

# **CRUZ BATTERY METALS CORP.**

For the six months ended January 31, 2022

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Management's Discussion and Analysis ("MD&A")

Date of Report: March 13, 2023

The following discussion and analysis of the Company's financial condition and results of operations for the six months ended January 31, 2022 should be read in conjunction with its condensed consolidated interim financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities such as the intended work programs on its existing property interests, the ability to meet financial commitments and the ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about its current property interests, the global economic environment, the market price and demand for mineral commodities and its ability to manage the property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause the actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to its property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond its control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

## **Nature of Business**

Cruz Battery Metals Corp. (the "Company") is involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the Company. At January 31, 2023, the Company had mineral property interests located in Canada and in the USA.

### ***Mineral Properties***

#### ***Ontario Cobalt Prospects***

In July 2016, the Company entered into a share purchase agreement to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which held a 100% interest in two cobalt prospects in B.C. and a 50% interest in four cobalt prospects in Ontario consisting of the Coleman Cobalt Prospect, the Bucke Cobalt Prospect, the Hector Cobalt Prospect, and the Johnson Cobalt Prospect. During the year ended July 31, 2019, the Company acquired the remaining 50% interest in the above four Ontario cobalt prospects from an arm's length vendor at no cost.

In September 2016, the Company acquired a 100% interest in: 22 additional claim units for staking costs of \$2,200 to increase the acreage of the Johnson Cobalt Prospect to approximately 988 acres; 36 claim units for staking costs of \$3,600 to increase the acreage of Bucke Cobalt Prospect to approximately 1,458 acres; and 137 claim units for staking costs of \$13,700 to increase the acreage of the Hector Cobalt Prospect to approximately 6,146 acres.

In June 2017, the Company acquired a 100% interest in additional mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect to approximately 1,525 acres for staking costs of \$1,268. In November 2021, the Company decided to drop certain mineral claims for the Coleman Cobalt Prospect and fully wrote off prior acquisition and exploration costs on the Coleman Cobalt Prospect totaling \$151,065 as of July 31, 2021.

In January 2018, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect through staking.

During the year ended July 31, 2022, the Company decided to drop all mineral claims for the Johnson, Bucke and Lorraine Cobalt Prospects, and fully wrote off prior carrying costs in the amount of \$313,037.

As at January 31, 2023, the Company holds a 100% interest in the Hector Cobalt Prospect. As at January 31, 2023, the Company had spent a total of \$759,323 in exploration expenditures on the Hector Cobalt Prospect.

Management is currently evaluating possible follow-up work programs, however a final decision has not been made at this time.

#### ***Idaho Cobalt Belt Project***

On September 1, 2020, the Company entered into a share purchase agreement to purchase 100% of the issued and outstanding shares of 1205011 B.C. Ltd. (“1205011”), which through its wholly-owned subsidiary, Idaho Cobalt Discoveries Corp., holds a 100% interest in one cobalt prospect in Idaho, U.S.A. (the “Idaho Cobalt Belt Project”) and three diamond projects in B.C. (the “BC Diamond Projects”). The Company issued 9,000,000 shares (valued at \$495,000) pursuant to the agreement. The acquisition costs had been split evenly between the BC and the Idaho properties.

During the year ended July 31, 2022, the Company decided to drop the BC Diamonds Projects and fully wrote off the previous carrying costs in the amount of \$261,665.

Management is currently evaluating possible work programs for the Idaho Cobalt Belt Project, however a final decision has not been made at this time.

*Nevada Clayton Valley West Lithium Prospect*

During the year ended July 31, 2016, the Company entered into an agreement with an arm's-length vendor to acquire a 100% interest in six claim blocks in the Clayton Valley in Nevada, USA prospective for lithium. The Company issued 900,000 common shares (valued at \$30,000).

Management is currently evaluating possible work programs, however a final decision has not been made at this time.

