

# **BENJAMIN HILL MINING CORP.**

## **Management's Discussion and Analysis of Results of Operations and Financial Condition For the year ended August 31, 2022 (Expressed in Canadian Dollars)**

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### **Introduction**

The following Management Discussion and Analysis ("MD&A") of Benjamin Hill Mining Corp. (the "Company") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of December 29, 2022 and should be read in conjunction with the audited consolidated financial statements for the years ended August 31, 2022 and 2021, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

### **Overview**

Benjamin Hill Mining Corp. (the "Company") was incorporated on August 21, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is 1050 - 12471 Horseshoe Way, Richmond, BC, V7A 4X6. The registered and records office is Suite 1400, 1125 Howe Street, Vancouver, British Columbia, V6Z 2K8. The common shares of the Company are listed on the Canadian Securities Exchange ("CSE") under the symbol "BNN" and on the OTCQB under the symbol "BNNHF".

The Company is in the business of the exploration and development of natural resource properties in Mexico.

### **Significant Events**

In October 2021, the Company appointed Sergio Garcia as Chief Financial Officer, replacing Paloma Pantoja. Mr. Garcia holds a master's degree from the Western Institute of Business Capacitation in Guadalajara and graduated in public accounting from University of Sonora. Mr. Garcia has most recently served as general accountant for Benjamin Hill's Mexican operating subsidiary. Prior to that, he performed duties as a tax auditor for the Tax Administration Service (SAT) and as a general accountant for DFK International in Hermosillo, Sonora, and is a former auditor for Sonora Professional.

In December 2021, the Company entered into debt settlement agreements to settle a total of \$1,404,209 in debt for the issuance of 4,012,024 units of the Company. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at \$0.50 per common share for a period of two years. The fair value of common shares and warrants were \$1,604,810

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and \$556,233 respectively, resulting in a loss on debt settlement of \$706,589. The fair value of warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free interest rate of 0.98%, expected life of 2 years, Nil dividend yield and a volatility of 153.49%.

In January 2022, the Company closed a private placement consisting of 6,034,989 units at a price of \$0.35 per unit for proceeds of \$2,112,246. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$55,020 and finder's warrants of 157,200 were issued under the same terms with a fair value of \$44,189.

### **Exploration Activities**

#### **Sonora Gold Property, Mexico**

On August 4, 2020 and amended February 1, 2021 and August 4, 2022, the Company signed an option agreement (the "Agreement") with Minerales de Tarachi S de RL de CV for an option for the Company to earn a 100% interest in the Sonora gold mineral concessions in the mining district of Benjamin Hill in Sonora, Mexico.

The Option may be exercised by making eleven cash payments, every six months, totaling US\$4,000,000 within five years of the execution of the Agreement (the "Execution Date" or August 4, 2020) as follows:

- US\$50,000 on the Execution Date (paid at the Canadian equivalent of \$66,650);
- US\$50,000 on or before March 10, 2021 (paid at the Canadian equivalent of \$64,175);
- US\$50,000 on the 1<sup>st</sup> anniversary of the Execution Date (paid at the Canadian equivalent of \$64,124);
- US\$50,000 on the 18<sup>th</sup> month following the Execution Date (paid at the Canadian equivalent of \$63,904);
- US\$50,000 on the 2<sup>nd</sup> anniversary of the Execution Date (extended to August 4, 2023 per amendment);
- US\$50,000 on the 30<sup>th</sup> month following the Execution Date;
- US\$150,000 on the 3<sup>rd</sup> anniversary of the Execution Date;
- US\$150,000 on the 42<sup>nd</sup> month following the Execution Date;
- US\$200,000 on the 4<sup>th</sup> anniversary of the Execution Date;
- US\$500,000 on the 54<sup>th</sup> month following the Execution Date; and
- US\$2,700,000 on the 5<sup>th</sup> anniversary of the Execution Date.

