ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We use the terms "Athena," "we," "our," and "us" to refer to Athena Gold Corporation.

The following discussion and analysis provide information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. This information should be read in conjunction with our audited consolidated financial statements which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and our interim unaudited consolidated financial statements and notes thereto included with this report in Part I. Item 1.

Forward-Looking Statements

Some of the information presented in this Form 10-Q constitutes "forward-looking statements". These forward-looking statements include, but are not limited to, statements that include terms such as "may," "will," "intend," "anticipate," "estimate," "expect," "continue," "believe," "plan," or the like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made.

Business Overview

We were incorporated on December 23, 2003, in Delaware and our principal business is the acquisition and exploration of mineral resources.

In January 2021, the company's Board of Directors approved a name change from Athena Silver Corporation, to Athena Gold Corporation. Athena Gold Corporation ("we," "our," "us," or "Athena") is engaged in the acquisition and exploration of mineral resources. We began our mining operations in 2010.

In December 2009, we formed and organized a new wholly-owned subsidiary, Athena Minerals, Inc. ("Athena Minerals") which owned and operated our mining interests and properties in California. On December 31, 2020 we sold the subsidiary to Tripower Resources Inc., a company controlled by Mr. John Gibbs, a related party, in a non-cash exchange. Further information regarding this transaction is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

In December 2020, Athena entered into a definitive Property Option Agreement with Nubian Resources Ltd. ("Nubian") (TSXV: NBR), pursuant to which Athena acquired a 10% interest in Nubian's Excelsior Springs exploration project located in Esmeralda County, Nevada and has an option to acquire the remaining 90% held by Nubian.

The Option is exercisable in two tranches: the first tranche was exercised immediately pursuant to which the Company acquired a 10% interest in Excelsior Springs in consideration of issuing to Nubian an aggregate of 5,000,000 shares of Athena Gold Corporation common stock. The Company issued the 5,000,000 shares of its common stock valued at $0.03 per share totaling $150,000 in December 2020. The second tranche is exercisable on or before December 31, 2021 to purchase an additional 90% interest in Excelsior Springs in consideration of issuing to Nubian an additional 45 million shares of Athena common stock. Should both options be exercised, Nubian will hold 50 million shares of Athena common stock, which will be subject to a six-month lockup.

Athena's agreement with Nubian includes 100% of the 140 unpatented claims at Excelsior Springs with two additional patented claims held under a lease option that are subject to a 2% net smelter returns royalty on gold production. Under the terms of the Option Agreement, Nubian will retain a 1% net smelter returns royalty ("NSR Royalty") on the Excelsior Springs Project if Athena fully exercises the option. Athena will have the right to purchase 0.5% (being one half) of the NSR Royalty for CAD $500,000 and the remaining 0.5% of the NSR Royalty at fair market value.

Excelsior Springs is our flagship project and we have completed a N.I. 43-101 Technical Report to support our planned listing on the Canadian Stock Exchange that details historical exploration activities on the property, recent exploration activities conducted by Athena and also highlights future exploration plans to advance the property.

We have not presently determined whether our mineral properties contain mineral reserves that are economically recoverable.

Reclassifications: Certain reclassifications may have been made to our prior year's consolidated financial statements to conform to our current year presentation. These reclassifications had no effect on our previously reported results of operations or accumulated deficit.

COVID-19 pandemic: An occurrence of an uncontrollable event such as the COVID-19 pandemic may negatively affect our operations. The occurrence of an uncontrollable event such as the COVID-19 pandemic may negatively affect our operations. A pandemic typically results in social distancing, travel bans and quarantine, and this may limit access to our facilities, customers, management, support staff and professional advisors. These factors, in turn, may not only impact our operations, financial condition and demand for our goods and services but our overall ability to react timely to mitigate the impact of this event. Also, it may hamper our efforts to comply with our filing obligations with the Securities and Exchange Commission.

