



**ORFORD MINING CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three and Six Months Ended June 30, 2019 and 2018

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Interim Management's Discussion & Analysis  
Three and six months ended June 30, 2019

## **INTRODUCTION**

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The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Orford Mining Corporation ("**Orford**" or the "**Corporation**") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and six-month period ended June 30, 2019. This MD&A, dated August 26, 2019, is intended to supplement and complement the Corporation's audited condensed consolidated interim financial statements – prepared in accordance with International Financial Reporting Standards ("**IFRS**") – and related notes for the year ended December 31, 2018 on file with Canadian provincial securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com). Unless otherwise noted, all amounts presented are in Canadian dollars.

## **DESCRIPTION OF BUSINESS**

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Orford is a mineral resource corporation primarily focused on the exploration of its Qiqavik and West Raglan exploration projects (gold, nickel) in northern Quebec. The Qiqavik Project hosts several new high-grade gold discoveries along a mineralized trend in excess of 40 km long.

## **SECOND QUARTER AND 2019 HIGHLIGHTS**

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- On July 23, 2019, the Corporation announced the appointment of Mr. Peter MacPhail to its Board of Directors effective immediately. Mr. MacPhail is the Chief Operating Officer of Alamos Gold Inc. and brings significant gold-focused operational experience to the Orford Board.
- On July 10, 2019, the Corporation commenced with the 2019 summer exploration program at Qiqavik Gold Property. The program will include geophysics, geochemical sampling, geological mapping and diamond drilling.
- On July 5, 2019, the Corporation closed a non-brokered multi-tranche private placement financing (the "Offering") of 8,963,337 flow-through shares for aggregate gross proceeds of \$1,305,460. The first tranche consisted of 5,457,692 flow-through shares at an issue price of \$0.13 per share for gross proceeds of \$709,500. The second tranche consisted of 3,505,645 flow-through shares at an issue price of \$0.17 per share for gross proceeds of \$595,960. In addition, Orford issued 9,678,373 hard dollar units ("Units") at an issue price of \$0.10 per Unit for gross proceeds of \$967,837. The Units are comprised of one common share of Orford and one-half common share purchase warrant (each whole warrant a "Warrant"). Each Warrant is exercisable at a price of \$0.20 per common share for a period of 24 months following the closing date, subject to acceleration in the event that the volume weighted average trading price of the common shares is equal to or greater than \$0.60 for a period of more than 20 consecutive trading days following the date that is four months and one day following the closing date. The total gross proceeds of the Offering were \$2,273,297. Following this transaction and a third party transaction Alamos Gold Inc. (AGI=TSX) ("Alamos") now owns 22.2% of the issued and outstanding shares of the corporation.
- On May 17, 2019, the Corporation closed a non-brokered private placement of: (i) 11,764,706 flow-through shares at an issue price of \$0.17 per share, for aggregate gross proceeds of \$2,000,000, and (ii) 3,000,000 hard dollar common shares at an issue price of \$0.10 per share with Alamos. ("Alamos"), for gross proceeds of \$300,000 (the "Offering"). Total gross proceeds of the Offering were \$2,300,000 less the flow through share liability of \$823,529 and issuance costs of \$45,000. On closing, Alamos held 14,764,706 common shares of the Corporation, or 19.3% of its issued and outstanding common shares.
- On May 13, 2019, Orford announced that it has begun the 2019 Exploration program on its Qiqavik gold project in the Cape Smith Belt located in Northern Quebec. The first phase of this program consists of

a ground Induced Polarization (IP) survey to test high priority target areas. The survey began on May 8, 2019 and will continue for approximately two weeks.

## OPERATIONAL REVIEW

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### Exploration Properties

#### **Qiqavik Property**

The Corporation's Qiqavik Project is a property in Northern Quebec within the Cape Smith Belt, showing a high-grade gold, silver, copper and zinc mineralized trend.

Exploration efforts during the summer of 2018 were focused on discovering structural and chemical traps within the Qiqavik gold system, which includes the newly identified Interlake area just south of the Central Zone.

The 2018 Qiqavik summer exploration program was successful in identifying additional gold showings at the Focused Intrusive, Central, and Gerfaut zones, as well as new showings at the Interlake, Django and Angus zones. Drilling in 2018 was successful in intersecting a thick intersection of gold mineralization in the Interlake Shear Zone. The Interlake structural corridor is also a focus in the 2019 exploration program.