The Company shall also issue to the optionor 10,000,000 common shares of the Company as follows:

- 1,500,000 common shares 2 business days following the date of filing of the Agreement with the CSE (the "Effective Date" or August 7, 2020) (issued at a fair value of \$607,500);
- 1,500,000 common shares on the 6<sup>th</sup> month following the Effective Date (issued at a fair value of \$690,000);
- 2,000,000 common shares on the 1<sup>st</sup> anniversary of the Execution Date (issued at a fair value of \$700,000);
- 2,000,000 common shares on the 2<sup>nd</sup> anniversary of the Execution Date (issued at a fair value of \$220,000); and
- 3,000,000 common shares on the 3<sup>rd</sup> anniversary of the Execution Date.

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The Optionor retains a 3.0% net smelter royalty pursuant to the Agreement, of which 1.0% may be purchased by the Company for US\$1,000,000, reducing the Optionor's interest to 2.0%.

In connection with the Agreement, the Company has entered into a finder's fee agreement with Spirit Exploration Corp. ("Spirit") in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration in the form of shares at the rate of 10% of the cash and option payments payable under the Option Agreement during the first 3 years of the term of the Agreement as follows:

### Cash payments:

- Cash payment of US\$5,000 or issuance of 17,241 common shares after the execution of the Agreement (issued 17,241 common shares at a fair value of \$6,724);
- Cash payment of US\$5,000 or issuance of 17,241 common shares on or before March 10, 2021 (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 18<sup>th</sup> month following the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement (extended to August 4, 2023 per amendment);
- Cash payment of US\$150,000 or issuance of 51,724 common shares after the 3<sup>rd</sup> anniversary of the Execution Date of the Agreement;

### Share payments:

- Issuance of 150,000 common shares after the Effective Date of the Agreement (issued at a fair value of \$60,750);
- Issuance of 150,000 common shares after the 6th month following the Effective Date of the Agreement (issued at a fair value of \$69,000);
- Issuance of 200,000 common shares after the 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued at a fair value of \$70,000);
- Issuance of 200,000 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement (extended to August 4, 2023 per amendment); and
- Issuance of 300,000 common shares after the 3<sup>rd</sup> anniversary of the Execution Date of the Agreement.

In the event that the payments outlined are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company.

On March 2, 2021, the Company entered into an option agreement with Minerales De Tarachi S de RL De CV to earn a 100% interest in the Benjamin Hill mineral concession in Sonora, Mexico.

The Option may be exercised by making six cash payments, totaling US\$3,400,000 within five years of the execution of the Agreement (the "Execution Date" or March 2, 2021) as follows:

### Cash payments:

- Cash payment of US\$20,000 plus value added tax (VAT) 30 days after the date of execution of the agreement (paid at the Canadian equivalent of \$27,242);

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- Cash payment of US\$30,000 plus VAT on the 1<sup>st</sup> anniversary of the execution date (paid at the Canadian equivalent of \$44,926);
- Cash payment of US\$50,000 plus VAT on the 2<sup>nd</sup> anniversary of the execution date;
- Cash payment of US\$50,000 plus VAT on the 3<sup>rd</sup> anniversary of the execution date;
- Cash payment of US\$75,000 plus VAT on the 4<sup>th</sup> anniversary of the execution date; and
- Cash payment of US\$3,175,000 plus VAT on the 5<sup>th</sup> anniversary of the execution date.

#### Share payments:

- Issuance of 1,000,000 common shares on the effective date of the Agreement, which shall be two business days following the date of filing of the Agreement with the CSE (issued at a fair value of \$450,000);
- Issuance of 1,000,000 common shares on the 1<sup>st</sup> anniversary of the Execution Date (issued at a fair value of 590,000).

The Optionor retains a 3% net smelter royalty pursuant to the agreement, of which 1% may be purchased by the Company for US\$1,000,000, reducing the Optionor's interest to 2%.

In connection with the agreement, the Company has entered into a finder's fee agreement with Spirit in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration paid half in cash and half in shares at the rate of 8% of the cash under the option agreement during the term of the agreement. In the event that the payments stipulated in the agreements are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company.

During the year ended August 31, 2022, the Company issued 1,906 common shares at a fair value of \$1,048 and 2,859 common shares at a fair value of \$1,687 in relation to the finder's fee agreement with Spirit.

