

# Class 1 Nickel and Technologies Limited

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE AND SIX MONTHS ENDED JUNE 30, 2023**

**(EXPRESSED IN CANADIAN DOLLARS)**

## **INTRODUCTION**

The following Interim Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Class 1 Nickel and Technologies Limited ("Class 1" or the "Company") was prepared by management as at August 25, 2023 and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited financial statements of Class 1 and notes thereto for the June 30, 2023. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain statements contained in this document constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", and "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events, or developments.

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Forward-looking statements	Assumptions	Risk factors
<p>Potential of the Company's properties to contain economic deposits of precious and base metals.</p>	<p>Financing will be available for future exploration and evaluation of the Company's properties; the actual results of the Company's exploration and evaluation activities will be favourable; operating, exploration and evaluation 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 precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties.</p>	<p>Precious and base metals 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 evaluation 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; availability of permits.</p>
<p>While the Company has no source of revenue, it believes it will be able to meet its administrative overhead and maintain its mineral investments for twelve months starting from June 30, 2023, depending on future events. The Company expects to incur further losses in the development of its business</p>	<p>The operating and exploration activities of the Company for the next year and beyond, starting from June 30, 2023, 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.</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; 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.</p>
<p>Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.</p>	<p>Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company.</p>	<p>Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.</p>

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Forward-looking statements	Assumptions	Risk factors
<p>The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2024.</p>	<p>Financing will be available for the Company's exploration and evaluation 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.</p>	<p>Nickel and other metals 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; the Company's ability to retain and attract skilled staff; availability of permits; market competition.</p>

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 "Risks and Uncertainties" 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.

**NATURE OF BUSINESS**

**The Company**

Class 1 was incorporated on December 12, 1989 as "871900 Ontario Limited" under the *Business Corporations Act* (Ontario). The Company's head office and registered office is located at 82 Richmond Street East, Toronto, Ontario M5C 1P1. Class 1 was formerly named "Lakefield Marketing Corporation" until it completed a business combination transaction (the "Transaction") with Legendary Ore Mining Corporation on September 24, 2019, whereby it changed its name to "Class 1 Nickel and Technologies Limited".

On August 20, 2020, the Company commenced trading on the Canadian Securities Exchange under the symbol "NICO".

## **Principal Business**

The Company is engaged in the business of mineral exploration and the acquisition of mineral property assets in Canada. Its objective is to locate and develop economic base metal properties of merit and to conduct its exploration program on the Alexo-Dundonald Project. The Company, as of the date of this report, currently beneficially owns 100% of the Alexo-Dundonald Project and holds 100% interest in the Somanike Project located in the Abitibi Region of Quebec.

The Company is in exploration-stage and does not generate revenues, therefore its ability to ensure continuing operations is dependent on acquiring full control of its mineral property interests, the discovery of potentially economically recoverable Mineral Resources reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete the exploration activities, development, if they are proven successful, and future profitable production.

Class 1's goal is to deliver superior returns to shareholders by concentrating on the exploration of its existing properties and the acquisition of properties that have the potential to contain nickel sulphide. The Company currently plans to focus on its material properties.

## **CORPORATE HIGHLIGHTS**

On January 9, 2023, the Company completed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$500,000. The Convertible Debentures have a three-year term and bear interest rate at 2% per annum. The Convertible Debentures shall be convertible at the option of the holder into 4,166,666 common shares of the Company at a deemed price of \$0.12. David Fitch, President of the Company, has purchased all of the Convertible Debentures issued in the private placement.

On January 24, 2023, the Company completed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$450,000. The Convertible Debentures have a three-year term and bear interest rate at 2% per annum. The Convertible Debentures shall be convertible at the option of the holder into 4,500,000 common shares of the Company at a deemed price of \$0.10. David Fitch, President of the Company, has purchased all of the Convertible Debentures issued in the private placement.

In March 2023, the Company completed a non-brokered private placement (the "Private Placement") of 2,499,997 common shares of the Company at a price of \$0.12 per share to raise aggregate gross proceeds of \$300,000. David Fitch, President of the Company purchased 666,666 shares pursuant to the Private Placement.

