

APAC RESOURCES INC.

Management Discussion and Analysis

For the nine month period ended November 30, 2017

The Management Discussion and Analysis (“MD&A”), prepared December 13, 2017 should be read in conjunction with the audited financial statements and notes thereto for the year ended February 28, 2017 and the notes thereto of Apac Resources Inc. (“Apac”) 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

APAC Resources Inc. (“the Company”) was incorporated on May 31, 2011 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 November 30, 2017, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts 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.

See Subsequent Event

EXPLORATION PROJECT

Lekcin Mineral Property

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the “Original Agreement”) dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the “Option Agreement”), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westminster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling \$155,000, and incurring a total of \$2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid \$20,000 cash and issued 150,000 common shares valued at \$15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of \$230,530 on the statements of comprehensive loss.

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia, by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling \$100,000, and incurring a total of \$1,100,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	\$	\$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
Total	750,000	100,000	1,100,000

A net smelter returns royalty (“NSR”) of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for \$750,000.

As of February 28, 2017 the Company had recorded \$5,000 in acquisition costs related to the Shuswap Silver Project.

SELECTED ANNUAL INFORMATION **(\$000’s except loss per share)**

	February 28, <u>2017</u>	February 29, <u>2016</u>	February 28, <u>2015</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (424)	\$ (205)	\$ (37)
Basic and Diluted Loss Per Share	\$ (0.03)	\$ (0.02)	\$ (0.00)
Total Assets	\$ 191	\$ 276	\$ 180
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS

Three month period ended November 30, 2017

During the three months ended November 30, 2017 the Company reported a net loss of \$39,750 (2016 - \$57,476). Included in the determination of operating loss was \$7,498 (2016 - \$6,356) spent on rent, \$17,250 (2016 - \$17,250) on management and administration, \$4,800 (2016 - \$19,088) on professional fees, \$5,351 (2016 - \$4,296) on transfer agent and filing fees, \$537 (2016 - \$4,531) on travel and promotion, and \$4,314 (2016 - \$5,955) on office and miscellaneous.

Nine month period ended November 30, 2017

During the nine months ended November 30, 2017 the Company reported a net loss of \$155,036 (2016 - \$153,762). Included in the determination of operating loss was \$24,968 (2016 - \$19,065) spent on rent, \$51,750 (2016 - \$51,750) on management and administration, \$46,945 (2016 - \$52,059) on professional fees, \$16,929 (2016 - \$11,730) on transfer agent and filing fees, \$2,766 (2016 - \$7,267) on travel and promotion, and \$11,678 (2016 - \$11,891) on office and miscellaneous.

SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	November 30, <u>2017</u>	August 31, <u>2017</u>	May 31, <u>2017</u>	February 28, <u>2017</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (40)	\$ (68)	\$ (47)	\$ (271)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)

	November 30, <u>2016</u>	August 31, <u>2016</u>	May 31, <u>2016</u>	February 29, <u>2016</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (57)	\$ (52)	\$ (44)	\$ (38)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at November 30, 2017 were \$43,804 compared to \$185,785 at February 28, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY BALANCES AND TRANSACTIONS

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 as at November 30, 2017:

	2017	2016
	\$	\$
Accounts payable and accrued liabilities	7,672	7,847
Total	7,672	7,847

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

The Company had the following related party transactions during the periods ended November 30, 2017, and 2016:

	2017	2016
	\$	\$
Professional fees	17,400	17,725
Rent	13,500	10,500
Total	30,900	28,225

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management during the periods ended November 30, 2017, and 2016 is as follows:

	2017	2016
	\$	\$
Management fees	51,750	51,750

Management services were provided by companies owned by two directors of the Company.

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

The Company has entered into an agreement, subject to due diligence, to acquire 100% of issued and outstanding share of XORTX Pharma Corp., in exchange for 49,383,093 post consolidated shares of the Company. Con-current with the acquisition the Company has agreed to consolidate its issued and outstanding shares on a basis of 4 old for 1 new. The Company has also agreed to complete a private placement of \$2 million. The acquisition has received regulatory approval, and the Company is currently working on the financing.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2017 that affected the Company's financial statements.

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 following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 which requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 'Share-based payments' - In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments* – This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases' - IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

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 20,382,000 shares issued and outstanding as at November 30, 2017 and December 13, 2017.

Share Purchase Options

The Company has 600,000 stock options outstanding at November 30, 2017 and December 13, 2017.

Warrants

The Company had Nil share purchase warrants outstanding at November 30, 2017 and December 13, 2017.

Escrow Shares

The Company has 1,302,000 shares held in escrow as at November 30, 2017 and December 13, 2017.