



**TANTALEX RESOURCES CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED MAY 31, 2021**

## ***Management's Discussion and Analysis***

Dated as of July 21, 2021

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Tantalex Resources Corporation (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended May 31, 2021 and May 31, 2020. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations.

The discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended May 31, 2021 and May 31, 2020, and the audited consolidated financial statements for the years ended February 28, 2021 and February 29, 2020, and related notes thereto. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at [www.sedar.com](http://www.sedar.com).

The results presented are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

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

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors referenced in the "Risk Factors" 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.

## **Overview of Company and Highlights**

The Company was incorporated on September 28, 2009, under the *Business Corporations Act* (British Columbia) under the name Lynnwood Capital Inc. The Company was classified as a Capital Pool Company as defined in Policy 2.4 – *Capital Pool Companies* (“**Policy 2.4**”) of the TSX Venture Exchange (the “**TSXV**”). On October 21, 2013 the Company completed its Qualifying Transaction, as defined by the Exchange’s policy 2.4 and changed its name to Tantalex Resources Corporation. In connection with the qualifying transaction the Company delisted its common shares from the TSXV. The Company received approval to list its common shares on the Canadian Securities Exchange (herein the “**CSE**”) and commenced trading on the CSE under the trading symbol “**TTX**” at market open on October 22, 2013.

Tantalex is a mining company focused on the acquiring, exploring, developing and distributing Lithium, Tin, Tantalum, Cobalt and other high-tech mineral properties in Africa. The Company’s main project is the tailings of the historical Manono-Kitotolo mine.

### **Manono Kitotolo Tailings (PER 13698)**

In August 2018, the Company (through its 90% held subsidiary Buckell SAS) entered into an assignment agreement (the “**Agreement**”) to acquire Mines d’Or Resources (“**Minor**”) 65% participation in a corporation which owns PER 13698 (Permis Exploitation Rejets) (“**PER 13698**”), at a cost of USD\$3,000,000 for 8 of the 11 tailings dumps included on PER 13698. PER 13698 grants exclusive rights to mine the tailings of the historical Manono-Kitotolo mine for lithium, tin and tantalum. The new entity is named Société des Tailings de Manono (“**STM**”) and is owned 65% by Buckell SAS, 30% by La Congolaise D’Exploitation Minière (“**La Cominière**”) and 5% by Minor.

The license has a surface area of 53 square kilometers and is located directly on the site of the former mining operation and world-class LCT-pegmatite of Manono-Kitotolo (MK) mine, which has been historically defined as the largest pegmatitic deposit of tin and coltan ever worked (Bassot, Mario & Levesque, 1980).

The Manono Kitotolo Tailings consist of material mined and crushed to an average 3.2mm granulometry from the numerous open pit mines which were exploited from 1919 to the mid 80’s, producing 140,000-185,000 tonnes of tin and 4,500 tonnes of coltan concentrate (Zairetain 1981). Spodumene (Li ore mineral) was not recovered by the historical processing and was part of the reject material comprising the tailings. A study performed by BRGM of France in 1980 on 2 grab samples of 180 kg each taken from two quarries of the Mine confirmed spodumene concentrations of 26,7% and 31% respectively (1,7 and 2% Li<sub>2</sub>O). The authors of the study (Bassot, Mario & Levesque, 1980) conclude that the facies from where these samples originate appear to be similar in spodumene concentration to all the other faces observed along the entire pegmatite body (pits, Roches Dure, M’Pete, quarry 5, quarry 6, East Quarry, Hopital, Tempete, Kahungwe). This shows the potential for high grade spodumene rich tailings in the Manono-Kitotolo area. There are 11 dumps spread throughout the 12km strike along the various quarries that have been exploited. A preliminary estimate completed by Tantalex estimates the total tonnage of the tailings to be between 60Mt to 80Mt, grading conservatively between 0.5 % and 1% Li<sub>2</sub>O.