*Nevada Solar Lithium Project*

On July 16, 2021, the Company entered into a share purchase agreement to purchase 100% of the issued and outstanding shares of Cruz Solar Lithium Corp. (“Cruz Solar”), which through its wholly-owned subsidiary, Las Vegas Lithium Locators Corp., holds a 100% interest in one lithium prospect in Nevada, U.S.A. (the “Solar Lithium Project”). The Company issued 7,000,000 shares (valued at \$630,000) pursuant to the agreement.

During the year ended July 31, 2022, the Company acquired a 100% interest in certain mineral claims (the “Helios Claims”, the “Sun Claims” and the “Solar South Claims”) for staking costs of \$106,941 to expand the size of its Solar Lithium Project to a total of 8,135 acres. The Company also provided two security deposits totalling \$22,827 in relation to its Solar Lithium Project.

During the six months ended January 31, 2023, the Company provided three security deposits totalling \$32,648 in relation to the Solar Lithium Project.

As disclosed in a news release dated November 15, 2022, the Company announced that it has received approval from the Bureau of Land Management for up to 22 additional drill holes to be completed.

As disclosed in a news release dated January 20, 2023, the Company announced it contracted Harris Exploration Drilling and Associates Inc. to begin a phase 3 drill program and subsequently announced in a news release dated February 24, 2023 that the Company’s phase 3 drill program comprising four core holes had now been completed and that the targeted potential lithium bearing clays had been intersected in every hole. As disclosed in a news release dated March 10, 2023, the Company announced that 198 samples have been received for assaying by ALS labs in Reno, Nevada. Drill results are estimated to be received in four to six weeks.

As at January 31, 2023, the Company had spent a total of \$945,268 in exploration expenditures on this project.

*BC War Eagle Cobalt Prospect*

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia through staking.

During the six months ended January 31, 2023, the Company decided to drop the War Eagle Cobalt Prospect and fully wrote off prior carrying costs in the amount of \$32,080.

The Company will continue exploration activities on its properties. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. While the Company has been successful in securing financings in the past, there is no assurance that the Company will be able to do so in the future,

and/or that the Company will be able to raise sufficient funds to meet its work commitments for all of its properties.

### **Overall Performance**

The Company is a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. The Company does not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. The Company expects to continue to incur expenses as it works to further explore and develop its mineral properties.

The Company has conducted limited exploration on some of its properties, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The Company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns has led to increased difficulties in raising and borrowing funds. As a result, the Company may have difficulty raising equity financing for the purposes of exploration and development of the Company's properties, without diluting the interests of current shareholders of the Company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact the Company's ability to raise funds.

Information about the Company's commitments relating to its mineral properties is discussed above under "Nature of Business – Mineral Properties".

The Company did not generate any revenue during the six months ended January 31, 2023 and 2022. The Company's net comprehensive loss increased by \$78,830 from \$1,253,979 for the six months ended January 31, 2022 to \$1,332,809 for the six months ended January 31, 2023, mainly due to an increase in operating expenses and write-down of exploration and evaluation assets, offset by an increase in interest income. The Company's cash and cash equivalents increased from \$122,630 as at July 31, 2022 to \$2,815,947 as at January 31, 2023. The Company had a working capital of \$2,659,610 as at January 31, 2023 as compared to a working capital deficiency of \$168,947 as at July 31, 2022.

The Company's current assets have increased to \$2,912,715 as at January 31, 2023 from \$127,821 as at July 31, 2022, due mainly to an increase in cash and cash equivalents. The Company's current liabilities have decreased from \$296,768 as at July 31, 2022 to \$253,105 as at January 31, 2023 due to a decrease in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$2,878,925 as at July 31, 2022 to \$2,970,199 as at January 31, 2023, due mainly to the maintenance fees incurred to renew the mineral claims in Nevada, as set described above.

Additional information about the risks and uncertainties relating to the Company's business and financial performance is discussed below under "Risks and Uncertainties".