In June 2023, the Company closed a non-brokered private placement of 8,333,332 common shares of the Company at a price of \$0.12 per share to raise aggregate gross proceeds of \$1,000,000 and paid \$7,100 in legal fees recorded in shared issued costs.

## **TRENDS AND ECONOMIC CONDITIONS**

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer term strategic decisions.

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global commodity prices
- Demand for base metals and the ability to explore for base metals;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on service provider availability, such as legal and accounting;
- Purchasing power of the Canadian dollar;
- Ability to obtain funding.

## **MINERAL PROPERTY INTERESTS**

Eugene Puritch, P.Eng, FEC, CET is an independent Qualified Person under the definition of National Instrument 43-101. Mr. Puritch has approved the disclosure contained under the heading “Mineral Property Interests” and has verified the scientific and technical data contained herein.

### **Alexo-Dundonald Project**

A comprehensive NI 43-101 Technical Report is available for the Alexo-Dundonald Project from the Company's website at [www.class1nickel.com](http://www.class1nickel.com) and from its profile at [www.sedarplus.ca](http://www.sedarplus.ca).

The Alexo-Dundonald Nickel Project is located approximately 45 km northeast of the City of Timmins, Ontario, Canada. It covers an area of approximately 1,895 hectares and comprises 95 Boundary Cell Mining Claims, Single Cell Mining Claims, Leased Claims and Patented Claims.

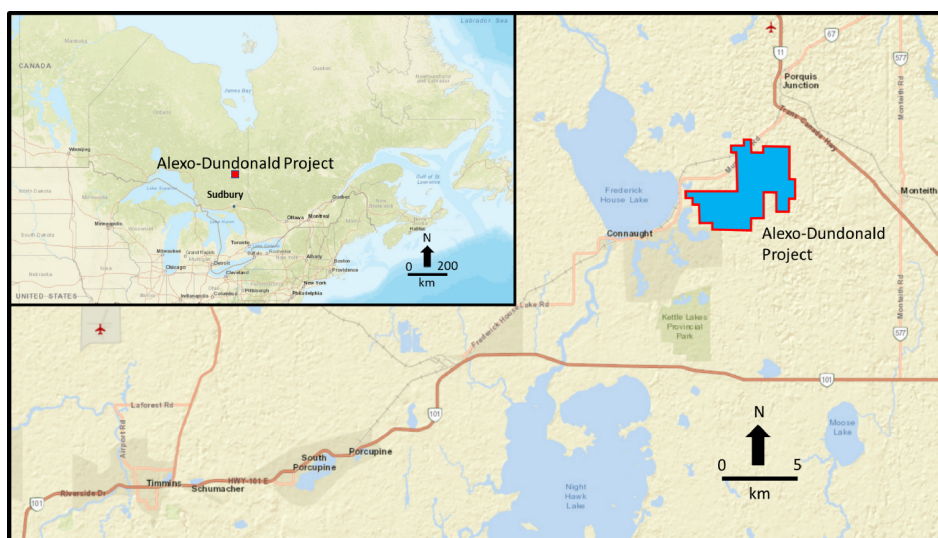


Figure 1 – Geographical location of Alexo-Dundonald Project

The geological setting of the Alexo-Dundonald Project area corresponds to the depositional equivalent environment of the Kidd-Munro assemblage. The Kidd-Munro assemblage is subdivided into lower and upper parts. The lower part of the Kidd-Munro assemblage (2719–2717 Ma) includes localised, regionally discontinuous depositional centres of predominantly intermediate to felsic calc-alkaline volcanic rocks. The upper part of the Kidd-Munro assemblage (2717–2711 Ma) extends across the Abitibi greenstone belt. It consists of tholeiitic and komatiitic volcanic rocks with minor centimetre- to metre-scale graphitic metasedimentary rocks and localised felsic volcanic centres. It has been interpreted that the upper Kidd-Munro assemblage reflects the impact of widespread mantle plume-related magmatism on localised lower Kidd-Munro arc-magmatism volcanic centres.