Tantalex has completed the following exploration on the Manono Tailings Project to date:

- Grab sampling and associated laboratory assays
- Handheld GPS survey
- Bulk sampling for metallurgical testwork
- Access road investigation on Manono tailings
- An Exploration Target was completed in September 2018

Mineralisation encountered on the Manono tailings varied from spodumene and lepidolite, to traces of cassiterite. The tailings dumps are composed of coarser material averaging 3-5 mm particle size (40 to 60 m in vertical height), while the terraces are composed of finer grained materials and average approximately 5 m in thickness.

The Company is currently planning a drill program on the tailings, subject to completion of all government authorizations and contractor availability.

### **LOI with Minor SARL (“Minor”)**

On July 7, 2021, the Company announced that it entered into a binding LOI with Minor to expand its land package in the prolific Manono lithium, tin and tantalum hub with an earn-in option agreement to acquire the entirety of the dumps that are located on PER 13698.

The earn-in Agreement allows for TTX SAU, a wholly owned subsidiary of Tantalex in the DRC, to acquire up to a minimum of 52% of the shares in Minocom Mining SAS. Minocom Mining SAS (“Minocom”), the title owner of PER 13698 and PR13348 is a Joint Venture between Minor (70%) and Cominiere (30%). In the initial phase of the earn-in agreement, TTX SAU will acquire 25% of the shares in Minocom for a payment of 2M USD and 20,000,000 shares of Tantalex additional to the \$3,000,000 USD that have previously been paid. TTX SAU also holds the firm option to buy an additional 27% of the shares in Minocom for either \$10,000,000 USD or 20,000,000 shares to be decided by Minor after the completion of the initial resource estimate. Once the option exercised, TTX SAU will become 52% shareholder of Minocom with Minor holding 18% and Cominiere having 30%. TTX SAU will have a Right of First Refusal on any sale of the remaining 18% held by Minor.

### **MOU Agreement with Ximei Resources**

On February 18, 2021, the Company announce that it entered into a non-binding MOU Agreement with Ximei Resources (Hong Kong) Limited (“Ximei”) to enter into a cooperation model for establishing a Tantalum refining plant in the Manono region, Tanganyika, in the Democratic Republic of the Congo (“DRC”).

The Manono area is endowed with cassiterite and coltan which are the primary minerals for for the production of tin and tantalum, respectively. A tantalum refining plant (the “Plant”) would create added value for the Great Lakes region, the communities and the DRC. Such a Plant would be the first on the African continent.

The terms of the cooperation between Tantalex and Ximei are based on the following premises:

- Tantalex will conduct a feasibility study to establish the Plant (the “Study”).
- Ximei will provide technical expertise in process and plant design as well as technical support with regards to requirement for the Plant,
- Upon favorable outcome of the Study, Ximei and Tantalex will engage in commercial and investment decisions whereby Tantalex will be responsible to provide the tantalum concentrates and Ximei will obtain up to fifty percent (50%) of its manufactured product, the whole in accordance with an offtake agreement to be negotiated between Ximei and Tantalex in due time.

### **LOI for Niotaz Properties**

On February 18, 2021 the Company announced Tantalex it has signed a binding Letter of intent (“LOI”) with a prospector for an option to earn up to one hundred percent (100%) of the Niotaz Properties which holds eleven (11) claims in the Lac St-Jean region, province of Quebec, Canada. These claims are contiguous to the well-known Crevier property, held by Niobay Metals Inc, which has measured and indicated resources of 25.4M tons of Nb<sub>2</sub>O<sub>5</sub> grading 0,2% and Ta<sub>2</sub>O<sub>5</sub> grading 234 ppm. (*NI 43-101 Resources update on Crevier Property, Claude Duplessis, SGS Geostat, July 2010*).

The Niotaz showing was only discovered on the claims of Bernard Sénéchal, a prospector, in 2009, when several samples returned anomalous values, including 2,050 ppm Nb and 469 ppm Ta in a grab sample. This showing was resampled in 2012 and returned 1,890 ppm Nb and 508 ppm Ta in a grab sample.

Under the terms of this LOI, Tantalex paid five thousand dollars (\$5,000) to the prospector on signing of the LOI. Upon completion of Phase 1 of the work program to be completed by prospector on the NioTaz Properties for a minimum amount of five hundred thousand dollars (\$500,000) worth of explorations expenditures to be spent on or before September 30th, 2021, Tantalex shall be entitled to earn fifty percent (50%) of the NioTaz Properties in exchange for the issuance by Tantalex of one million (1,000,000) common shares in the share capital of Tantalex in favor of the prospector.