The drilling was focused in the Interlake area where three boreholes testing two parallel E-W conductors identified over a 310 m strike-length between two shallow lakes were tested. Borehole QK-18-002, drilled to the south, was collared 200 metres to the northwest of boreholes QK-18-007 and QK-18-008, which were both drilled northward from the same set up but with different inclination. Hole QK-18-008 intersected the gold zones 15 metres below the intersection in hole QK-18-007. The three boreholes intersected four gold-bearing structures located along a 13 km-long chain of E-W-trending lakes and rivers and hosted between two important thrust zones, including the Qiqavik break (Results in Table1).

Table 1: Notable 2018 Qiqavik Drilling Results (Notable is defined as intervals  $\geq 1$ m with an average of  $>0.4$ g/t Au; averages were weighted by assay length).

|  | From (m) | To (m) | Length (m) | Au (g/t) |
|--|----------|--------|------------|----------|
| QK-18-002                                    | 17.0     | 18.6   | 1.6        | 0.56     |
| QK-18-002                                    | 58.6     | 62.9   | 4.3        | 0.51     |
| QK-18-002                                    | 132.0    | 134.0  | 2.0        | 1.44     |
| QK-18-002                                    | 171.0    | 178.0  | 7.0        | 0.35     |
| QK-18-007                                    | 14.4     | 26.4   | 12.0       | 0.66     |
| QK-18-007                                    | 45.0     | 49.0   | 4.0        | 0.61     |
| QK-18-007                                    | 53.4     | 56.0   | 2.6        | 1.68     |
| QK-18-008                                    | 44.0     | 68.6   | 24.6       | 0.48     |
| <i>including 1m @ 3.55g/t Au from 48-49m</i> |          |        |            |          |
| QK-18-008                                    | 89.0     | 90.0   | 1.0        | 1.82     |

*Note: drill intervals reported above are down-hole core lengths as true thicknesses cannot be determined with available information.*

Two of the gold-bearing shear zones correspond to the targeted conductors and are characterized by graphite, pyrrhotite, and up to 15% quartz veining. The shear zones are sub-vertical, East-trending structures and their magnetic signature suggests that they may extend for at least another 1 kilometer to the east and 800 meters to the west, under shallow lakes. Boreholes QK-18-002, -007 and -008 confirmed the lateral and vertical extensions of the southern most strong conductor that also coincides with a magnetic high lineament. The three boreholes intersected 4.35 m of 0.51 g/t Au, 4.03 m of 0.61 g/t Au, and 24.56 m of 0.48 g/t Au respectively, confirming the extension of the shear zone to a vertical depth of at least 130 metres.

During the 2018 field season, additional till samples from frost boils were collected to the south of the drill tested structures to potentially close off the dispersion trains to the north or identify additional parallel gold-bearing structures to be drilled in 2019. Frost boil samples represent the fine fraction of basal till that has been mobilised to surface by the freeze-thaw cycle and, given the glacial history of the Qiqavik region, are indicative of close bedrock sources to the south of the anomalies. Glacial history in the Qiqavik region points to a glacial centre not far to the south west of the property and therefore very little glacial movement of materials across the Qiqavik property. This has resulted in short transport distances observed at the Esperance and Interlake mineralized trends. Results at Central Qiqavik show a dispersion trail cut-off at the shear zone that hosts the previously reported drill-proven Interlake gold mineralization (see Orford's news release of October 16, 2018). To the East of Interlake along an untested portion of the same shear zone, a stronger and wider dispersion trail is cut off at the shear zone. Additionally, a separate dispersion trail to the south of this Interlake East anomaly is cut-off by a parallel structure.

The 2019 exploration program is in progress. The first phase of the program was conducted in May 2019 and consisted of the initiation of Induced Polarization (IP) surveys over shallow frozen lakes in high priority target areas using Abitibi Geophysics's Orevision™ system. The second phase of his work was continued beginning on July 8th with the mobilization of field crews to complete of the 34.8 line-km IP surveys, a 1128 line-km Airborne Electromagnetic (EM) survey using Geotech's VTEM™ system, detailed geological and structural mapping as well as frost boil and large till sampling to develop multi-parameter drill targets. The third phase of the program consisting of 1500m of drilling on the best targets began on August 2<sup>nd</sup>.