Previous exploration activity and results in the Alexo-Dundonald Project area have been extensively reviewed and documented by the NI 43-101 Technical Reports prepared by Montgomery (2004), Harron (2009) and Puritch *et al* (2010, 2012). Significant drill intersections reported therein represent the latest rounds of drilling by the last companies to drill on the various target areas within the Project (Canadian Arrow at Alexo-Kelex in 2004–2005 and 2010–2011; First Nickel at Dundonald in 2004–2005; and Falconbridge at Dundead in 1989) and are presented as an indication of nickel grade and continuity of mineralisation typical of the Project. For more information, please refer to the NI 43-101 Technical Report on the Alexo-Dundonald Project posted to the Company's SEDAR+ profile on August 14, 2020 at [www.sedarplus.ca](http://www.sedarplus.ca).

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Summary of Completed Activities (Year Ended December 31, 2022)	(A) Spent (approx.)  (For the Six Months Ended June 30, 2023)	Plans for the Project (Fiscal 2023)	(B)  Planned Expenditures (approx.)
<p>The Company completed a VTEM™ survey on the Alexo-Dundonald Nickel Project, thereby completing phase 1 of the exploration program as recommended under the Amended NI 43-101 Technical Report on the Alexo-Dundonald Nickel Project dated June 30, 2020. The Company continues to finalize the interpretation of anomalies identified by the VTEM™ survey.</p> <p>See Note 1 below.</p>	\$82,386	<p>Continue interpreting the anomalies identified by the VTEM™ survey conducted on the Alexo-Dundonald Project. The Company intends to further explore the anomalies identified by the VTEM™ survey. The Company intends to undergo a 10,000m diamond drilling campaign on the Alexo-Dundonald Project focusing on the VTEM™ anomalies, as recommended as the phase 2 exploration program under the amended NI 43-101 Technical Report on the Alexo-Dundonald Nickel Project dated June 30, 2020. The Company had raised equity capital during 2023 to fund its exploration work requirements. The major variables are expected to be the size, timing and results of the Company's exploration program and its ability to continue to access capital to fund its ongoing operations.</p>	\$2,000,000
	\$82,386		\$2,000,000

As of June 30, 2023, the accumulated spent incurred in completing phase 1 of the exploration program is \$5,687,042.

Note 1

**Alexo-Kelex Property**

The Company acquired a 100% interest (subject to a vendor buy-back) in Legendary Ore Mining Corporation, which held the Alexo-Kelex Property, under the Alexo-Kelex Agreement dated October 18, 2018 between Vanicom Resources Limited ("Vanicom"), Tartisan Nickel Corp. ("Tartisan") and Canadian Arrow Mines Limited ("Canadian Arrow"). The Alexo-Kelex Property consists of 55 mining claims and leases covering 940.43 hectares located in the Clergue and Dundonald townships near Timmins, Ontario. The Alexo-Kelex Property is subject to a 0.5% NSR with, which could be bought out by the Company for \$1,000,000. The Alexo-Kelex Property is also subject to an existing 1.5% NSR granted to Outokumpu Mines Ltd.

The Alexo-Kelex Agreement allows Tartisan to re-acquire the Alexo-Kelex Property from Legendary for \$1.00 if Legendary fails to incur by October 18, 2021 (a) \$750,000 worth of Exploration Expenditures (as defined thereunder) on the Alexo-Kelex Property; and (b) \$1,500,000 worth of Exploration Expenditures (as defined thereunder) on the Alexo-Dundonald Project. On July 12, 2021, the Company completed the requisite minimum exploration expenditures on the Alexo-Kelex Project, and now holds a 100% interest in each properties, subject to a 2% net smelter return royalty on the Alexo Property.

On August 10, 2021, the Company issued 50,000 common shares at a price of \$0.87 per common share for



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\$43,500 and granted 50,000 stock options to Matachewan First Nation ("MFN") as part of the exploration program on the Alexo-Dundonald Project.