Tantalex has also reserved the right to acquire the remaining fifty percent (50%) of the NioTaz Properties (the “Option”) following the completion of Phase 1 in exchange: (1) Tantalex will issue one million (1,000,000) common shares in the share capital of Tantalex in favor of the prospector; (2) Tantalex will spend an additional five

hundred thousand dollars in exploration expenditures on the NioTaz Properties within twelve (12) months of the of Tantalex exercising its Option; (3) the prospector shall receive a one and a half percent (1.5%) Net Smelter Royalty (“NSR”) on the NioTaz Properties, being agreed that it could be repurchased by Tantalex for an amount of one million dollars (\$1,000,000) at any time after start of production.

### **COVID-19**

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. This outbreak may increase difficulties in financing, access to properties and increased government regulations, all of which may adversely impact the Company’s business and financial condition.

### **Change in Accounting Policy**

During the year ended February 28, 2021, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights and exploration and evaluation costs are expensed until it has been established that a mineral property is technically feasible and commercially viable. Previously, the Company capitalized these amounts. The financial statements for the three months ended May 31, 2020 have been restated to reflect adjustments made as a result of this change in accounting policy.

### **Results of Operations**

As at May 31, 2021, the Company had a cash and cash equivalent balance of \$47,310 (February 28 2021 - \$400,970) and total current assets of \$158,997 (February 28, 2021 - \$495,165).

Long term assets comprised of equipment \$12,400 (February 28, 2021 - \$nil).

Total liabilities amounted to \$8,452,132 (February 28, 2021 - \$9,235,023). The decrease is attributed to the change in the fair value of the derivative liabilities.

For the three months ended May 31, 2021, the Company recorded a net income of \$222,499 compared to a net loss of \$542,333 for the three months ended May 31, 2020 and detailed as follows:

	<b>2021</b>	2020
<b>EXPENSES</b>		
General and administrative (a)	\$ 232,904	\$ 4,449
Exploration expenses (b)	70,436	-
Stock based compensation (c)	228,160	160,200
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(531,500)</b>	<b>(164,649)</b>
Gain on disposal of subsidiaries (d)	-	(205,544)
Change in fair value of derivative liability (e)	665,193	-
Gain on foreign exchange	292,332	-
Interest and accretion	(203,526)	(172,140)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 222,499</b>	<b>\$ (542,333)</b>

(a) A breakdown of the general and administrative expenses is as follows:

	2021	2020
Insurance	\$ 5,309	\$ 6,149
Transfer agent and shareholder registration	3,317	3,199
Legal and audit	111,530	22,228
Consulting fees	44,033	(79,100)
Management fees (ii)	39,000	39,000
Office and general	29,985	12,973
	<b>\$ 232,904</b>	<b>\$ 4,449</b>

There was an overall reduction in most expenses categories as the Company was not active during the period, as the Company was unable to access its projects due to the COVID-19 restrictions.

- (i) Increase in consulting was due to a prior period reversal of over accrued consulting fees.
  - (ii) See related party section.
  - (iii) Office and general include public company costs (such as transfer agent, press releases, regulatory fees, insurance and other), maintaining offices in North American and Africa and salaries for employees based in Africa. Costs increased as the Company was more active compared to the prior period were COVID-19 negatively impacted activity.
- (b) As noted earlier, the Company changed its accounting policy to expense all related property expenditures.
- (c) Represents the value of the stock options expensed during the period. This is a non-cash expense.
- (d) Represents the loss on the disposal of subsidiaries United Cominiere and United Materials Congo.
- (e) The conversion feature of the convertible debentures issued were required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income.

