



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2019**

**As at February 27, 2020**

This Management's Discussion and Analysis ("MD&A") of McLaren Resources Inc. (CSE: MCL) ("McLaren" or the "Company") has been prepared by management of the Company and should be read in conjunction with the Company's annual audited financial statements and notes thereto for the fiscal years ended September 30, 2019 and September 30, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Additional information regarding the Company can be found on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). The MD&A is dated February 27, 2020 and is current to that date, unless otherwise stated.

#### ***Forward Looking Statements***

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
Potential of the Company's properties to contain economic deposits of gold and/or other metals	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Gold price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company's ability to meet its working capital needs at the current level for the twelve month period ending December 31, 2020 and beyond  The Company expects to incur further losses in the development of its business	The operating and exploration activities of the Company for the twelve-month period ending December 31, 2020 and beyond, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company's ability to carry out anticipated exploration on its property interests	The exploration activities of the Company for the twelve-month period ended December 31, 2020, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of gold and/or other applicable metals will be favourable to the Company; no title disputes exist with respect to the Company's properties	Gold price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; failure to incur qualified expenditures for certain tax credits; the Company's ability to retain and attract skilled staff
Management's outlook regarding future trends, including the future price of gold and availability of future financing	Financing will be available for the Company's exploration and operating activities; the price of gold and/or other applicable metals will be favourable to the Company	Gold price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Sensitivity analysis of financial instruments	Interest rates will not be subject to change in excess of plus or minus 1% based on management's knowledge and experience of the financial markets, the Company believes that there would be no material changes to its results for the three month period ended December 31, 2019, as a result of changes in foreign exchange rates	Changes in interest rates and exchange rate fluctuations
Prices and price volatility for gold	The price of gold will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of gold will be favourable	Changes in debt and equity markets and the spot price of gold; interest rate and exchange rate fluctuations; changes in economic and political conditions

## **OVERVIEW**

McLaren was incorporated on July 13, 1999 under the Business Corporations Act (Ontario). Since that time, the Company has predominantly been engaged in the acquisition, exploration and development of gold properties in Ontario.

## **MINERAL EXPLORATION PROPERTIES**

None of the Company's mineral properties are at or near production. As at December 31, 2019, the Company held the following mineral properties:

### **Augdome**

The Company controls a 100% interest in the 414-hectare Augdome Gold Property located in Tisdale and Whitney Townships in the prolific Timmins Gold District, Northeastern Ontario. The Property is located immediately east of the Dome Mine operated by Newmont Corporation ("Newmont"). In 2016, Newmont announced an indicated mineral resource of 4.5 million ounces and an inferred mineral resource of 0.9 million ounces on the Dome Mine property in what is now being called the Dome Century Project. The Dome Century Project envisions doubling the size of the footprint of the Dome Open Pit Mine which is situated immediately adjacent to the gold mineralization on the Augdome Gold Property that was the focus of an eleven-hole, 1,727 metre diamond drilling program completed by the Company in 2017 (see news release dated January 4, 2018). During the fall of 2018, the Company granted Newmont surface access to the Augdome Gold Property in order for Newmont to undertake 1,076 metres of diamond drilling in two holes and other geotechnical work related to the possible expansion of the Dome Open Pit Mine.

### **Blue Quartz / BQ-Extension Properties**

On December 6, 2010, McLaren and Orla Mining Ltd. entered into an option agreement whereby McLaren could earn a 50% interest in the Blue Quartz gold property (the "Blue Quartz Property"), with McLaren having the right of first refusal on the remaining 50% interest. McLaren earned a 50% interest in the Blue Quartz Property, with a cash payment of \$10,000, and spending \$200,000 on exploration and evaluation expenditures ("E&E") on or before September 1, 2011. The Blue Quartz Property consists of 25 patented mining claims located in Beatty Township, Northern Ontario.

During December 2011, the Company completed the \$200,000 in E&E and exercised its option to acquire a 50% interest in the Blue Quartz Property which is subject to 1.0% net smelter royalty ("NSR") held by the predecessor companies, Thundermin Resources Inc. and Wesdome Mines Ltd. The Company has the right to purchase 50% of the NSR from the predecessor companies for \$250,000. McLaren and Orla agreed to associate on a shared cost basis for further E&E of the Property.