Qualified Person and Quality Control/Quality Assurance Greg Bronson, P.Geo., (EGBC 132000), a qualified person as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), has supervised the preparation of the scientific and technical information that forms the basis in this MD&A and has reviewed and approved the disclosure herein.

### **Selected Annual Information**

The following financial information represents selected information of the Company for the three most recently completed financial years:

	August 31, 2022	August 31, 2021	August 31, 2020
Total revenue	\$ -	\$ -	\$ -
Loss and comprehensive loss for the year	(2,163,859)	(2,488,995)	(1,988,356)
Basic and diluted loss per share	(0.04)	(0.07)	(0.08)
Total assets	7,669,321	3,335,541	1,660,479
Total long term liabilities	-	-	-

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No revenues have been or are likely to be recorded in the past or near future. There were no significant variations outside of the normal course of business. No acquisitions or discontinued operations have occurred, been negotiated or are contemplated.

During the year ended August 31, 2022, the Company recorded a loss on settlement of debt of \$756,835.

During the year ended August 31, 2021, the Company wrote-down exploration and evaluation assets of \$734,500.

During the year ended August 31, 2020, the Company wrote-down exploration and evaluation assets of \$1,215,716.

### **Results of Operations**

#### **Revenues**

Due to the Company's status as an exploration and development stage mineral resource company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

#### **General and administrative expenses**

##### ***For the year ended August 31, 2022 and 2021***

The Company had a net loss of \$2,163,859 for the year ended August 31, 2022, compared to \$2,488,995 for the year ended August 31, 2021.

Notable expense variances are as follows:

- a) Interest expense of \$22,225 (2021 – \$12,351) – The increase is due to the interest charged on loans payable during the year.
- b) Foreign exchange loss of \$67,615 (2021 – \$1,611) - the change is due to fluctuation in exchange rates.
- c) Stock-based compensation of \$765,506 (2021 - \$904,096) – During the year ended August 31, 2022, the Company granted 2,255,000 (2021 - 2,700,000) stock options calculated using the Black Scholes Pricing Model.

During the year ended August 31, 2022, the Company recorded a loss on settlement of debt of \$756,835 (2021 - \$nil).

During the year ended August 31, 2022, the Company wrote-down exploration and evaluation assets of \$nil (2021 - \$734,500).

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***For the three months ended August 31, 2022 and 2021***

The Company had a net loss of \$1,018,400 for the three months ended August 31, 2022, compared to \$933,087 for the three months ended August 31, 2021.

Expense details are as follows:

- a) Foreign exchange loss of \$17,427 (2021 – gain of \$2,498) - the change is due to fluctuation in exchange rates.

During the three months ended August 31, 2022, the Company recorded a loss on settlement of debt of \$756,835 (2021 - \$nil).

During the three months ended August 31, 2022, the Company wrote-down exploration and evaluation assets of \$nil (2021 - \$709,500).

**Summary of Quarterly Reports**

	<b>August 31, 2022</b>	<b>May 31, 2022</b>	<b>February 28, 2022</b>	<b>November 30, 2021</b>
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(1,018,400)	(194,767)	(635,370)	(315,322)
Exploration and evaluation assets	7,479,171	7,248,621	5,237,158	4,150,486
Total assets	7,669,321	7,732,877	6,890,552	4,352,067
Loss per share	(0.02)	(0.00)	(0.01)	(0.01)

	<b>August 31, 2021</b>	<b>May 31, 2021</b>	<b>February 28, 2021</b>	<b>November 30, 2020</b>
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the period	(933,087)	(61,549)	(1,394,418)	(99,530)
Exploration and evaluation assets	3,270,166	3,322,319	2,437,438	1,451,124
Total assets	3,335,541	3,713,682	3,035,157	1,798,769
Earnings (loss) per share	(0.02)	(0.00)	(0.04)	(0.00)

During the three months ended August 31, 2022, the Company recorded a loss on settlement of debt of \$756,835.

During the three months ended November 30, 2021, the Company recorded share-based payments of \$148,171.

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During the three months ended August 31, 2021, the Company recorded a write-down of exploration and evaluation assets of \$734,500.