### Summary of Quarterly Results

Three Months Ended	May 31, 2021 \$	February 28, 2021 \$	November 30, 2020 \$	August 31, 2020 \$
Total Revenue	-	-	-	-
Net income (loss)	222,499	(2,645,284)	(284,886)	(221,635)
Basic and diluted income (loss) per share	0.00	(0.00)	(0.00)	(0.00)

Three Months Ended	May 31, 2020 \$	February 29, 2020 \$	November 30, 2019 \$	August 31, 2019 \$
Total Revenue	-	-	-	-
Net Loss	(542,333)	(3,601,703)	577,589	(776,943)
Basic and diluted (loss) per share	(0.00)	(0.02)	(0.00)	(0.00)

*All the above quarterly results presented are prepared in accordance with IFRS.*

## Liquidity and Capital Resources

The Company's cash decreased to \$47,310 at May 31, 2021, from \$400,970 at February 28, 2021. The Company's working capital deficit was \$88,305,535 compared to a working capital deficit of \$8,739,858 at February 28, 2021. Cash used in operating activities was \$341,260 compared to \$28,809 in the prior year, as detailed below:

<b>Three months ended May 31,</b>	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 222,499	\$ (542,333)
<b>Operating items not involving cash</b>		
Accrued interest and accretion	203,526	172,140
Depreciation of equipment	-	1,460
Change in fair value of derivative liability	(665,193)	
Disposal of subsidiary	-	205,543
Stock based compensation	228,160	160,200
Unrealized foreign exchange (gain) loss	(296,267)	(139)
Changes in working capital items		
Prepaid expenses and deposits	155	3,211
Sales tax and other receivable	(5,247)	(4,727)
Trade payables and accrued liabilities	(28,893)	(24,164)
Cash flows used in operating activities	(341,260)	(28,809)

Investing activities for the three months ended May 31, 2021 reflected cash used of \$12,400 for the purchase of equipment compared to \$nil for the three months ended May 31, 2020.

Currently the Company does not have the required working capital to maintain corporate operations and conduct exploration programs on its property. The Company is working diligently to restructure its debt, and raise funds. However, since inception, the Company's capital resources have been limited to amounts raised from the private sale of common shares in the Company as well as loans and advances. The Company will rely on its ability to obtain equity, or other sources of financing, for growth. The ability of the Company to continue operations and carry out further desired activities over the course of the next 12 months is dependent upon obtaining additional financing. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects. There can be no guarantee that the Company will be able to secure any required financing.

There were no changes in the Company's approach to capital management during the period.

Total principal debt outstanding as of the date of this MD&A was as follows:

<b>Amount</b>	<b>Currency</b>	<b>Maturity Date</b>
\$750,000	USD	May 2022
\$100,000	CAD	May 2022
\$1,350,000	USD	May 2022
\$700,000	CAD	May 2022
\$150,000	USD	May 2022
\$50,000	USD	May 2022
\$100,000	USD	May 2022

Further information regarding the Company's convertible notes, is included in Note 10 of the unaudited condensed consolidate financial statements for the three months ended May 31, 2021.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related Parties

Remuneration of key management personnel of the Company.

The remuneration awarded to key management personnel, including directors, the Chief Executive Officer and the Chief Financial Officer, is as follows for the three months ended May 31, 2021 and May 31, 2020:

	2021	2020
Management and consulting fees	\$ 39,000	\$ 39,000
Share-based payments	-	108,000
	<b>\$ 39,000</b>	<b>\$ 147,000</b>

During the three months ended May 31, 2021, \$18,000 (three months ended May 31, 2020 - \$18,000) of fees were charged by CFO Advantage Inc., a company owned by the Chief Financial Officer of the Company. As at May 31, 2021, \$31,640 of the fees are outstanding (February 28, 2021 - \$51,980) and are included in trade payables and accrued liabilities on the statement of financial position. On December 16, 2020, the Company settled \$129,736 of debt with CFO Advantage Inc. with the issuance of 6,486,815 common shares.

During the three months ended May 31, 2021, \$21,000 (three months ended May 31, 2020 - \$21,000) of fees were charged by 3IM Technologies, a Company owned by the CEO (and former VP) of the Company. As at February 28, 2021, \$28,572 of the fees and expenses are outstanding (February 28, 2021- \$4,842) and are included in trade payables and accrued liabilities on the statement of financial position. On December 16, 2020, the Company settled \$152,912 of debt with 3IM Technologies Inc. with the issuance of 7,645,575 common shares.