To August 26, 2019 this field work has resulted in:

- Extension of the 2018 mineralized and structural trend at Interlake to 5 km with the identification of a thick (approximately 500m) structural package of multiple shears and crosscutting structures associated with potentially gold bearing mineralization associated with sulphide minerals containing copper, zinc, and lead (pyrite, chalcopyrite, sphalerite and galena).
- Identification of new Au anomalies in boulders of up to 648 g/t Au north of the IP Lake Shear Corridor.
- Identification of a large new structural corridor (approximately 75-100m wide) that extends from IP Lake westward for approximately 10 km. The shear is hosted in basalt and meta-sediments and contains decimetre-scale quartz vein boulders with sphalerite, chalcopyrite, galena and pyrite that report Au values by portable XRF.
- Identification of several IP anomalies associated with surface mineralization at Interlake and IP Lake that will be tested by drilling.
- Identification of new untested EM drill targets along the main Esperance trend, and additional EM anomalies to the south of the main trend.
- The 2019 program has included IP, VTEM, geological mapping, frost boil and till sampling, prospecting and diamond drilling.

Results of the ongoing program are pending and will be published when they are received.



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**West Raglan Property**

West Raglan is a mature nickel sulphide exploration project located in the centre of the Cape Smith Belt in northern Quebec, Canada.

In 2018, \$134,649 was spent on property maintenance. No physical work occurred on the West Raglan project in 2018 or 2019 as at June 30, 2019.

**Outlook**

The outlook and financial targets only relate to fiscal 2019. This outlook includes forward-looking information about the Corporation's operations and financial expectations and is based on management's expectations and outlook as of August 26, 2019. This outlook, including expected results and targets, is subject to various risks, uncertainties and assumptions, which may impact future performance and our achievement of the results and targets discussed in this section. For additional information on forward-looking information, refer to "Forward-Looking Information" of this MD&A. This outlook may be periodically updated depending on changes in metals prices and other factors.

At Qiqavik, the summer 2019 exploration program is currently in progress. Interim results are presented above, pending results will be published when they are received.

The West Raglan property has excellent potential to deliver the nickel and cobalt required to meet the massive demand growth expected from the electric vehicle and energy storage market in the coming decade and is strategically located in an established nickel mining camp. Orford is seeking strategic partners to explore and develop the West Raglan property. The Corporation will focus on the highly prospective and under-explored Cape Smith Belt in Northern Quebec, a region that bears strong geological similarities and is in close proximity to an existing flagship mining operation for a major mining producer (Cape Smith Belt – Raglan Mine, Glencore), while seeking new opportunities to add to its portfolio.

**RESULTS OF OPERATIONS**

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**Three months ended June 30, 2019, compared with the three months ended June 30, 2018**

The Corporation's loss before income tax for the three months ended June 30, 2019 of \$349,598 (2018 - \$541,541) was lower than the comparative three-month period in 2018 by \$191,943. The loss for the three months of 2019 had no exploration and evaluation costs activities in respect of Carolina properties compared to the same period of 2018 which had costs of \$215,947, which is the primary reason for the year over year decline in the net loss. The largest increase in expenses resulted from an increase in investor relations costs from \$48,823 for the three-month period ended June 30 2018 to \$93,282 for the same three-month period ended June 30, 2019. The increase is primarily due to an increase in the second quarter cost of consulting fees of \$45,000 associated with the issuance of 3 million shares to Alamos and an additional \$25,000 increase in investor relations activities.

**Six months ended June 30, 2019, compared with the six months ended June 30, 2018**

The Corporation's loss before income tax for the six months ended June 30, 2019 of \$585,266 (2018 - \$1,140,256) was lower than the comparative six-month period in 2018 by \$554,990. The loss for the six months of 2019 had no exploration and evaluation costs activities in respect of Carolina properties compared to the same period of 2018 which had costs of \$575,959 which is the primary reason for the year over year decline in net loss. Office and general expenses of \$180,426 are mainly due to management salaries and corporate office rent which increased by \$63,312 compared to the same period 2018 of \$117,114. Management services for the first six months of 2019 were \$140,415, a decrease of \$64,421 compared with the same six-month period of the prior year. This reduction in management services due to the termination of an executive services agreement with Dundee Resources Ltd. ("**Dundee**") on May 1, 2018, was offset by an increase in office and general expenses from the hiring of full-time management personal in 2018.



