

CONFEDERATION MINERALS LTD.
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Form 51-102F1

**INTERIM MANAGEMENT DISCUSSION & ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2018**

DATE: February 28, 2019

This interim Management Discussion and Analysis – Quarterly Highlights (“Interim MD&A”) has been prepared as of the date mentioned above. This interim MD&A updates disclosure previously provided in our Annual MD&A, up to the date of this Interim MD&A, and should be read in conjunction with our unaudited interim consolidated financial statements for the six months ended December 31, 2018 and 2017 (our “Condensed Interim Financial Statements”), our audited Financial Statements for the years ended June 30, 2018 and 2017 (our “Audited Financial Statements”) and our Annual MD&A for the year ended June 30, 2018 (our “Annual MD&A”).

Our Condensed Interim Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Our accounting policies are described in note 2 of our Audited Financial Statements. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Caution on Forward-Looking Information

This MD&A may include forward-looking statements and forward-looking information, such as estimates and statements that describe the Company’s future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements and forward-looking information addresses future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

FINANCIAL POSITION AND LIQUIDTY

For the Quarter Periods Ending on:	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Revenues	Nil	Nil	Nil	Nil
Net Loss	(125,085)	(112,433)	(158,424)	(530,463)
Net Comprehensive Income (loss)	(125,085)	(112,433)	(158,424)	(530,463)
Basic Loss per Share	(0.01)	(0.01)	(0.02)	(0.08)

For the Quarter Periods Ending on:	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Revenues	Nil	Nil	Nil	Nil
Net Loss	(106,132)	(405,839)	(344,949)	(198,419)
Net Comprehensive Income (loss)	(106,132)	(405,839)	(202,095)	(198,419)
Basic Loss per Share	(0.05)	(0.04)	(0.04)	(0.02)

Current Quarter

The Company recorded a net loss from operations of \$125,085 (December 31, 2017 - \$106,132) during the quarter ended December 31, 2018. The net loss for the quarter ended December 31, 2018 relates to the general

and administrative expense. The increases of the net loss were derived from mainly consulting fees, filing fees, meals and entertainment, and professional expenses during the second quarter of fiscal 2019.

LIQUIDITY

At December 31, 2018, the Company had a cash balance of \$530,344 (June 30, 2018 - \$591,455). The decrease in total cash is not significant and was mainly due to the Company carrying out normal operations. The Company has a working capital of \$116,788 as at December 31, 2018 compared to a working capital of \$354,306 as at June 30, 2018.

Net cash used in operating activities for the period ended December 31, 2018 was \$61,831 compared to \$303,825 for the period ended December 31, 2017. The decrease was due to no write-down of exploration and evaluation assets, no interests accreted on convertible debenture, decreased project investigation expenses, as well as decreased general and administrative expenditures.

Net cash derived from investing activities for the period ended December 31, 2018 was \$720 compared to \$1,595 for the period ended December 31, 2017. The cash was generated from interest income earned.

Net cash derived from financing activities for the period ended December 31, 2018 was \$Nil compared to \$62,000 for the period ended December 31, 2017. There were no financing activities for the period ended December 31, 2018. For the period ended December 31, 2017, the cash was generated from warrant exercises and a convertible debenture was repaid.

The Company has no history of profitable operations and its exploration and evaluation projects are at an early stage. Therefore, the Company is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

OPERATIONS

In fiscal 2016, the Company impaired exploration and evaluation assets for \$12,396,089 given that the fair market value of the project is valued at a nominal cost and the fact that the Company has not invested any significant expenditures on the property.

EXPLORATION

Newman Todd Project

On November 19, 2010, the Company entered into an option agreement with Redstar Gold Corp ("Redstar") entitling the Company to earn up to 70% of Redstar's Newman Todd gold project (the "Property") in the Red Lake Mining District of Northern Ontario. In November 2013, the Company completed the option to earn a 50% interest in the Property by incurring over a three year period a cumulative of \$5,000,000 of work expenditures on the Property, issuing to Redstar a total of 50,000 shares of the Company and making payments to Redstar totalling \$250,000.

As at June 30, 2016, the Company completed a preliminary economic assessment of the Property and issued 50,000 shares to Redstar in furtherance of the exercise of its option to earn an additional 20% interest in the Newman Todd Project as previously announced. The Property is subject to a 2% net smelter return and a 15% net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest.