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

	2023 Second	2023 First	2022 Fourth	2022 Third	2022 Second	2022 First	2021 Fourth	2021 Third
<b>Revenues</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
<b>Operating expenses</b>	\$(843,192)	\$(505,558)	\$(154,790)	\$(169,987)	\$(1,106,620)	\$(148,012)	\$(171,649)	\$(136,166)
<b>Loss before other items</b>	\$(843,192)	\$(505,558)	\$(154,790)	\$(169,987)	\$(1,106,620)	\$(148,012)	\$(171,649)	\$(136,166)
<b>Loss per share (Basic and diluted)</b>	\$(0.006)	\$(0.004)	\$(0.001)	\$(0.002)	\$(0.010)	\$(0.001)	\$(0.002)	\$(0.001)
<b>Other items:</b>								
<b>Interest income</b>	\$32,218	\$15,803	\$326	\$458	\$532	\$721	\$1,221	\$1,076
<b>Interest expense</b>	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$(8,350)	\$Nil
<b>Write-down of mineral properties</b>	\$(32,080)	\$Nil	\$(339,720)	\$(261,665)	\$Nil	\$(600)	\$(151,065)	\$Nil
<b>Net comprehensive loss Basic and diluted loss per share</b>	\$(843,054) \$(0.006)	\$(489,755) \$(0.004)	\$(494,184) \$(0.004)	\$(431,194) \$(0.004)	\$(1,106,088) \$(0.010)	\$(147,891) \$(0.001)	\$(329,843) \$(0.003)	\$(135,090) \$(0.001)

*Summary of Results During Prior Eight Quarters*

Net comprehensive loss increased by \$194,753 from the third to the fourth quarter of 2021 mainly due to an increase in the write-down of exploration and evaluation assets and an increase in professional fees. Net comprehensive loss decreased by \$181,952 from the fourth quarter of 2021 to the first quarter of 2022 mainly due to a decrease in the write-down of exploration and evaluation assets as well as a decrease in professional fees. Net comprehensive loss increased by \$958,197 from the first to the second quarter of 2022 mainly due to an increase in share-based payments. Net comprehensive loss decreased by \$674,894 from the second to the third quarter of 2022 mainly due to a decrease in share-based payments offset by an increase in the write-down of exploration and evaluation assets. Net comprehensive loss increased by \$62,990 from the third to the fourth quarter of 2022 mainly due to an increase in the write-down of exploration and evaluation assets offset by a decrease in operating expenses. Net comprehensive loss slightly decreased by \$4,429 from the fourth quarter of 2022 to the first quarter of 2023 mainly due to a decrease in the write-down of exploration and evaluation assets and a decrease in professional fees, offset by an increase in share-based payments. Net comprehensive loss increased by \$353,299 from the first to the second quarter of 2023 mainly due to an increase in share-based payments and an increase in the write-down of exploration and evaluation assets.

*Three months ended January 31, 2023 Compared to the Three months ended January 31, 2022*

The Company did not generate any revenue for the three months ended January 31, 2023 and 2022. Net comprehensive loss decreased by \$263,034 from \$1,106,088 for the three months ended January 31, 2022 to \$843,054 for the three months ended January 31, 2023 due mainly to a decrease in operating expenses.

Operating expenses decreased by \$263,428 from \$1,106,620 for the three months ended January 31, 2022 to \$843,192 for the three months ended January 31, 2023 due mainly to a decrease in share-based payments.

Decreased share-based payments (three months ended January 31, 2023: \$613,283; three months ended January 31, 2022: \$969,145) were due to the Company granted 1,450,000 stock options with exercise prices

ranging from \$0.10 to \$0.12 per share and expiry dates ranging from November 7, 2023 to January 16, 2024 and granted 7,080,000 restricted share units (“RSUs”) to its directors and consultants during the three months ended January 31, 2023 as compared to 7,000,000 stock options were granted at a price of \$0.30 per share for a one-year term (expiring on November 2, 2022) and Nil RSUs were granted during the three months ended January 31, 2022. The Company may grant options and/or RSUs that are available under the approved omnibus equity incentive plan in the next 12 months period.