On July 26, 2011, the Company purchased a 100% interest in 8 unpatented claims from 2285944 Ontario Limited (the "BQ-Extension Property") totaling 240 hectares for \$68,000.

## **TimGinn**

On February 14, 2019, the Company announced the successful completion of a six-hole, 3,189 metre exploration drill program on its 238-hectare TimGinn Gold Property (see news release dated February 14, 2019).

On November 7, 2011, the Company announced that it had signed a Letter of Intent ("LOI") with TimGinn Exploration Limited to earn a 60% interest in a past-producing gold property (the "TimGinn Property") located in Tisdale Township in the heart of the Timmins Gold Camp adjacent to Goldcorp's Hollinger Mine (19.3 million oz) and McIntyre Mine (10.7 million oz). The TimGinn Property consists of 9 mining claims covering 238 hectares. There was brief gold production on the TimGinn Property during the 1920's by Consolidated Gilles Lake Gold Mines when a two compartment shaft was sunk to a depth of 940 feet. The TimGinn Property is unexplored 300 m deep.

During fiscal 2020, the Company plans to continue to pursue new exploration properties of merit in the Timmins gold camp.

## **Other Prospects**

During the three month period, the Company completed geological mapping, prospecting and grab sample surveys on selected other exploration properties in the Timmins area in the search for other gold-bearing properties of merit. This exploration work did not lead to the acquisition of any new gold properties but the Company plans to continue to pursue new exploration properties of merit.

## **OBJECTIVES AND MILESTONES**

McLaren was incorporated on July 13, 1999 under the Business Corporations Act (Ontario). Since that time, the Company has predominantly been engaged in the acquisition, exploration and development of gold properties in Ontario. On December 7, 2016, the Company announced the signing of an agreement with TimGinn Exploration Limited to renew the TimGinn Property option agreement for a term of five years with an effective start date of January 1, 2017. McLaren can earn a 50% interest in the TimGinn Property by spending \$1.4 million over five years. The Company completed assessment programs during this fiscal quarter; spending over \$64,911 on programs on the TimGinn and Augdome properties.

## **FINANCING**

On December 31, 2019, the Company issued 600,000 Flow-through common share units at \$0.05 per share for gross proceeds of \$30,000. Each Flow-through unit consists of one Flow-through common share and one half (1/2) common share purchase warrant. Each whole warrant is exercisable at \$0.10 for a period of 18 months from the date of issuance. The Company shall have the right to accelerate the exercise of the warrants if the Company's shares trade at a weighted average price exceeding \$0.15 per share for 20 consecutive trading days. In connection with the financing, the Company paid a finder's fees consisting of \$2,100 in cash and also issued 42,000 Broker warrants with an exercise price of \$0.10 per share for a period of 18 months from the date of issuance. The Flow-through warrants were valued at \$1,077 and the Broker warrants were valued at \$151 using the Black-Scholes valuation model.

As the Flow-through shares were issued at a premium to the closing market price, a Flow-through share premium of \$15,000 was recorded.

On December 31, 2018, the Company issued 2,000,000 Flow-through common share units at \$0.05 per share for gross proceeds of \$100,000. Each Flow-through unit consists of one Flow-through common share and one half (1/2) common share purchase warrant. Each whole warrant is exercisable at \$0.10 for a period of 18 months. The Flow-through warrants were valued at \$2,202 using the Black-Scholes valuation model. A Finder fee of \$8,000 was paid in cash.

As the Flow-through shares were issued at a premium to the closing market price, a Flow-through share premium of \$57,798 was recorded.

## **OVERALL PERFORMANCE**

Over the last several years, the global financial and commodity markets continues to be characterized by volatility as market participants reacted and responded to uncertainty over the North American and international economies. These circumstances have had an impact on the Company's operations and, in particular, on the economics of its existing exploration and development projects, its strategy to evaluate and, if attractive, complete potential acquisitions and otherwise its ability to pursue growth opportunities.

### Selected Financial Information

The following table provides selected financial information for the years ended September 30, 2019 and the two most recent years ended September 30, 2018 and September 30, 2017.