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### Summary of Quarterly Results

|                                  | 2019       |            |            | 2018       |            |            | 2017      |              |  |
|----------------------------------|------------|------------|------------|------------|------------|------------|-----------|--------------|--|
|                                  | Q2         | Q1         | Q4         | Q3         | Q2         | Q1         | Q4        | Q3           |  |
| Loss before income taxes         | \$ 349,598 | \$ 235,668 | \$ 702,460 | \$ 696,191 | \$ 541,541 | \$ 598,715 | 1,880,482 | \$ 4,088,180 |  |
| Net loss and comprehensive loss  | 302,526    | 235,798    | 726,973    | 594,376    | 726,219    | 608,871    | 1,711,544 | 3,720,551    |  |
| Basic and diluted loss per share | 0.00       | -          | 0.01       | 0.01       | 0.02       | 0.01       | 0.04      | 0.11         |  |

In 2019, the second quarter had an increase in net loss before taxes of \$113,930 compared to the first quarter, primarily due to no exploration and evaluation expenditures associated with Carolina properties during the quarter, following the January 2019 election not to maintain the earn-in option on these properties and did not incur any expenses related to them in since the first quarter of 2019.

### Cash Flows, Liquidity and Capital Resources

| For the periods ended June 30,             | Three months ended, |             | Six months ended,  |               |
|--|---------------------|-------------|--------------------|---------------|
|  | 2019                | 2018        | 2019               | 2018          |
| <b>Sources and uses of cash</b>            |                     |             |                    |               |
| Cash used in operating activities          | <b>\$(127,689)</b>  | \$(460,021) | <b>\$(412,024)</b> | \$(1,060,989) |
| Cash provided used in investing activities | <b>(578,831)</b>    | (1,037,656) | <b>(649,859)</b>   | (1,419,755)   |
| Cash provided by financing activities      | <b>2,274,835</b>    | -           | <b>2,269,671</b>   | 322,910       |
| Change in cash and cash equivalents        | <b>1,568,315</b>    | (1,497,677) | <b>\$1,207,788</b> | \$(2,157,834) |

#### Operating Activities

Cash used by operating activities for the six-month period ended June 30, 2019 of \$412,024 was \$648,965 or 61% lower when compared to the same six-month period in 2018 of \$1,060,989. This was primarily due to the improvement in net loss of \$554,990 as described above. All other operating activities remained consistent for both the three and six-month periods ending June 30, 2018 and 2019 with the exception of accounts payable and accrued liabilities. The accounts payable and accrued liabilities for the three months ended June 30, 2019 increased by \$253,259 compared to the same three months ended June 30, 2018 of \$125,191 an increase of \$128,068. The accounts payable and accrued liabilities for the six-month period ended June 30, 2019 of \$158,939 increased by \$121,010 compared to the same six-month period ended June 30, 2018 of \$37,929.

#### Investing Activities

For the six month-period ended June 30, 2019, total cash used by investing activities of \$649,859 was lower than the prior year level of \$1,419,755 for the same six-month period ended June 30, 2018. The three-month period ended June 30, 2019 of \$578,831 was a reduction of \$458,825 when compared to the same three-month period ended June 30, 2018 of \$1,037,656. The reason for the decrease relates to the reduction in the helicopter borne magnetic survey completed in 2018 which covered the entire 248km<sup>2</sup> of the properties.

#### Financing Activities

For the six months ended June 30, 2019, cash provided by financing activities was \$2,269,671 compared with the same six-month period of 2018 of \$322,910. Financing activities for the first six months of 2019 related entirely to a share issuance that took place during the three-month period ended June 30, 2019 providing the Corporation with total gross proceeds of \$2,300,000. The financing during the six months ended June 30, 2019 involved the issuance of 11,764,706 shares at a price of \$0.17 and an additional 3,000,000 at a price of \$0.10.