*Six months ended January 31, 2023 Compared to the Six months ended January 31, 2022*

The Company did not generate any revenue for the six months ended January 31, 2023 and 2022. Net comprehensive loss increased by \$78,830 from \$1,253,979 for the six months ended January 31, 2022 to \$1,332,809 for the six months ended January 31, 2023 due mainly to an increase in operating expenses and an increase in the write-down of exploration and evaluation assets (six months ended January 31, 2023: \$32,080; six months ended January 31, 2022: \$600), offset by an increase in interest income (six months ended January 31, 2023: \$48,021; six months ended January 31, 2022: \$1,253). Operating expenses increased by \$94,118 from \$1,254,632 for the six months ended January 31, 2022 to \$1,348,750 for the six months ended January 31, 2023 due mainly to an increase in management fees and professional fees.

Increased management fees (six months ended January 31, 2023: \$84,800; six months ended January 31, 2022: \$52,800) and professional fees (six months ended January 31, 2023: \$61,875; six months ended January 31, 2022: \$32,585) were due to financing and other matters. Management anticipates that management fees and professional fees may stay at or near this level in the next twelve month period.

See “Nature of Business – Mineral Properties” for a discussion of the Company's mineral properties on a property by property basis, including its plans for the mineral properties, the status of its plans, expenditures made and the anticipated timing and costs to take its mineral properties to the next stage of the project plan.

See “Overall Performance” for a discussion of the commitments, events, risks and uncertainties that the Company believe will materially affect its future performance and “Risks and Uncertainties” for a discussion of risk factors affecting the Company.

**Discussion of Operations**

*Use of Proceeds*

The table below provides an update as to the status of how the Company has previously announced a proposed use of proceeds from prior financings and the actual use of such proceeds.

<b>Financing</b>	<b>Previously Disclosed Use of Proceeds</b>	<b>Status of Use of</b>
\$3,500,000 <i>August 2022 Private Placement</i>	Towards drilling on current projects and general working capital.	As of the date of this report, \$195,365 used to pay finder’s fees and \$14,333 used to pay legal and filing fees in connection with the private placement; \$2,781 used in exploration expenditures incurred on the Nevada Clayton Valley W. Lithium Property; \$25,352 used in exploration expenditures incurred on the Idaho Cobalt Belt Project; \$196,530 used in exploration expenditures incurred on the Nevada Solar Lithium Project; \$32,648 used in security deposits in relation to the Solar Lithium Project; \$537,991 used in general working capital; and \$2,495,000 has not been used.

In August 2022, the Company closed a non-brokered private placement consisting of 34,653,465 units at a price of \$0.101 per unit for gross proceeds of \$3,500,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 29, 2027. In connection with this private placement, the Company issued 1,780,304 broker warrants exercisable at \$0.15 per share and 144,000 broker warrants exercisable at \$0.19 per share until August 29, 2027.

## **Liquidity and Capital Resources**

### *Liquidity*

At January 31, 2023, the Company had \$2,815,947 in cash and cash equivalents and a working capital of \$2,659,610 as compared to \$122,630 in cash and cash equivalents and a working capital deficiency of \$168,947 at July 31, 2022.

The Company's current assets have increased to \$2,912,715 as at January 31, 2023 from \$127,821 as at July 31, 2022, due mainly to an increase in cash and cash equivalents. The Company's current liabilities have decreased from \$296,768 as at July 31, 2022 to \$253,105 as at January 31, 2023 due to a decrease in accounts payable and accrued liabilities. The value ascribed to the Company's exploration and evaluation assets has increased from \$2,878,925 as at July 31, 2022 to \$2,970,199 as at January 31, 2023, due mainly to the maintenance fees incurred to renew the mineral claims in Nevada, as set described above

During the six months ended January 31, 2023, the following occurred:

- The Company closed a non-brokered private placement consisting of 34,653,465 units at a price of \$0.101 per unit for gross proceeds of \$3,500,000. In connection with this private placement, the Company paid legal and filing fees of \$14,333, and finders' fees of \$195,365.