	September 30 2019 \$	September 30 2018 \$	September 30 2017 \$
Revenue	-	-	-
Operating expenses	482,000	1,047,517	179,379
Exploration and evaluation expenditures	291,599	539,242	15,137
Net Loss	(459,340)	(1,013,623)	(321,372)
Loss per share	(0.01)	(0.02)	(0.01)
Total Assets	123,400	536,875	482,872
Liabilities	60,896	49,233	84,668
Dividend Paid	\$Nil	\$Nil	\$Nil

The following tables summarize selected quarterly financial data of the Company for the eight most recent quarters.

### Results of Operations

#### Quarterly Financial Information (unaudited)

	2020	2019	2019	2019
	Q1	Q4	Q3	Q2
(a) Revenue	\$-	\$-	\$-	\$-
(b) Net loss	\$(61,518)	\$(43,876)	\$(47,142)	\$(61,422)
(c) Net loss per share (basic and fully diluted)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
	2019	2018	2018	2018
	Q1	Q4	Q3	Q2
(a) Revenue	\$	\$	\$	\$
(b) Net loss	\$(306,900)	\$(277,946)	\$(190,948)	\$(352,445)
(c) Net loss per share (basic and fully diluted)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

## **OPERATIONAL REVIEW & RESULTS OF OPERATIONS**

FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2019

Net loss for the three month period ended December 31, 2019 was \$(61,518) as compared to net loss of \$(312,000) for the same period in 2018. During the three month period ended December 31, 2019 the Company reduced spending on both G&A 2019 – \$36,394 (2018 – \$59,155) and exploration 2019 - \$64,911 (2018 - \$254,418).

## **FINANCINGS**

On December 31, 2019, the Company issued 600,000 Flow-through common share units at \$0.05 per share for gross proceeds of \$30,000. Each unit consists of one Flow-through common share and one half (1/2) common share purchase warrant, exercisable at \$0.10 for a period of 18 months. The also issued 42,000 Broker warrants on the same terms. The common share purchase warrants were valued at \$1,077 and the Broker warrants were valued at \$151 using the Black Scholes valuation model. A finder fee of \$2,100 was paid in cash.

See note 12b(i) of the Financial Statements and news releases filed January 2, 2020 on [www.sedar.com](http://www.sedar.com).

## **LIQUIDITY**

### **Operating Activities**

Cash flow used in operating activities during the three month period ended December 31, 2019 was \$101,305. The Company spent \$64,911 on E&E and \$36,394 on operating and administrative expenses during the period.

### **Liquidity Outlook**

As at this report date, February 27, 2020, the Company has \$21,470 in cash. At December 31, 2019 the Company had cash of \$37,945 available, a decrease of \$51,360 from the September 30, 2019 balance of \$89,305.

As at December 31, 2019, the Company had a working capital surplus of \$13,886 a decrease of \$48,618 from the working capital balance surplus of \$62,504 at September 30, 2019.

Notwithstanding the success to date in acquiring equity financing on acceptable terms, there is no guarantee of obtaining future equity financings or on what terms any such equity capital may be available to the Company and, as such, alternative funding programs are also being pursued by the Company.



The Company must utilize its current cash reserves, funds obtained from the exercise of options and warrants, if any, and other financing transactions to maintain the Company's capacity to meet working capital requirements, ongoing discretionary and committed exploration programs. The Company anticipates that it will raise additional capital when and if the opportunity arises. See "Risk Factors".

On the date of this MD&A, the cash resources of the Company, \$20,961, are held in cash with a major Canadian financial institution. Amounts receivable are comprised of sales tax receivables from the Government of Canada and other receivables.

#### **OFF STATEMENT OF FINANCIAL POSITION TRANSACTIONS**

During the three month period ended December 31, 2019, there were no off statement financial position transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

#### **PROPOSED TRANSACTIONS**

The Company plans to continue exploration and evaluation activities on its TimGinn, Blue Quartz and Augdome properties near Timmins Ontario. The Company also plans to identify other gold properties of merit in the Timmins area for possible acquisition or joint venture.

#### **DIVIDENDS**

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

#### **CONTINGENCIES AND COMMITMENTS**

The Company has made the following commitments as of the date of this MD&A:

As at December 31, 2019 under the Flow-through share issuance as described under note 12(b) to the Financial Statements, the Company is obligated to incur \$30,000 of eligible Canadian exploration expenditures for renunciation to the flow-through shares subscribers by December 31, 2020.