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## Liquidity and Capital Resources

(in thousands of dollars)

| For the periods ended      | June 30,<br>2019 | December 31,<br>2018 |
|----------------------------|------------------|----------------------|
| Cash and cash equivalents  | \$ 1,970,352     | \$ 762,564           |
| Working capital            | 1,245,662        | 87,781               |
| Mineral property interests | 9,176,973        | 8,400,183            |
| Total assets               | 11,873,875       | 9,756,073            |
| Shareholders' equity       | 8,118,018        | 6,978,657            |

The six-month period ended June 30, 2019 saw an increase in working capital of \$1,157,881 compared to the same six-month period ended June 30, 2018. The increase was primarily due to the increase in cash of \$1,207,788 for the six months ended June 30, 2019 which was primarily due to the share financing described above. The six months ended June 30, 2019 also reported an increase in accounts payable of \$158,939.

The Corporation's total assets increased during the six-month period ended June 30, 2019 by \$2,117,802 to \$11,873,875. The increase was primarily due to an increase in cash and cash equivalents as a result of financing activities during the three-month period ended June 30, 2019.

## OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

## OUTSTANDING SHARE DATA

As at August 26, 2019, the Corporation had 94,975,170 common shares issued and outstanding.

As at August 26, 2019, the Corporation had the following securities outstanding, which are exercisable for common shares:

|               | Number of Securities | Weighted Average<br>Exercise Price |
|---------------|----------------------|------------------------------------|
| Stock options | 6,585,968            | \$0.32                             |
| Warrants      | 10,180,573           | \$0.62                             |



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## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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The preparation of consolidated financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Corporation's critical accounting policies and accounting estimates in note 2 of the audited consolidated financial statements for the year ended December 31, 2018.

With the exception of the new accounting policy (IFRS 16 – Leases) highlighted in note 2 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019, there were no changes to the accounting policies applied by the Corporation to its June 30, 2019 unaudited condensed interim consolidated financial statements, compared to those applied by the Corporation to the audited consolidated financial statements for the year ended December 31, 2018.

## **RISK FACTORS**

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The Corporation is subject to a number of risks and uncertainties. The risk factors are discussed in the Corporation's December 31, 2018 and 2017 Management's Discussion and Analysis filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **SUBSEQUENT EVENT**

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On July 5, 2019, Orford closed a non-brokered multi-tranche private placement financing (the "Offering") of 8,963,337 flow-through shares for gross proceeds of \$1,305,460. The first tranche consisted of 5,457,692 flow-through shares at an issue price of \$0.13 per share for gross proceeds of \$709,500. The second tranche consisted of 3,505,645 flow-through shares at an issue price of \$0.17 per share for gross proceeds of \$595,960. In addition, Orford issued 9,678,373 hard dollar units ("Units") at an issue price of \$0.10 per Unit for gross proceeds of \$967,837. The Units are comprised of one common share of Orford and one-half common share purchase warrant (each whole warrant a "Warrant"). Each Warrant is exercisable at a price of \$0.20 per common share for a period of 24 months following the closing date, subject to acceleration in the event that the volume weighted average trading price of the common shares is equal to or greater than or greater than \$0.60 or higher for a period of more than 20 consecutive trading days following the date that is four months and one day following the closing date. The total gross proceeds of the Offering were \$2,273,297.



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### **Cautionary Statement Regarding Forward-Looking Information**

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This MD&A contains "forward-looking information" which may include, but is not limited to, statements relating to the liquidity and capital resources of Orford, and the potential of the Qiqavik and West Raglan projects, successfully obtaining project financing, successfully obtaining permitting, the future financial or operating performance of the Corporation and its projects, the future price of and supply and demand for metals, the estimation of mineral reserves and resources, the realization of mineral reserves and resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration as well as the potential of exploration properties, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations and economic return estimates. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Readers should not place undue reliance on forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could affect the outcome include, among others: project delays; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative metal sources or substitutions; actual metal recovery; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Corporation; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities. Such forward-looking statements are also based on a number of material factors and assumptions, including: the availability of financing at rates and on terms and conditions otherwise acceptable to the Corporation; future metal prices; permitting and development consistent with Orford's expectations; foreign exchange rates; prices and availability of equipment; that contracted parties provide goods and/or services on the agreed timeframes; that on-going contractual negotiations will be successful and progress and/or be completed in a timely manner; and that no unusual geological or technical problems occur.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A, and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.