outflows are related to the exploration and evaluation expenditures incurred on the Meech Lake Matachewan Prospect.

## QUARTERLY RESULT TRENDS (IN THOUSANDS OF \$)

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended March 31, 2018.

	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net income (loss) and comprehensive income (loss)	(22)	(22)	152	(17)	(18)	(21)	(87)	(33)
Basic and diluted net income (loss) per common share	(0.001)	(0.001)	0.007	(0.001)	(0.001)	(0.001)	(0.004)	(0.003)



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## LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

As of June 30, 2018, the Company had a cash position of \$201,479 and a working capital of \$178,533.

The Company manages its capital structure and brings about adjustments related to changes in the economic environment and underlying risks of its assets. To preserve or modify its capital structure and to carry on the development of its mining properties, the Company may issue additional common shares or negotiate new loans.

Management expects to have sufficient liquidities to fund its operations at least beyond August 15, 2018. Although management believes it has developed action plans to manage liquidity and operational risk, there is no assurance that these measures will be successful.

Readers are invited to refer to the Risk and Uncertainties section for more information.

## INFORMATION ON OUTSTANDING SECURITIES

The following table sets out the number of common shares, warrants and options outstanding as of the date hereof:

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<b>Common shares outstanding:</b>	20,258,618	
<b>Stock options exercisable:</b>	1,450,000	
Average exercise price of:	\$ 0.13	

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<b>Expiry date</b>	<b>Number of stock options exercisable</b>	<b>Exercise price</b>
		\$
November 2018	1,200,000	0.12
November 2020	250,000	0.20
	<u>1,450,000</u>	<u>0.13</u>

  

<b>Warrants outstanding:</b>	6,181,674	
Average exercise price of:	\$ 0.13	

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<b>Expiry date</b>	<b>Number of warrant outstanding</b>	<b>Exercise price</b>
		\$
August 2019	4,550,000	0.12
August 2019	1,631,674	0.15
	<u>6,181,674</u>	<u>0.13</u>

  

<b>Fully diluted shares</b>	<u><u>27,890,292</u></u>	
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## **Escrowed Shares**

As required by applicable securities commissions and the rules of the TSX, and under an agreement entered with a transfer agent from Computershare Investor Services Inc., a total of common shares have been placed in escrow and deposited with a trustee under escrow agreements before the completion of the Qualifying Transaction. On August 18, 2016, following the completion of the Qualifying Transaction, 10% of the escrowed shares were released. The balances of restricted shares will be released at a rate of 15% in each of the anniversaries of 6, 12, 18, 24, 30 and 36 months following the initial release. As at June 30, 2018, there were 4,281,268 escrowed shares.

## **RELATED PARTY TRANSACTIONS**

Please refer to Note 8 of the unaudited interim condensed financial statements for key management transactions. The Company has not entered into any other related party transaction.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **ACCOUNTING POLICIES**

The preparation of financial statements in accordance with IFRS requires management to adopt accounting policies and to make certain estimates and assumptions that the Company believes are reasonable based upon the information available at the time these decisions are made. In preparing these unaudited interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements for the year ended March 31, 2018. Readers are invited to refer to Note 3 of the audited financial statements for the year ended March 31, 2018 for a full description of the significant accounting policies of the Company at that date.

## **RISKS RELATED TO FINANCIAL INSTRUMENTS**

Readers are invited to refer to Note 16 of the audited financial statements for the year ended March 31, 2018, for a full description of these risks.

## **RISKS AND UNCERTAINTIES**

An investment in the common shares of the Company involves a high degree of risk and must be considered highly speculative due to the financial and operational risks inherent to the nature of the Company's business and the present stage of exploration and development of its mineral resource properties. These risks may affect the Company's eventual profitability and level of operating cash flow. Prospective buyers of the common shares of the Company should consider the following risk factors:

- Investment of Speculative Nature

Investing in the Company, at this early stage of its development, is of a highly speculative nature.

- Nature of Mineral Exploration and Mining

There is no known mineral resource on the Company's properties. Mineral exploration and development involves a high degree of risk, requires substantial expenditures and few properties that are explored are ultimately developed into producing mines.

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- Exploration and Development Risks

Resource exploration and development is a speculative business, involving considerable financial and technical risks, including the failure to discover mineral deposits, market fluctuations and government regulations, which are beyond the control of the Company.

- Additional Financing

Future exploration and development activities will require additional equity and debt financing. Failure to obtain such additional financing could result in delay or indefinite postponement of exploration and development of the property interests of the Company.

- Stress in the Global Economy and Financial Condition

The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing.

- Permits and Licenses

There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

- Competition

The mineral exploration and mining business is competitive in all of its phases. There is no assurance that the Company will be able to compete successfully with the competition in acquiring suitable properties or prospects for mineral exploration.

- No Assurance of Title to Property

The Company's claims may be subject to prior unregistered agreements or transfers or third party and native land claims and title may be affected by undetected defects.

- Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

- Environmental Risks for Current and Past Activities and other Regulatory Requirements

The Company may be liable for environmental contamination and natural resource damages relating to properties that it currently owns, operates or have an interest in, or at which environmental contamination occurred while or before it owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company.

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- Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting the Company's ability to undertake exploration and development activities in respect of present and future properties.

- Conflicts of Interest

The directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as the Company. This situation may result in conflicting legal obligations which may expose the Company to liability to others and impair its ability to achieve its business objectives.

- Insurance

The Company will remain at risk and will be potentially subject to liability for hazards associated with mineral exploration which it cannot insure against or which it has elected not to insure against because of premium costs or other reasons.

- Influence of Third Party Stakeholders

Claims by third parties on the lands in which the Company hold interests, or the exploration equipment and road or other means of access which the Company intend to utilize in carrying out work programs or general exploration mandates, even if not meritorious, may create delays resulting in significant financial loss and loss of opportunity for the Company.

- Fluctuation in Market Value of Shares

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity. The future effect of these and other factors on the market price of Company's shares on the Exchange cannot be predicted.