During the three months ended February 28, 2021, the Company recorded share-based payments of \$1,241,374.

### **Liquidity and Capital Resources**

The Company will continue to require funds for exploration work on its properties, as well as to meet its ongoing day-to-day operating expenses and will continue to rely on equity financing during such period. There can be no assurance that financing will be available to the on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over the near and long term other than as disclosed above plus normal operating expenses.

Since incorporation, the Company's capital resources have been limited. The Company relied upon the issue of equity securities to acquire interest in mineral properties acquisition payments and to pay operating expenses.

The Company had a working capital deficiency of \$657,620 as at August 31, 2022.

During the year ended August 31, 2022, 4,230,770 warrants and broker's warrants were exercised for proceeds of \$634,616.

In December 2021, 104,000 stock options were exercised at \$0.25 per option for gross proceeds of \$26,000.

In December 2021, the Company entered into debt settlement agreements to settle a total of \$1,404,209 in debt for the issuance of 4,012,024 units of the Company. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at \$0.50 per common share for a period of two years. The fair value of common shares and warrants were \$1,604,810 and \$556,233 respectively, resulting in a loss on debt settlement of \$706,589. The fair value of warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free interest rate of 0.98%, expected life of 2 years, Nil dividend yield and a volatility of 153.49%.

In January 2022, the Company closed a private placement consisting of 6,034,989 units at a price of \$0.35 per unit for proceeds of \$2,112,246. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$55,020 and finder's warrants of 157,200 were issued under the same terms with a fair value of \$44,189.

### **Financial Instruments and Risks**

Please refer to the August 31, 2022 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

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### **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

### **Transactions with Related Parties**

During the year ended August 31, 2022, the Company incurred \$84,000 (2021 - \$42,000) in consulting fees from a company controlled by a director of the Company. As at August 31, 2022, \$7,350 (2021 - \$10,970) was owing to this company.

During the year ended August 31, 2022, the Company incurred \$60,000 (2021 - \$60,000) in consulting fees from a company controlled by a director of the Company. As at August 31, 2022, \$10,500 (2021 - \$5,250) was owing to this company.

During the year ended August 31, 2022, the Company incurred \$Nil (2021 - \$38,500) in consulting fees from a company controlled by a former director of the Company.

During the year ended August 31, 2022, the Company incurred \$Nil (2021 - \$3,500) in rent to a company controlled by a former director of the Company.

During the year ended August 31, 2022, the Company granted stock options to key management valued at \$356,508 (2021 - \$719,928).

During the year ended August 31, 2021, the Company recorded an allowance of \$275,589 on amounts owing from a former director and \$55,204 on amounts owing from a company with former common directors.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

### **Adoption of new and amended accounting standards**

The Company did not adopt any new and amended accounting standards.

### **Financial Instruments and Risks**

Please refer to the August 31, 2022 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

### **Additional Information**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).

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### **Disclosure of Outstanding Security Data**

As at the date of this report, the following securities are outstanding:

- Common Shares: 58,198,437
- Warrants:

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
243,773	0.15	December 4, 2022
2,006,012	0.50	December 23, 2023
3,174,695	0.50	January 27, 2024
5,424,480		

Options:

<b>Number of Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
500,000	0.44	February 21, 2024
300,000	0.50	April 14, 2025
444,210	0.25	July 22, 2025
2,700,000	0.59	February 25, 2026
375,000	0.43	October 25, 2026
980,000	0.44	February 21, 2027
5,299,210		

### **Forward-looking information**

This MD&A contains "forward-looking statements". Forward-looking statements reflect the Company's current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed above. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations, fluctuation of currency exchange rates, actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in mineral resources, grade or recovery rates, accidents, labour disputes and other risks of the mining industry, delays in obtaining, or inability to obtain, required governmental approvals or financing, as well as other factors discussed under "Risks and Uncertainties". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. The Company has made numerous assumptions about the

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forward-looking statements and information contained herein, including among other things, assumptions about the Company's anticipated costs and expenditures and its ability to achieve its goals. Even though the Company's management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements statement or information will prove to be accurate. Forward-looking statements contained in this MD&A are made as of the date of this report. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company will update forward-looking statements in its management discussion and analysis as required by applicable law.