Results of Operations for the Three Months Ended September 30, 2021 and 2020

A summary of our results from operations is as follows:

	Three Months Ended	
	9/30/21	9/30/20
Operating expenses		
Exploration, evaluation and project expenses	$66,840	$52,154
General and administrative expenses	123,434	52,777
Total operating expenses	190,274	104,931
Net operating loss	(190,274)	(104,931)
Interest expense - related party	0	(28,292)
Interest expense	(1,096)	(6,991)
Revaluation of warrant liability	(120,226)	0
Net loss	($311,596)	($140,214)

During the three months ended September 30, 2021, our net loss was approximately $312,000 as compared to a net loss of approximately $140,000 during the same period in 2020. The 2021 operating loss of approximately $190,000 increased approximately $85,000 over the prior year period and was mainly attributable to legal and professional fees associated with the preparation to list on the Canadian Stock Exchange ("CSE") and acquisition and maintenance of the Excelsior Springs project, as well as increased stock-based compensation resulting from the issuance of incentive stock options. The 2021 operating loss was increased by approximately $120,000 loss on the change in value of the warrant liability associated with a private placement on May 2021 in addition to interest expense of approximately $1,100.

O*perating expenses:*

Our total operating expenses increased approximately $85,000, from approximately $105,000 to approximately $190,000 for the three months ended September 30, 2020 and 2021, respectively.

During the three months ended September 30, 2021, we incurred approximately $67,000 of exploration costs, which include a approximately $25,000 payment to the Bureau of Land Management for annual land fees. We have also begun initial activities on our future exploration programs which has resulted in an additional approximately $42,000 of exploration costs. During the three months ended September 30, 2020, we incurred approximately $52,000 of exploration costs which include a approximately $25,000 payment to the Bureau of Land Management for annual land fees and an additional approximately $28,000 for exploration costs.

Our general and administrative expenses increased by approximately $70,000, from approximately $53,000 to approximately $123,000 for the three months ended September 30, 2020 and 2021, respectively.

Legal and professional fees and other expenses were approximately $93,000 and approximately $33,000 for three months ended September 30, 2021 and 2020, respectively, an increase of approximately $60,000. The majority of the legal and other professional fees associated with our planned listing on the CSE.

On March 22, 2021, the Company issued a total of 2,000,000 non-statutory stock options to four individuals, three of which are Directors of the Company, the other an independent technical consultant. Upon vesting, each option is exercisable to purchase one share of common stock at a price of $0.09 per share. The options vest 50% upon issuance, and 25% on each of the 1st and 2nd anniversaries of the grant date. During each vesting period or upon the vesting date a percentage of the total value of the options issued and outstanding is charged to stock-based compensation. As such, an administrative expense charge of approximately $19,000 was recorded for the three months ended September 30, 2021.

Other income and expense:

Our total other expense was approximately $121,000 during the three months ended September 30, 2021, as compared to total other expenses of approximately $35,000 during the three months ended September 30, 2020.

For the three months ended September 30, 2021, other expense included approximately $1,100 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

For the three months ended September 30, 2020, interest expense included approximately $28,000 in interest expense associated with our related party convertible credit facility, approximately $1,100 of interest expense associated with a convertible note payable originating in April 2015 from the conversion of certain amounts due our primary legal counsel, as well as approximately $5,500 resulting from the amortization of the discount on a convertible note payable.

On May 25, 2021, we completed a private placement in which we sold 6,250,000 units. Each unit was priced at CAD$0.08 and consisted of one share of the Company’s common stock and one stock purchase warrant granting the holder the right to purchase one additional share of common stock at a price of CAD$0.15. The warrants expire three years from the date of issuance. An additional 173,810 warrants were granted to a Canadian broker as a placement fee. We realized total proceeds of $401,823 net of offering costs.

At inception date of May 25, 2021, we determined the warrants fair value to be $485,052 with a revaluation on June 30, 2021 to $422,959. For the three months ending September 30, 2021, the warrant liability was valued at $543,185, resulting in a gain on revaluation of warrant liability of $120,226.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

A summary of our results from operations is as follows:

	Nine Months Ended	
	9/30/21	9/30/20
Operating expenses		
Exploration, evaluation and project expenses	$128,616	$52,154
General and administrative expenses	454,381	117,713
Total operating expenses	582,997	169,867
Net operating loss	(582,997)	(169,867)
Interest expense - related party	0	(83,848)
Interest expense	(11,203)	(13,372)
Revaluation of warrant liability	(58,133)	0
Net loss	($652,333)	($267,087)