On August 22, 2021, the Company acquired 100% of Platinum Group Elements limited ("PGEL") strategic project portfolio of adjacent and adjoining claims to the Company's Alexo-Dundonald project as well as the Somanike project, and a complementary primary PGE project in Sudbury, Ontario, for a total consideration of \$550,000 in cash and issuance of 10 million common shares, subject to a 2% net smelter returns royalty on certain claims known as Timmins, River Valley and Metals Creek claims and a 2% gross metal royalty on certain claims known as "Bilson Cubric" claims.

For the June 30, the Company has spent the following on the Alexo-Kelex Property:

	<b>Three Months Ended June 30, 2023</b>	<b>Three Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2023</b>	<b>Six Months Ended June 30, 2022</b>
Exploration and evaluation	\$ 25,220	\$ 45,471	\$ 41,193	\$ 124,951
Field equipment	-	2,288	8,082	5,311
	<b>\$ 25,220</b>	<b>\$ 47,759</b>	<b>\$ 49,275</b>	<b>\$ 130,262</b>

**Dundonald Property**

The Company acquired a 100% interest (subject to a vendor buy-back) in the Dundonald Property under the Dundonald Agreement dated November 9, 2018 between Legendary Ore Mining Corporation (a subsidiary of the Company) and Transition Metals Corp. ("Transition"). The Dundonald Property consists of 40 mineral claims and leases covering 954.075 hectares located in the Clergue and Dundonald townships near Timmins, Ontario. The Dundonald Property is subject to a 2.5% NSR royalty granted to Transition by Legendary upon acquisition of the property.

The Dundonald Agreement allows Transition to re-acquire the Dundonald Property from Legendary for \$1.00 if Legendary fails to incur by November 9, 2021 \$1,500,000 worth of Exploration Expenditures on the Alexo-Dundonald Project. On July 12, 2021, the Company completed the requisite minimum exploration expenditures on the Dundonald Project, and now holds a 100% interest in the property, subject to a 2.5% net smelter return royalty on the Dundonald Property.

For the June 30, the Company has spent the following amount on the Dundonald property:

	<b>Three Months Ended June 30, 2023</b>	<b>Three Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2023</b>	<b>Six Months Ended June 30, 2022</b>
Exploration and evaluation	\$ 25,220	\$ 45,471	\$ 41,193	\$ 124,951
Field equipment	-	2,288	8,082	5,311
	<b>\$ 25,220</b>	<b>\$ 47,759</b>	<b>\$ 49,275</b>	<b>\$ 130,262</b>



**Somanike Project**

The Company has the option to acquire a 100% interest in the Somanike Property pursuant to an option agreement dated September 24, 2019, as amended and restated April 27, 2020, between Legendary (a wholly-owned subsidiary of the Company) and Vanicom (the “Legendary Somanike Option Agreement”). Under the Legendary Somanike Option Agreement, the Company may exercise the option granted to Vanicom by Quebec Precious Metals Corporation (“QPMC”) under an option agreement dated August 20, 2018, as amended (the “QPMC Option Agreement”), by paying Vanicom \$1.00 plus reimbursing Vanicom for all expenses made on the Somanike Property prior to the Company exercising said option. The Somanike Property consists of 110 mining titles covering 5146.06 hectares located in the Abitibi area of the Province of Quebec. The Legendary Somanike Option Agreement was entered into following a reorganization of Vanicom, whereby Vanicom divested its ownership of Legendary to Vanicom shareholders, which was completed on September 19, 2019.

Exploration in the Somanike Project (the “Project”) area has been dormant since the early 1970s following the closing of the Marbridge Ni-Cu Mine in 1968. Historical exploration programs focused on Ni-Cu with the majority of assays conducted for Ni and very limited Cu. Very few assays were taken for Au, Zn, Cu, and Ag. The entire project area was not investigated by modern surveys until 2014-15 when Sphinx Resources Ltd. (“Sphinx”) flew a VTEM survey over the entire Project with the objective of identifying nickel-copper, gold and VMS targets. Compilation of all historical drill data in conjunction with the new VTEM survey identified previously unrecognized sulphide iron formations occurring across the Project. Numerous targets were generated and programs designed for the commodities listed above.