### **Risks and Uncertainties**

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the MD&A, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased.

#### *No Ongoing Operations and No Production History*

The Company is a mineral exploration company and has no operations or revenue.

#### *Limited Operating History*

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Company's Property. There is no assurance that the Company will ever discover any economic quantities of mineral reserves.

#### *Negative Operating Cash Flow*

Since inception, the Company has had negative operating cash flow. The Company has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration program on the Property and administrative costs. The Company cannot predict when it will reach positive operating cash flow.

#### *Requirement for Further Financing*

The Company has limited financial resources and may need to raise additional funds to carry out exploration of its Property. There is no assurance the Company will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Company. If the Company's exploration

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programs are successful and favourable exploration results are obtained, the Property may be developed into commercial production. The Company may require additional funds to place the Property into production. The only sources of future funds presently available to the Company are the sale of equity capital, debt, or offering of interests in its Property to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company's Property to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company, and could cause the Company to forfeit its interest in its Property and reduce or terminate its operations. There is no assurance the Company will be able to raise additional funds.

### *Exploration*

At present, there are no bodies of ore, known or inferred, on the Property and there are no known bodies of commercially recoverable ore on the Property. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore on the Property.

### *Development*

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Company's Property is at the exploration stage.

### *Title to Properties*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated its title to the Property for which it holds an option to acquire concessions or other mineral leases or licenses and the Company is satisfied with its review of the title to the Property, the Company cannot give an assurance that title to the Property will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance on the Property. A successful claim that the Company does not have title could cause the Company to lose its rights to the Property, perhaps without compensation for its prior expenditures relating to the Property.

The Company's interest in the Property is by way of an option agreement only: (i) the Company does not own the Property, rather the Company has the right to acquire an interest in the Property by issuing common shares, incurring the expenditures and meeting the certain obligations; (ii) the exploration expenditures under the Option Agreement are optional to the Company, such that if the Company determines the Property to be without sufficient merit at any time prior to exercising its option it is not obligated to incur any further expenditures; (iii) if the Company fails to incur expenditures in accordance with the Option Agreement, it will lose all of its interest in the Property; (iv) the Company is dependent on the optionor to perform its obligations under the Option Agreement and if the optionor fails to perform its obligations thereunder the Company's interest in the Property may be lost. There is no guarantee the Company will be able to raise sufficient funding in the future to incur all expenditures under the Option Agreement.

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### *Surface Rights*

The Company does not own the surface rights to the Property. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the Property becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

### *Management*

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

### *Requirement for Permits and Licenses*

The Company will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the Property, and the Company believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and licenses will be required should the Company proceed beyond exploration. There can be no guarantee that the Company will be able to obtain such licenses and permits.

### *Environmental Risks and other Regulatory Requirements*

The current or future operations of the Company, including the exploration activities and commencement of production on the Property, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Company may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and

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development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

### *Uninsurable Risks*

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against environmental risks.

### *Competition*

Significant and increasing competition exists for mineral opportunities. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Company. The Company may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration programs will yield any reserves or result in any commercial mineral operations.

### *Economic Conditions*

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

### *Conflicts of Interest*

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### *Litigation*

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit. The Company does not know of any such pending or actual material legal proceedings as of the date of the Prospectus.

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### *No Cash Dividends*

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

### *Ore Reserves and Reserve Estimates*

The Company's business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

### **Proposed Transactions**

There are no proposed transactions that have not been disclosed herein.

### **Contingencies**

There are no contingent liabilities.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

#### Exploration and Evaluation Assets

The Company records its interests in exploration and evaluation assets and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the assets to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production.

The recorded cost of exploration and evaluation asset interests is based on cash paid, the assigned value of share considerations issued for exploration and evaluations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

The Company defers all exploration expenses relating to exploration and evaluations assets and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

Please refer to the August 31, 2022 consolidated financial statements on [www.sedar.com](http://www.sedar.com) for details of the Company's exploration and evaluation assets.

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### **Internal Controls over Financial Reporting**

Changes in Internal Control over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

### **Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.