During the nine months ended September 30, 2021, our net loss was approximately $652,000 as compared to a net loss of approximately $267,000 during the same period in 2020. The approximately $385,000 increase in our loss was mainly attributable to exploration costs associated with the Excelsior Springs project, stock-based compensation resulting from the issuance of incentive stock options and restricted stock units, as well as increased legal and professional fees associated with the sale of Athena Minerals, Inc. and the acquisition of the Excelsior Springs project. The 2021 operating loss was increased by an approximately $60,000 loss on the change in value of the warrant liability associated with a private placement on May 2021.

O*perating expenses:*

Our total operating expenses increased approximately $413,000, from approximately $170,000 to approximately $583,000 for the nine months ended September 30, 2020 and 2021, respectively.

During the nine months ended September 30, 2021, we incurred approximately $129,000 of exploration costs, which include a $25,000 payment to the Bureau of Land Management for annual land fees. In March 2021, we issued 300,000 restricted stock units at a price of $0.10 per share to the independent technical consultant. However, the shares shall not be issued until such time the individual either provides a written request or his termination date, whichever is sooner. As such, we have recorded stock-based compensation in the amount of $30,000 which was charged to exploration costs. In May 2021, we made the $15,000 annual lease payment for two patented claims within the Excelsior project. We have also begun preliminary work on our future exploration programs which has resulted in an additional approximately $59,000 of exploration costs. During the nine months ended September

30, 2020, we incurred approximately $52,000 of exploration costs which include approximately $25,000 payment to the Bureau of Land Management for annual land fees and an additional approximately $28,000 for exploration costs.

Our general and administrative expenses increased by approximately $336,000, from approximately $118,000 to approximately $454,000 for the nine months ended September 30, 2020 and 2021.

Legal and professional fees for the nine months ended September 30, 2021 and 2020 totaled approximately $261,000 and approximately $78,000, respectively, and are attributed to legal and other professional fees associated with the acquisition and maintenance of the Excelsior Springs project and our planned listing on the CSE as previously discussed.

On March 22, 2021, the Company issued a total of 2,000,000 non-statutory stock options to four individuals, three of which are Directors of the Company, the other an independent technical consultant. Upon vesting, each option is exercisable to purchase one share of common stock at a price of $0.09 per share. The options vest 50% upon issuance, and 25% on each of the 1st and 2nd anniversaries of the grant date. During each vesting period or upon the vesting date a percentage of the total value of the options issued and outstanding is charged to stock-based compensation. As such, an administrative expense charge of approximately $136,000 was recorded for the nine months ended September 30, 2021.

Other income and expense:

Total other expense was approximately $69,000 during the nine months ended September 30, 2021, as compared to total other expense of approximately $97,000 during the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, other expense included interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel. Interest expense on the convertible note payable includes approximately $7,000 of interest expense resulting from the amortization of the note discount. As of September 30, 2021, all the discount associated with the note has been fully amortized. For the nine months ended September 30, 2020 interest expense totaled approximately $97,000 which included approximately $84,000 in interest expense associated with our related party convertible credit facility, approximately $3,000 of interest expense associated with a convertible note payable originating in April 2015 from the conversion of certain amounts due our primary legal counsel, approximately $9,000 resulting from the amortization of the discount on a convertible note payable, as well as other items of approximately $1,000.

On May 25, 2021, we completed a private placement in which we sold 6,250,000 units. Each unit was priced at CAD$0.08 and consisted of one share of the Company's common stock and one stock purchase warrant granting the holder the right to purchase one additional share of common stock at a price of CAD$0.15. The warrants expire three years from the date of issuance.

At inception date of May 25, 2021, we determined the warrants fair value to be $485,052. For the nine months ending September 30, 2021, the warrant liability was valued at $543,185, resulting in a gain on revaluation of warrant liability of $58,133.

Liquidity and Capital Resources

Going Concern

Our consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern.

At September 30, 2021, we had not yet achieved profitable operations and we have accumulated losses of approximately $10,600,000 since our inception. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due.