During the three months ended May 31, 2021, the Company was charged \$7,518 (three months ended May 31, 2020 - \$11,896) by Dunton Rainville LLP for legal services and disbursements. Michel Lebeuf is a partner of Dunton Rainville LLP, and former Interim CEO and a director and corporate secretary of the Company. As at May 31, 2021, \$33,444 (February 28, 2021 - \$49,047) was payable to Dunton Rainville and are included in trade payables and accrued liabilities on the statement of financial position. During the year ended February 28, 2021, \$25,000 of debt owing to Michel Lebeuf, was settled through the issuance of 1,250,000 common shares of the Company.

Amounts included in trade payable are accrued liabilities are unsecured, non-interest bearing and have no fixed terms of repayment.

Unless otherwise stated, none of the transactions provided for special terms and conditions.

## Critical Accounting Estimates

The preparation of the financial statements requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:



**Estimation of uncertainty**

Information about the significant estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Share-based payments and warrants**

The fair value of share-based payments and warrants is determined using the Black-Scholes valuation model taking into account the features of the plan and market data as at the grant date and on the basis of the Company management assumptions. Estimates are made as to the volatility of its own share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants.

**Significant management judgment**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

**Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

**Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances (Note 2).

**Functional currency**

In concluding on the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences costs of operating in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

**Estimation of decommissioning and reclamation costs and the timing of expenditure**

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Cost estimates are updated annually to reflect known developments and are subject to review at regular intervals.

**Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

## **Contingencies**

Refer to Note 18 of the unaudited condensed interim consolidated financial statements for the three months ended May 31, 2021.

The amounts recognized in the consolidated financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

## **Derivative Liabilities**

The Company values derivative liabilities by reference to their fair value at the date at which the instrument is granted and each reporting period. Estimating fair value requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life and volatility and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate.

## **Financial Instruments and Risk**

Objectives and policies concerning financial risk management

The Company is exposed to different financial risks resulting from its operations as well as investing and financing activities. The following analysis enables users to evaluate the nature and extent of the risks at the end of the year.

### *Financial risks*

The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follow:

#### *Interest rate risk*

The convertible debentures provide for a fixed annual interest rate and therefore expose the Company to the risk of fair value variation due to interest rate variation because this financial asset is recognized at amortized cost. The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest or are at a fixed interest rate. The Company does not use financial derivatives to decrease its exposure to interest risk.

#### *Liquidity risk*

Management's objective is to maintain sufficient levels of cash and to ensure that the Company has at its disposal sufficient sources of financing, such as private financing and capital markets. Obtaining additional funds make it possible for the Company to continue its operations.

As at May 31, 2021, management estimates that funds available will not be sufficient to meet the Company's obligations through the next twelve months. The Company is evaluating different financing options to continue the exploration and development of its projects, which may include the issuance of securities, entering into partnership, joint venture or other arrangements. There can be no assurance that additional funds will be available or available on terms acceptable to the Company. If management is unable to obtain new funding, the Company may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests.

#### *Foreign Currency Risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar will affect the Company's operations and financial results. At May 31, 2021, the Company has assets of \$28,192 (February 28, 2021 – \$24,024) denominated in a foreign currency. The impact to equity of a 10% increase or decrease in foreign currencies to the Canadian dollar exchange rate at May 31, 2021 would be \$2,800 (February 28, 2021 - \$2,400).

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date. The Company has no trade accounts. The credit risk for cash is considered negligible since the counter parties are reputable banks with high quality external credit ratings and that cash held in Congo is not subject to any restrictions.

### **Share Capital**

As of the date of this MD&A, the Company had 367,297,147 issued and outstanding common shares, 70,284,177 of warrants outstanding and 31,000,000 options outstanding.

### **Risk Factors**

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 Factors" in the Company's listing statement (Form 2A) dated October 18, 2013, available on SEDAR at [www.sedar.com](http://www.sedar.com).

In addition to the risks outlined in the Company's listing statement (Form 2A) dated October 18, 2010, the Company has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like the Company are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets in order to raise the capital it will need to fund its current level of expenditures.