The Company also owns an effective 35% interest in certain other claims adjacent to the Property. At the end of 2013, the Company staked approximately 64 hectares (158 acres) of suitable ground outside of the "Area of Interest" for the purposes of land mining and infrastructure.

As at June 30, 2016 the Company had incurred \$12,396,090 in exploration and evaluation expenditures on the property. The Company decided to impair the mineral property value to \$1 given that the Company has not

significantly advanced the Newman Todd Project. The Company continues to legally hold 70% interest in the property.

As at June 30, 2017, the Company voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures. Going forward, the Company will expense exploration and evaluation expenditures as incurred. The Company has expensed \$14,911 as at December 31, 2018 (2017 - \$6,747)

Other Properties

The Company also owns certain mineral claims in northern Ontario known as the Confederation Lake claims (sometimes referred to as the Mitchell-Belanger claims). No work was undertaken on the properties during the last two fiscal years and therefore at June 30, 2011 management decided to write off all costs incurred to date. The Company abandoned its interest in the Matless Lake claim on February 3, 2012.

All of the Company's presently held exploration and evaluation assets are situated in the Red Lake mining district of the province of Ontario, Canada. However, the Company may seek to acquire interests in other provinces or countries.

On June 21, 2017, the Company signed a letter of intent ("LOI") to acquire 100% of the Torumaline Queen and Golden Galena Projects in Montana. The LOI called for escalating annual payments totaling 320 oz of gold (cash equivalent to be determined based on Au price at time of payments, but would total US\$ 400,000 at an average Au price of \$1250/oz) over a five year period in order to acquire a 100% interest in the claims within both of the two Project areas, subject to a retained net smelter royalty.

On September 15, 2017, the Company terminated the LOI. Due diligence costs incurred during the period ended December 31, 2017 have been expensed as property investigation and write-down of exploration and evaluation asset.

The Company signed letters of intent ("LOI's") to earn up to 100% interest to two additional exploration projects. The Bull and PCM Projects are both located near the Arizona-California-Nevada border in Mojave Co., Arizona. The Company issued 50,000 shares for the initial signing of the PCM project along with 16,655 finder's shares. The Company issued 150,000 shares for the initial signing of the Bull Project. On September 15th, 2017, the Company decided to not pursue the Bull and PCM Project and provided termination notices to the vendors all acquisition costs were classified as a write-down of exploration and evaluation asset.

The Company finances its properties by way of equity or debt financing. Additional information is provided in the Company's financial statements. These documents are available on www.sedar.com.

ADDITIONAL DISCLOSURE

Other Corporate Information

The board of directors consists of David Velisek, Denise Lok, and Rob Kang. David Velisek is the interim Chief Executive Officer & President and Savio Chiu is the Chief Financial Officer & Corporate Secretary.

The Company is a reporting issuer in the provinces of British Columbia and Alberta.

The Company's head office is located at Suite 1980, 1075 West Georgia Street, Vancouver, BC, V6E 3C9.

The Company's common shares were approved for listing on the TSX Venture Exchange and trading commenced on July 15, 2008 under the symbol CFM.

Related Party Transactions

The aggregate value of transactions recorded as consulting fees relating to key management personnel and entities which they have control or significant influence were as follows:

Services provided by:	Notes	Six Months Ended December 31,	
		2018	2017
		\$	\$
Baron Global Financial Canada Ltd.	(a)	60,000	60,000
Carl Hering	(b)	-	20,000
Mike Collins	(c)	-	11,860

(a) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.

(b) Carl Hering, the former CEO, President of the Company received consulting fees.

(c) Mike Collins, VP Exploration and Development of the Company provided consulting services.

The following table outlines the Company's related party payables:

	December 31, 2018	June 30, 2018
	\$	\$
Baron Global Financial Canada Ltd.	78,500	15,536
David Velisek	-	505
	78,500	16,041

Outstanding Share Data

The authorized capital consists of unlimited common shares without par value. As of February 28, 2019, the following common shares and stock options were issued and outstanding:

	Number of Shares	Exercise Price \$	Expiry Date
Common Shares	13,626,972	-	-
Options	1,050,000	0.4	March 29, 2023
Warrants	2,331,621	0.55	March 28, 2020
Fully diluted	17,008,593		

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning the Company's general and administrative expenses and mineral property costs is provided in the Condensed Interim Financial Statements and related notes that are available on the SEDAR website www.sedar.com.