We have financed our capital requirements primarily through borrowings from related parties and equity financings. We expect to meet our future financing needs and working capital and capital expenditure requirements through additional borrowings and offerings of debt or equity securities, although there can be no assurance that our future financing efforts will be successful. The terms of future financing could be highly dilutive to existing shareholders. Currently, there are no arrangements in place for additional equity funding or new loans.

Liquidity

As of September 30, 2021, we had approximately $338,000 of cash and working capital of approximately $175,000. This compares to cash on hand of approximately $9,000 and negative working capital of approximately $236,000 at December 31, 2020.

During the nine months ended September 30, 2021, we have sold 14,358,700 shares of common stock in private placements realizing proceeds of $742,375. We anticipate that future funding will be in the form of additional equity financing from the sale of our common stock, or loans from officers, directors or significant shareholders.

Cash Flows

A summary of our cash provided by and used in operating, investing and financing activities is as follows:

	Nine Months Ended	
	9/30/21	9/30/20
Net cash used in operating activities	($391,197)	($140,595)
Net cash provided by financing activities	720,477	146,061
Net increase in cash	329,280	5,466
Cash, beginning of period	8,986	117
Cash, end of period	$338,266	$5,583

Net cash used in operating activities:

Net cash used in operating activities was approximately $391,000 and approximately $141,000 during the nine months ended September 30, 2021 and 2020, respectively.

Cash used in operating activities during the nine months ended September 30, 2021 is primarily attributed to our approximately $652,000 net loss. Non-cash charges to operating activities included approximately $7,000 of amortization of the debt discount on our convertible note payable, total stock based compensation of approximately $166,000, and the revaluation of warrant liability of approximately $58,000. We also realized a change in operating liabilities of approximately $30,000.

Cash used in operating activities during the nine months ended September 30, 2020 is primarily attributed to our approximately $267,000 net loss. A non-cash charge of approximately $9,000 to operating activities represents amortization of the debt discount on our convertible note payable We also realized a change in operating liabilities of approximately $117,000.

Net cash provided by financing activities:

Cash provided by financing activities during the nine months ended September 30, 2021 was approximately $720,000 compared to cash provided by financing activities of approximately $146,000 during the same period in 2020.

During the nine months ended September 30, 2021 the Company's President had advanced a total of approximately $12,000, and was repaid a total of approximately $34,000. At September 30, 2021 there were no unpaid advances.

On September 30, 2021 we completed a private placement in which we sold 3,108,700 units. Each unit was priced at CAD$0.08 and consisted of one share of the Company's common stock and one stock purchase warrant granting the holder the right to purchase one additional share of common stock at a price of CAD$0.15. The warrants expire May 31, 2024. All securities issued in connection with the offering are subject to restrictions on resale in Canada and the United States pursuant to applicable securities laws and the policies of any applicable stock exchange. An additional 91,000 Broker Warrants ("Broker Warrants") were granted to a Canadian broker as a placement fee. We realized total proceeds of $190,552 net of offering costs.

On May 25, 2021 we completed a private placement in which we sold 6,250,000 units. Each unit was priced at CAD$0.08 and consisted of one share of the Company's common stock and one stock purchase warrant granting the holder the right to purchase one additional share of common stock at a price of CAD$0.15. The warrants expire May 31, 2024. All securities issued in connection with the offering are subject to restrictions on resale in Canada and the United States pursuant to applicable securities laws and the policies of any applicable stock exchange. An additional 173,810 warrants were granted to a Canadian broker as a placement fee. We realized total proceeds of $401,823 net of offering costs. Of the total units sold, 2,200,000 were sold to a significant shareholder related party, and an additional 300,000 were sold to the Company's President and CEO.

During the nine months ended September 30, 2021, we also sold 5,000,000 shares of our common stock in private placements at a price of $0.03 per share, resulting in total proceeds of approximately $150,000. Of the total shares sold, 250,000 were sold to a significant shareholder related party.

For the nine months ended September 30, 2020 borrowings under our convertible credit facility were approximately $43,000. Also, during the period the Company's President had advanced a total of approximately $78,000 and was repaid a total of approximately $23,000. In addition, the holder of the convertible credit facility advanced a total of approximately $49,000, none of which was repaid during the period. The advances are non-interest bearing. We also paid approximately $10,000 that was due on June 1 on our deed amendment liability.