To maintain the option to the Somanike Property under the QPMC Option Agreement, the Company has issued 181,089 Common Shares to QPMC and 53,846 Common Shares to Globex Mining Enterprises Inc. Prior to exercising its option under the Legendary Somanike Option Agreement, the Company must pay QPMC \$25,000 in cash prior to June 15, 2022 and \$50,000 in cash prior to June 15, 2023. Also, prior to exercising the option on the Somanike Project, the Company must drill 750m of core on certain claims held by Globex Mining Enterprises Inc. As of December 31, 2021, the Company has paid QPMC an aggregate of \$327,800 and has drilled the necessary 750m of core on certain claims held by Globex Mining Enterprises Inc.



Figure 2 – Geographical location of Somanike Project

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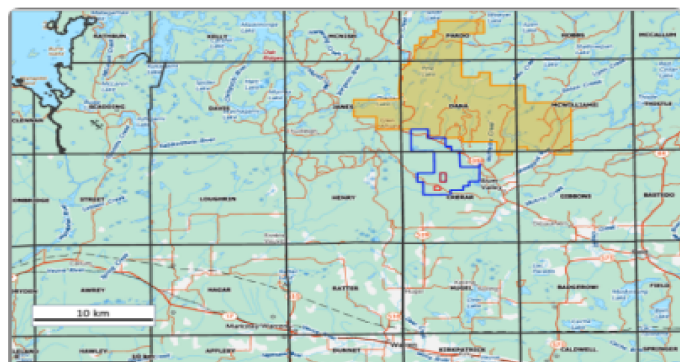
For the three and six months ended June 30, the Company has spent the following amount on the Somanike property:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Exploration and evaluation	\$ 106,434	\$ 204,872	\$ 254,303	\$ 297,179
Field equipment	-	-	279	-
	<b>\$ 106,434</b>	<b>\$ 204,872</b>	<b>\$ 254,582</b>	<b>\$ 297,179</b>

**River Valley PGE Project**

On August 22, 2021, the Company acquired 100% of Platinum Group Elements limited ("PGEL") strategic project portfolio of adjacent and adjoining's claims to the Company's Alexo-Dundonald project as well as Somanike project, and a complementary primary PGE project in Sudbury, Ontario, for a total consideration of \$550,000 in cash and issuance of 10 million common shares, subject to a 2% net smelter returns royalty on certain claims known as Timmins, River Valley and Metals Creek claims and a 2% gross metal royalty on certain claims known as the "Bilson Cubric claims".

The River Valley PGE Project is located in Crerar and Dana townships, approximately 60 km east-northeast of Sudbury in northeastern Ontario, Canada, immediately south of New Age Metals' River Valley Palladium Project.



*Township-scale location of the River Valley PGE Project mining claims (blue outline) in the West Nipissing District, about 60 km east of Sudbury, northeastern Ontario. Also outlined are the New Age Metals mining claims and leases (orange) that comprise their River Valley PGE Project.*

**Figure 3 – Geographical location of River Valley Project**

The Company has spent the following on the River Valley Property:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Exploration and evaluation	\$ 141,128	\$ -	\$ 141,128	\$ -
Total exploration expenditures	<b>\$ 141,128</b>	<b>\$ -</b>	<b>\$ 141,128</b>	<b>\$ -</b>

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Total expenditures all properties:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Exploration and evaluation	\$ 298,002	\$ 295,814	\$ 477,817	\$ 672,032
Field equipment	-	4,576	16,443	10,622
<b>Total exploration expenditures</b>	<b>\$ 298,002</b>	<b>\$ 300,390</b>	<b>\$ 494,260</b>	<b>\$ 557,703</b>

## **SUMMARY OF QUARTERLY RESULTS**

Three months ended June 30, 2023, compared with three months ended June 30, 2022

The Company recorded a net loss and comprehensive loss of \$465,948 compared to \$545,695 in the prior period. The decrease in the net loss of \$79,747 was attributed to the following: a decrease in exploration and evaluation of \$2,388 due to decrease in drilling cost, a decrease in professional fees of \$178,442 due to the decrease in consulting expenses and decrease in stock-based compensation of \$1,649 due to the decrease in grant of stock options offset by a decrease the amortization of flow-through premium of \$30,000.