Management believes that the Company's cash and cash equivalents may be sufficient to meet the current working capital requirements, including the existing commitments relating to the Company's mineral properties. The Company may raise additional capital as the needs arise. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of the Company's commitments relating to its mineral properties. As a mineral exploration company, its expenses are expected to increase as the Company explores its mineral properties further. Management does not expect the Company to generate sustained revenues from mineral production in the foreseeable future.

The Company's ability to conduct the planned work programs on its mineral properties, meet ongoing levels of corporate overhead and discharge its liabilities as they become due is dependent, in large part, on the ability of management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of the Company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. Although the Company have secured financings in the past, there is no assurance that the Company will be able to do so in the future on terms that is favourable to the Company or at all. The Company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

There is substantial doubt about its ability to continue as a going concern as the continuation of its business is dependent upon obtaining further long-term financing, successful exploration of its mineral property interests, the identification of reserves sufficient to warrant development, successful development of its property interests and achieving a profitable level of operations. Due to the uncertainty of its ability to meet its current operating and capital expenses, in their notes to its audited financial statements for the year ended July 31, 2022, the Company's independent auditors included an explanatory paragraph regarding their substantial doubt about its ability to continue as a going concern.

### *Capital Resources*

The Company has the following commitments for capital expenditures with respect to its mineral properties as of January 31, 2023. The expenditures are optional, and the Company may decide not to incur such payments in the event the Company does not decide to pursue further exploration with respect to such properties.

- *Ontario Hector Cobalt Prospects:*
  - All Hector claims are in good standing until September 26, 2026 or later.
- *Nevada Clayton Valley West Lithium Prospect:*
  - These mineral claims are in good standing until September 1, 2023. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$1,980.
- *Nevada Solar Lithium Project:*
  - These mineral claims are in good standing until September 1, 2023. In order to keep these claims in good standing, the Company is required to pay BLM fees of USD\$65,505.
- *Idaho Cobalt Belt Project:*
  - These mineral claims are in good standing until September 1, 2023. In order to keep these claims in good standing, the Company is required to pay maintenance fees of USD\$19,470 by September 1, 2023.

See “Nature of Business – Mineral Properties” for a discussion of the Company’s capital expenditure commitments with respect to its mineral properties.

On March 12, 2020, the Company entered into a lease agreement for office premises for a seven-year period beginning October 1, 2020 and ending September 30, 2027. The Company is required to pay monthly office rent (net of taxes) as follows: pay a total of \$34,106 by July 31, 2023; pay a total of \$67,831 by July 31, 2024; pay a total of \$68,449 by July 31, 2025; pay a total of \$69,283 by July 31, 2026; pay a total of \$70,117 by July 31, 2027; and pay a total of \$11,709 by September 30, 2027. However, the Company shares its office space with two related public companies and one non-related company. The Company invoices these companies for their share of the office rent on a monthly basis.

### *Operating Activities*

During the six months ended January 31, 2023 and, 2022, operating activities used cash of \$390,543 and \$272,254, respectively. The use of cash for the six months ended January 31, 2023 was mainly attributable to its loss for the period of \$1,332,809 offset by share-based payments of \$987,547. The use of cash for the six months ended January 31, 2022 was mainly attributable to its loss for the period of \$1,253,979 offset by share-based payments of \$969,145.

### *Investing Activities*

During the six months ended January 31, 2023, the Company used cash of \$173,121 in investing activities due to investments in exploration and evaluation assets in the amount of \$140,473 and three security deposits in relation to the Solar Lithium Project in the amount of \$32,648.



During the six months ended January 31, 2022, the Company used cash of \$514,521 in investing activities due to investments in exploration and evaluation assets in the amount of \$503,906 and a security deposit in relation to the Solar Lithium Project in the amount of \$10,615.