On June 23, 2020, the Company entered into a stock subscription agreement whereby the subscriber agreed to purchase an aggregate of 17,142,857 shares of the Company's common stock at a private offering price of $0.007 per share, or an aggregate purchase price of $120,000. The purchase price was to be paid in twelve equal monthly installments of $10,000 each with the first installment due on or before June 15, 2020 and continuing thereafter on or before the 15th day of each succeeding month until paid in full. Shares were not to be deemed purchased until the purchase price has been paid in full. We received the first $10,000 payment in June as scheduled. Subsequently, on September 18, 2020 the Company and the subscriber agreed to terminate the subscription agreement. As a result of this Settlement Agreement and Release, the Company agreed to issue 500,000 shares of common stock at $0.02 per share for total proceeds of $10,000, and released both parties of any further obligations regarding the June 23, 2020 subscription agreement.

Off Balance Sheet Arrangements:

We do not have and never had any off-balance sheet arrangements.

Recent Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the amounts reported in our financial statements. The accounting positions described below are significantly affected by critical accounting estimates.

We believe that the significant estimates, assumptions and judgments used when accounting for items and matters such as capitalized mineral rights, asset valuations, recoverability of assets, asset impairments, taxes, and other provisions were reasonable, based upon information available at the time they were made. Actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

Foreign Currency

The Company is exposed to currency risk on transactions and balances in currencies other than the functional currency. The Company has not entered any contracts to manage foreign exchange risk. The functional currency of the Company is the US dollar; therefore, the Company is exposed to currency risk from financial assets and liabilities denominated in Canadian dollars.

Mineral Rights

We have determined that our mining rights meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, our direct costs to acquire or lease mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with: leasing or acquiring patented and unpatented mining claims; leasing mining rights including lease signature bonuses, lease rental payments and advance minimum royalty payments; and options to purchase or lease mineral properties.

If we establish proven and probable reserves for a mineral property and establish that the mineral property can be economically developed, mineral rights will be amortized over the estimated useful life of the property following the commencement of commercial production or expensed if it is determined that the mineral property has no future economic value or if the property is sold or abandoned. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Proven and probable reserves have not been established for any mineral rights as of September 30, 2021.

Impairment of Long-lived Assets

We continually monitor events and changes in circumstances that could indicate that our carrying amounts of long-lived assets, including mineral rights, may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Exploration Costs

Mineral exploration costs are expensed as incurred. When it has been determined that it is economically feasible to extract minerals and the permitting process has been initiated, exploration costs incurred to further delineate and develop the property are considered pre-commercial production costs and will be capitalized and included as mine development costs in our consolidated balance sheets.

Share-based Payments

We measure and recognize compensation expense or professional services expense for all share-based payment awards made to employees, directors and non-employee consultants based on estimated fair values. We estimate the fair value of stock options on the date of grant using the Black-Scholes-Merton option pricing model, which includes assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the options. Our expected volatility assumption is based on our historical weekly closing price of our stock over a period equivalent to the expected life of the options.

We expense share-based compensation, adjusted for estimated forfeitures, using the straight-line method over the vesting term of the award for our employees and directors and over the expected service term for our non-employee consultants. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. Our excess tax benefits, if any, cannot be credited to stockholders' equity until the deduction reduces cash taxes payable; accordingly, we realized no excess tax benefits during any of the periods presented in the accompanying consolidated financial statements.

Income Taxes

We account for income taxes through the use of the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and for income tax carry-forwards. A valuation allowance is recorded to the extent that we cannot conclude that realization of deferred tax assets is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

We follow a two-step approach to recognizing and measuring tax benefits associated with uncertain tax positions taken, or expected to be taken in a tax return. The first step is to determine if, based on the technical merits, it is more likely than not that the tax position will be sustained upon examination by a taxing authority, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement with a taxing authority. We recognize interest and penalties, if any, related to uncertain tax positions in our provision for income taxes in the consolidated statements of operations. To date, we have not recognized any tax benefits from uncertain tax positions.