Six months ended June 30, 2023, compared with June 30, 2022

The Company recorded a net loss and comprehensive loss of \$930,205 compared to \$1,125,405 in the prior year. The decrease in the net loss and comprehensive loss of \$195,200 was attributed to the following: a decrease in exploration and evaluation of \$63,443 due to decrease in drilling cost, decrease in professional fees of \$374,285 due to lower consulting expenses and a decrease in stock-based compensation of \$3,474 due to decrease in grant of stock options. This has been offset by decrease the amortization of flow-through premium of \$42,000.

## **LIQUIDITY AND CAPITAL**

Class 1 is an exploration-stage company and does not generate revenues. As such, it finances all of its operations and the exploration of its mineral properties entirely through the issuance of share capital. Although the Company has to date been successful in its attempts to raise capital, there can be no assurance that its future efforts will likewise be successful. The mineral exploration business is high risk and the vast majority of exploration projects on which capital is spent will not result in producing mines. The success of future financing will depend on a variety of factors including geological success – i.e. obtaining superior results from exploration; a positive investment climate encompassing strong metal prices, solid stock market conditions, and a “risk-on” appetite among investors; and the Company’s track record and management’s ability and experience. If such financing is unavailable, the Company may be unable to retain its mineral interests and execute its business plans. As at June 30, 2023, the Company has not earned significant revenue and has an accumulated deficit of \$25,178,439 (December 31, 2022 - \$24,248,234). In order to reach sustainable business operations, the Company is actively seeking additional sources of liquidity.

The Company’s cash balance as of June 30, 2023 was \$748,534 compared to \$106,461 as of December 31, 2022. As of June 30, 2023, the Company had current assets of \$1,338,053 (December 31, 2021 – \$854,479), current liabilities of \$331,523 (December 31, 2022 – \$1,287,379), and a working capital of \$1,006,530 (December 31, 2022 working capital deficiency – \$432,900).

## **Operating Activities**

During the six months ended June 30, 2023 and 2022, the Company’s operating activities used cash of \$1,597,348 and \$2,016,033, respectively. Cash used in operating activities for the six months ended June 30, 2023 is mainly attributable to net loss for the period of \$930,205 (six months ended June 30, 2022 - \$1,125,405), share based compensation of \$nil (six months ended June 30, 2022 - \$3,474 ) and amortization of flow-through premium of \$nil (six months ended June 30, 2022 - \$42,000), a decrease in accounts payable and accrued liabilities of \$955,856 (six months ended June 30, 2022 - \$752,340), offset by an decrease in accounts receivable of \$155,783 (increase six

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months ended June 30, 2022 - \$104,769), and a decrease in prepaid expenses of \$2,716 (six months ended June 30, 2022 - \$5,007).

**Financing Activities**

During the six months ended June 30, 2023 and 2022, the Company's financing activities generated cash of \$2,239,421 and \$nil, respectively. The cash generated from financing activities during the six months ended June 30, 2023, is due to the issuing of 10,833,329 shares in private placement for a proceeds of \$1,290,625, net of issuance cost and convertible debentures, net of transactions cost of \$948,796.

**Going concern uncertainty**

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the three and six months ended June 30, 2023, the Company incurred a net loss of \$465,948 and \$930,205 (three and six months ended June 30, 2022 - \$545,695 and \$1,125,405) and had negative operating cash flows of \$1,597,348 (June 30, 2023 - \$2,016,033). The Company has an accumulated deficit of \$25,178,439 since inception (December 31, 2022 - \$24,248,234) and does not have sufficient cash as at June 30, 2023 to meet its remaining expected obligations over the next twelve months.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate cash flows from operations and to complete negotiations to obtain and successfully close additional funding from debt financing, equity financings or through other arrangements. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favourable for the Company. The Company may need to raise additional capital to fund operations. This need may be adversely impacted by uncertain market conditions, approval by regulatory bodies, and adverse results from operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next twelve months by securing additional financing through additional private placements if required. The outcome of these matters cannot be predicted at this time.

