

NEXCO RESOURCES INC.

Management Discussion and Analysis

For the nine month period ended May 31, 2017

The Management Discussion and Analysis (“MD&A”), prepared June 26, 2017 should be read in conjunction with the audited financial statements and notes thereto for the year ended August 31, 2016 and the notes thereto of Nexco Resources Inc.. (“Nexco”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

NEXCO Resources Inc. (“the Company”) was incorporated on December 14, 2012 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2017, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

EXPLORATION PROJECT

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, August 31, 2016	3,250	102,828	106,078
Acquisition costs	27,000	–	27,000
Exploration costs	–	4,350	4,350
Balance, May 31, 2017	30,250	107,178	137,428

Berger Property

Pursuant to an initial and amended option agreements (the “Agreement”) dated August 21, 2014 and July 31, 2015, with the Optionor, the Company was granted an option to acquire a 100% undivided interest in the Berger Property (the “Property”) which consists of 2 mining claims located in the Kamloops Mining District of British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 100,000 common shares (issued) of the Company to the Optionor and making cash payment of \$12,000 (paid) no later than 15 days after the date that the Company’s common shares are listed, posted and called for trading on the CSE Exchange.

The Optionor will retain a 2% Net Smelter Returns (“NSR”) royalty on the Property. The Company has the right to purchase the NSR at a purchase price of \$1,000,000 per percentage point during the 5 year period commencing from the date upon which the Property is put into commercial production.

SELECTED ANNUAL INFORMATION

(\$000's except loss per share)

	August 31, <u>2016</u>	August 31, <u>2015</u>	August 31, <u>2014</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (8)	\$ (7)	\$ (5)
Basic and Diluted Loss Per Share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total Assets	\$ 124	\$ 125	\$ 79
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS

Three month period ended May 31, 2017

During the three months ended May 31, 2017 the Company reported a net loss of \$160,380 (2016 - \$759). Included in the determination of operating loss was \$2,066 (2016 - \$736) spent on rent, \$49,793 (2016 - \$Nil) on professional fees, \$10,646 (2016 - \$Nil) on transfer agent and filing fees, \$495 (2016 - \$Nil) on travel and promotion, and \$487 (2016 - \$23) on office and miscellaneous. The Company also incurred a stock based compensation charge of \$96,893 (2016 - \$Nil).

Nine month period ended May 31, 2017

During the nine months ended May 31, 2017 the Company reported a net loss of \$196,083 (2016 - \$2,440). Included in the determination of operating loss was \$6,558 (2016 - \$1,239) spent on rent, \$68,881 (2016 - \$385) on professional fees, \$22,174 (2016 - \$Nil) on transfer agent and filing fees, \$495 (2016 - \$Nil) on travel and promotion and \$1,082 (2016 - \$816) on office and miscellaneous. The Company also incurred a stock base compensation charge of \$96,893 (2016 - \$Nil)

SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	May 31, <u>2017</u>	February 28, <u>2017</u>	November 30, <u>2016</u>	August 31, <u>2016</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (160)	\$ (27)	\$ (9)	\$ (6)
Basic and diluted Loss per share	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.00)

	May 31, <u>2016</u>	February 29, <u>2016</u>	November 30, <u>2015</u>	August 31, <u>2015</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (1)	\$ (1)	\$ (1)	\$ (1)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at May 31, 2017 were \$283,106 compared to \$16,862 at August 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	May 31, 2017	August 31, 2016
	\$	\$
Accounts payable and accrued liabilities	5,460	18,456

The amounts are due to a company controlled by a director of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions for the six month period ended:

	2017	2016
	\$	\$
Professional fees	12,600	—
Total	12,600	—

Professional fees and rent were provided by companies owned or controlled by directors of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims.

SUBSEQUENT EVENTS

There were no material subsequent events.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

IAS 1 – Presentation of Financial Statements

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

IAS 1 – Presentation of Financial Statements

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company’s cash is classified as FVTPL assets.

Held-to-maturity (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets (“AFS”)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 10,428,000 shares issued and outstanding as at May 31, 2017 and June 26, 2017.

Share Purchase Options

The Company has 800,000 stock options outstanding at May 31, 2017 and June 26, 2017.

Warrants

The Company had 256,000 share purchase warrants outstanding at May 31, 2017 and June 26, 2017.

Escrow Shares

The Company has 2,160,000 shares held in escrow as at May 31, 2017 and June 26, 2017.