#### *Financing Activities*

During the six months ended January 31, 2023, the Company was provided cash of \$3,256,981 by financing activities, of which \$3,500,000 was proceeds from issuance of share capital, offset by \$209,698 in share issue costs and \$33,321 in repayment of lease liability.

During the six months ended January 31, 2022, the Company was provided cash of \$182,154 by financing activities, of which \$217,823 was proceeds from issuance of share capital, offset by \$2,765 in share issue costs and \$32,904 in repayment of lease liability.

#### **Changes in Accounting Policies including Initial Adoption**

During the six months ended January 31, 2023, the Company has not adopted any new accounting policies.

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **Related Parties Transactions**

During the six months ended January 31, 2023, the Company incurred aggregate management fees of \$84,800 to two directors, James Nelson and Seth Kay. There are no management agreements in place and the Company has no contractual requirement to continue paying management fees. Management fees, directors' fees and share-based payments are intended to compensate such persons for their time and dedication to the Company.

During the six months ended January 31, 2023, the Company paid \$49,400 to an officer in consideration for accounting services provided to the Company. Such payments were made in lieu of management fees to its Chief Financial Officer, Cindy Cai.

During the six months ended January 31, 2023, the Company incurred share-based payments of \$682,280 to four directors and one officer, being \$213,821 to each of James Nelson and Seth Kay; \$34,443 to George Franklin Bain; \$26,380 to Negar Adam; and \$193,815 to Cindy Cai. As a mineral exploration issuer, the Company partially relies on the issuance of stock options to compensate its directors and officers for their time and dedication to the Company.

As at January 31, 2023, amount due to related parties were \$6,460 (July 31, 2022: \$12,499), which included the following: \$2,500 payable to George Franklin Bain for unpaid directors' fees; and \$265 payable to Cindy Cai, \$88 payable to Negar Adam and \$3,607 payable to Seth Kay for reimbursement of unpaid office expenses.

At January 31, 2023, related party receivables include \$7,277 (July 31, 2022: \$Nil) due from related parties for recoverable office expenses.

All transactions with related parties have occurred and are measured at the amount of consideration established and agreed to by the related parties.

## Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company's current financial instruments will not be affected foreign exchange risk, credit risk, interest rate risk and price risk. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

## Proposed Transactions

Other than as disclosed herein, the Company does not have any proposed transactions as of the date of this report.

## Additional Disclosure for Venture Issuers without Significant Revenue

During the six months ended January 31, 2023 and 2022, the Company incurred expenses including the following:

	<u>2023</u>	<u>2022</u>
Operating expenses	\$1,348,750	\$1,254,632
Capitalized exploration costs	\$123,354	\$412,292
Acquisition of exploration and evaluation assets	\$Nil	\$99,427
Write-down of exploration and evaluation assets	\$32,080	\$600

Please refer to *Note 7 Exploration and Evaluation Assets* in the condensed consolidated interim financial statements for the six months ended January 31, 2023 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

## Disclosure of Outstanding Share Data

### *Common Shares*

The Company has authorized an unlimited number of common shares without par value.

As at January 31, 2023, the Company had 151,973,969 common shares issued and outstanding.

Subsequent to January 31, 2023, the following occurred:

- The Company issued a total of 1,996,000 common shares to its directors, officers and consultants with respect to the vested RSUs.

As at March 13, 2023, the Company had 153,969,969 common shares issued and outstanding.

### *Stock options*

As at January 31, 2023 and March 13, 2023, the Company had 4,300,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number		
Outstanding	Exercise Price	Expiry Date
2,850,000	\$0.13	September 9, 2023
1,300,000	\$0.10	November 7, 2023
150,000	\$0.12	January 16, 2024
<u>4,300,000</u>		

### *Warrants*

As at January 31, 2023 and March 13, 2023, the Company had 36,577,769 share purchase warrants outstanding.