**RELATED PARTY TRANSACTIONS**

As at June 30, 2023, the Company has \$7,345 (December 31, 2022 - \$7,345) in amounts due from a company with a common shareholder of the Company.

During the three and six months ended June 30, 2023, the Company incurred \$25,000 and \$50,000 (three and six months ended June 30, 2022 - \$87,500 and \$175,000) in consulting services fees. As of June 30, 2023, the Company owed \$5,000 (December 31, 2022 - \$nil) due to general manager for consultant services, which is recorded in accounts payable and accrued liabilities.

During the three and six months ended June 30, 2023 the Company incurred \$32,500 and \$65,000 (three and six months ended June 30, 2022 - \$50,916 and \$106,080) in directors fees. As of June 30, 2023, the Company owes three directors \$109,000 (December 31, 2022 - \$68,000) these amounts are recorded in accounts payable and accrued liability.

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Key management includes directors and other key personnel, including the CEO - President and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and six months ended June 30, 2023, the Company incurred professional fees of \$2,250 and \$4,500 (three and six months ended June 30, 2022 - \$2,250 and \$4,500) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping and other services to the Company and charged \$17,358 and \$44,648 for the services (three and six months ended June 30, 2022 - \$30,370 and \$59,203). As at June 30, 2023, MSSI was owed \$6,224 (December 31, 2022 - \$6,076) with respect to services provided. The balance owed was recorded in the statement of financial position in accounts payable and accrued liabilities.

As at June 30, 2023, directors and a significant shareholder of the Company, beneficially own 98,412,156 common shares carrying approximately 63.27% of the voting rights attached to all common shares and convertible debentures for \$2,450,000 at a deemed price of between \$0.105 and \$0.12.

Additional remuneration of officers and directors of the Company was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Directors and management compensation \$	<b>59,750</b>	\$ 152,582	<b>\$ 119,500</b>	\$ 285,580

**OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

**CONVERTIBLE DEBENTURES**

On December 5, 2022, the Company completed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$1,000,000. These Convertible Debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.105.

On December 24, 2022, the Company completed a non-brokered private placement of convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$500,000. These Convertible Debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.11.

On January 9, 2023, the Company completed a non-brokered private placement convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$500,000. These Convertible Debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.12.

On January 24, 2023, the Company completed a non-brokered private placement convertible debentures (the "Convertible Debentures") for aggregate proceeds of \$450,000. These Convertible Debentures have a three-year term and bear interest rate at 2% per annum and are convertible at the option of the holder into common shares of the Company at a deemed price of \$0.10.

The issuances of convertible debentures were fully subscribed by the President of the Company.



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The components of the Company's convertible debentures as of June 30, 2023 are as follows:

	Liability Component	Equity Component	Total
On date of issuance, net of transaction costs	\$ 1,714,475	\$ 723,697	\$ 2,438,172
Accretion	130,214	-	130,214
<b>Total</b>	<b>\$ 1,844,689</b>	<b>\$ 723,697</b>	<b>\$ 2,568,386</b>

During the three and six months ended June 30, 2023, the Company accrued \$65,107 and \$130,214 (three and six months ended June 30, 2022 - \$nil and \$nil) in finance expenses.

### **OUTSTANDING SHARE DATA AS OF REPORT DATE**

As of the date of this MD&A, the Company has the following securities issued and outstanding: (a) 155,538,358 common shares; (b) 12,215,835 stock options; (c) 6,433,334 FT warrants; (d) 2,925,677 HD warrants; (e) 251,423 finders' warrants; and (f) shares issuable on conversion of convertible debentures 22,735,931.

### **DISCLOSURE CONTROL AND PROCEDURES**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the period presented by the unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the period presented

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **RISKS AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's annual management's discussion & analysis for the fiscal year ended December 31, 2022, available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).