## RELATED PARTY TRANSACTIONS

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to McLaren. All transactions were conducted in the normal course of operations and are measured at the exchange amounts as follows:

	December 31,	
	2019	2018
Management and consulting fees paid to officers and directors	<b>18,000</b>	24,000
Paid to a law firm which an officer is a partner	<b>3,350</b>	1,127
Other remuneration to officers and directors	<b>7,500</b>	7,500
Amounts outstanding at end of period	<b>Nil</b>	Nil
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Director fees	<b>Nil</b>	Nil
Amounts outstanding at end of period	<b>Nil</b>	Nil

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at December 31, 2019:

Common Shares of no par value	Number
Shares	55,575,511
Options	2,375,000
Warrants	7,072,000
Fully diluted shares	<b>65,022,511</b>

See note 12 to the financial statements for more detailed disclosure of outstanding shares data.

## Financial Instruments

### Fair Value of Financial Assets and Liabilities

Financial statement item	Classification and Measurement
Cash	FVTPL
Marketable securities	Fair value through other comprehensive income
Amounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost

The Company's financial instruments comprise cash, marketable securities, accounts receivable and accounts payable and accrued liabilities.

As at December 31, 2019, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

### Financial Instrument Risk Exposures

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from its financial instruments and that their fair values approximate their carrying value unless otherwise noted. Fluctuation in currency exchange rates, have no material impact on the Company's earnings and cash flows.

## Risks and Uncertainties

### Political Risk

All of the Company's mineral properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in this country. The Company's mineral exploration activities could be affected in varying degrees by political instability, aboriginal land claims and government regulation relating to the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

### Interest Rate Risk

The Company invests cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates.

### **Equity Price Risk**

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its investments. The Company's other financial instruments (cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities) are not subject to price risk.

### **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 December 31, 2019, the Company had current assets of \$76,745 (September 30, 2019 - \$123,400) and current liabilities of \$62,859 (September 30, 2019 - \$60,896). All of the Company's financial liabilities and receivables are subject to normal trade terms. The Company had a current working capital surplus, as of December 31, 2019, of \$13,886 (September 30, 2019 – \$62,504).

### **Business Risk**

There is numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral claims, concessions, rights or other interests. Similarly, any non-compliance with or non-satisfaction of the terms of an option agreement by the Company could affect its ability to exercise the option and earn its interest in the claims, concessions and assets relating to mineral properties. Mining claims, concessions or other interests may not include surface rights and there can be no assurance that the Company will be successful in negotiating long-term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations.

The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance

### **Foreign Currency Risk**

The Company's exploration and evaluation activities are substantially denominated in Canadian dollars. The Company's funds are kept in Canadian dollars, with a major Canadian financial institution.

### **Commodity Price Risk**

The price of the common shares in the capital the Company, its financial results, exploration and evaluation activities have been, or may in the future be, adversely affected by declines in the price of gold and/or other metals. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests in properties related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

### **Environmental and Permitting**

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### **Additional Capital**

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

### **Segregation of duties**

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Reliance on Management**

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business. Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

## **OTHER INFORMATION**

This MD&A of the financial position and results of operations as at December 31, 2019, should be read in conjunction with the Company's annual audited financial statements and the related notes for the years ended September 30, 2019 and 2018. Additional information will be accessible at the Company's website [www.mclarenresources.com](http://www.mclarenresources.com) or through the Company's public filings at [www.sedar.com](http://www.sedar.com).

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

The Company has designed appropriate internal controls over financial reporting ("ICFR") for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. ICFR should include those policies and procedures that establish the following inter-related, non-discrete results:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board ; and

- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.
- There have been no changes in ICFR during the three month period ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Management is responsible for all information contained in this MD&A. The financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the audited financial statements and condensed unaudited interim financial statements with management. The Board of Directors has approved these financial statements on the recommendation of the Audit Committee on February 27, 2020.

## **SUBSEQUENT EVENTS**

There were no subsequent events to report.

## **OFFICERS AND DIRECTORS**

John Heslop	Director, Executive Chairman
Radovan Danilovsky	President
David McDonald	Chief Financial Officer
Nadim Wakeam	Corporate Secretary
Paul Crath	Director
John Holko	Director
Dr. Andrew Ramcharan	Director

Signed  
*s"Radovan Danilovsky"*  
President  
February 27, 2020