### **Management’s Responsibility for Financial Statements and MD&A**

The Company’s management is responsible for presentation and preparation of the financial statements and the MD&A. The condensed consolidated interim financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The condensed consolidated interim financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information.

The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks, and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

### **Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company faces a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intend to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of the properties may not result in the discovery of any mineral deposits. Any expenditure that the Company may make in the exploration of any other mineral property that the Company may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of the exploration do not reveal viable commercial mineralization, the Company may decide to abandon or sell some or all the property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the exploration activities will result in the discovery of any quantities of mineral deposits on the current properties or any other additional properties the Company may acquire.*

The Company intend to continue exploration on the current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on the current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on the properties, the Company's ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably, and investors may lose all their investment in the Company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that the Company may incur liability or damages as the Company conducts business.*

The search for mineral deposits involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot insure or against which the Company may elect not to insure. At the present time the Company have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on the Company's financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discovers and exploits mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving any return on invested capital. These factors may have material and negative effects on financial performance and the Company's ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed, and any such changes may prevent the Company from conducting planned activities or may increase costs of doing so, which would have material adverse effects on the Company's business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company, especially, foreign laws and regulations. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other

reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on business.

*Because the Company's property interests may not contain any mineral deposits and because the Company has never made a profit from operations, the Company's securities are highly speculative, and investors may lose all their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and the stage of exploration. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties, but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, the Company have not generated any revenues nor have the Company realized a profit from operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on current properties or mineral deposits on any additional properties that the Company may acquire and subsequent development. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of the Company's securities may decline, and investors may lose all their investment in the Company.

*As the Company face intense competition in the mineral exploration and exploitation industry, the Company will have to compete with competitors for financing and for qualified managerial and technical employees.*

Competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company have. As a result of this competition, the Company may have to compete for financing and be unable to conduct any financing on terms the Company consider acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the exploration programs may be slowed down or suspended, which may cause operations to cease as a company.

*The Company have a history of losses and have a deficit, which raises substantial doubt about its ability to continue as a going concern.*

The Company has not generated any revenues during the six months ended January 31, 2023 and 2022. The Company will continue to incur operating expenses without revenues if and until the Company engages in commercial operations. Accumulated loss as of January 31, 2023 was \$22,445,962 since inception. The Company had cash and cash equivalents in the amount of \$2,815,947 as at January 31, 2023. The Company estimates the average monthly operating expenses to be approximately \$50,000 each month. This estimate depends on whether the Company is active or inactive with the work programs. The Company cannot provide assurances that the Company will be able to successfully explore and develop its property interests. These circumstances raise substantial doubt about its ability to continue as a going concern, which was also described in an explanatory paragraph to the independent auditors' report on the Company's audited financial statements, July 31, 2022. If the Company is unable to continue as a going concern, investors will likely lose all their investments in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

There is no assurance that the Company will operate profitably or will generate any positive cash flow in the future. The Company will require additional financing in order to proceed with the exploration and, if warranted, development of its properties. The Company will also require additional financing for fees the Company must pay to maintain its status in relation to the rights to the properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if the Company is not successful in earning revenues. The Company will also need further financing if the Company decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing as the Company believes that it is sufficiently funded for the current operations but in future the Company expects to raise additional capital as the needs arise. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail, and investors could lose their entire investment.

*The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.*

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the Company's directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to the Company's business affairs, which may negatively affect the Company's ability to conduct ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of the Company's officers' other business interests.

## RISKS RELATING TO THE COMPANY'S COMMON STOCK

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of operations have been and will be financed through the continued sale of equity securities, a decline in the price of the common stock could be especially detrimental to liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on business plans and operations, including the ability to continue current operations. If the Company's stock price declines, the Company can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue normal operations or become insolvent.

The market price for the Company's common stock may also be affected by its ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of its common stock and its operations as a result.

## **Additional Information**

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at <http://www.sedar.com>.