

## 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, 2021, 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

Athena Gold Corporation ("we," "our," "us," or "Athena") is engaged in the acquisition and exploration of mineral resources. We were incorporated in Delaware on December 23, 2003 and began our mining operations in 2010.

In December 2009, we formed and organized a wholly-owned subsidiary, Athena Minerals, Inc. ("Athena Minerals") which owns and operates mining interests and property in California. On December 31, 2020 we sold the subsidiary to Mr. John Gibbs, a related party, in a non-cash exchange.

The Company's properties do not have any reserves. The Company plans to conduct exploration programs on these properties with the objective of ascertaining whether any of its properties contain economic concentrations of precious and base metals that are prospective for mining.

### Results of Operations for the Three Months Ended September 30, 2022 and 2021

	Three Months Ended	
	9/30/22	9/30/21
Operating expenses		
Exploration, evaluation and project expenses	\$ 143,287	\$ 66,840
General and administrative expenses	186,506	123,434
Total operating expenses	<u>329,793</u>	<u>190,274</u>
Net operating loss	(329,793)	(190,274)
Interest expense	(463)	(1,096)
Revaluation of warrant liability	854,281	(120,226)
Net income (loss)	<u>\$ 524,025</u>	<u>\$ (311,596)</u>

### Results of Operations for the Nine Months Ended September 30, 2022 and 2021

	Nine Months Ended	
	9/30/22	9/30/21
Operating expenses		
Exploration, evaluation and project expenses	\$ 449,350	\$ 128,616
General and administrative expenses	419,956	454,381
Total operating expenses	<u>869,306</u>	<u>582,997</u>

Net operating loss	(869,306)	(582,997)
Interest expense	(463)	(11,203)
Revaluation of warrant liability	822,603	(58,133)
Net loss	<u>\$ (47,166)</u>	<u>\$ (652,333)</u>

*Operating expenses:*

For the three months ending September 30, 2022, the Company increased general and administrative expenses by approximately \$63,000. The increase was due to the following approximate year over year variances:

Three months ending	9/30/2022	9/30/2021	Variance
Legal and other professional fees	\$53,000	\$93,000	(\$40,000)
Share based compensation	55,000	19,000	(36,000)
Stock exchange fees and related expenses	76,000	11,000	65,000
Other general expenses	2,000	0	2,000
Total	\$186,000	\$123,000	\$63,000

For the nine months ending September 30, 2022, the Company decreased general and administrative expenses by approximately \$34,000. The increase was due to the following approximate year over year variances:

Nine months ending	9/30/2022	9/30/2021	Variance
Legal and other professional fees	\$219,000	\$261,000	(\$42,000)
Share based compensation	79,000	136,000	(57,000)
Stock exchange fees and related expenses	109,000	52,000	57,000
Other general expenses	13,000	5,000	8,000
Total	\$420,000	\$454,000	(\$34,000)

- Legal and other professional fees changed for the nine and three months ending September 30 compared to prior year, resulting from the listing on the Canadian Securities Exchange.
- Share based compensation was higher in 2021 with the issuance of options in March that were 50% vested on grant date with the remaining share based compensation recognized on a straight line basis for the remaining two years until the options are fully vested. Additional options were issued in August 2022 that were fully vested adding \$43,456 in stock-based compensation.
- Stock exchange fees and related expenses increased in 2022 with the use of consulting fees for fund raising.
- Other general expenses are higher in 2022 with increases in travel and office expenses.

During the three and nine months ended September 30, 2022, we incurred approximately \$143,000 and \$449,000, respectively of exploration costs, which were costs associated with our RC drill program on our flagship Excelsior Springs project. This is an increase from the three and nine months ended September 30, 2021 of approximately \$67,000 and \$129,000, respectively.

*Other income and expense:*

The revaluation of warrant liability for the three and nine months ending September 30, 2022 is based on the following warrants that were issued as part of the private placements as detailed in Note 4 to the financial statements.

Three months ending (Warrant date)	9/30/2022	Q3 22 initial valuation	6/30/2022	Gain on revaluation
September 14, 2022	\$97,080	\$100,656	\$0	\$3,576
August 31, 2022	79,609	139,255	0	59,646
August 12, 2022	106,093	129,812	0	23,719
April 2022	248,760	0	602,523	353,763
September 2021	80,463	0	218,793	138,330
May 2021	163,161	0	438,408	275,247
Total	\$775,166	\$369,723	\$1,259,724	\$854,281

Nine months ending (Warrant date)	9/30/2022	2022 initial valuation	12/31/2021	Gain (loss) on revaluation
September 14, 2022	\$97,080	\$100,656	\$0	\$3,576
August 31, 2022	79,609	139,255	0	59,646

August 12, 2022	106,093	129,812	0	23,719
April 2022	248,760	203,838	0	(44,922)
September 2021	80,463	0	341,145	260,682
May 2021	163,161	0	683,063	519,902
<b>Total</b>	<b>\$775,166</b>	<b>\$573,561</b>	<b>\$1,024,208</b>	<b>\$822,603</b>

### ***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, 2022, we had not yet achieved profitable operations and we have accumulated losses of approximately \$11,000,000 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, 2022, we had approximately \$256,000 of cash and a working capital of approximately \$24,000. This compares to cash on hand of approximately \$73,000 and negative working capital of approximately \$74,000 on December 31, 2021.

During the twelve months ended December 31, 2021, we have sold 14,358,700 shares of common stock in private placements realizing proceeds of \$742,375. For the nine months ending September 30, 2022, the Company completed a private placement in which we sold 14,557,700 units. We realized total proceeds of \$1,043,950 net of offering costs. 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	
	9/30/22	9/30/21
Net cash used in operating activities	\$ (682,171)	\$ (391,197)
Net cash used in financing activities	(29,214)	0
Net cash provided by financing activities	894,838	720,477
Net increase in cash	183,453	329,280
Cash, beginning of period	72,822	8,986
Cash, end of period	<u>\$ 256,275</u>	<u>\$ 338,266</u>

#### ***Net cash used in operating activities:***

Net cash used in operating activities was approximately \$682,000 and approximately \$391,000 during the nine months ended September 30, 2022 and 2021, respectively.

Cash used in operating activities during the nine months ended September 30, 2022, is primarily attributed to the change in prepaid expenses and accounts payable.

#### ***Net cash provided by financing activities:***

Cash provided by financing activities during the nine months ended September 30, 2022, was approximately \$895,000. The Company received proceeds from private placements in April 2022 and during the third quarter 2022.

### **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, 2022.

### ***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.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of such date as a result of a material weakness in our internal control over financial reporting due to lack of segregation of duties, a limited corporate governance structure and insufficient formal management review processes over certain financial and accounting reports as discussed in Item 9A of our Form 10-K for the fiscal year ended December 31, 2021.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full-time staff. We believe that this is typical in many exploration stage companies. We may not be able to fully remediate the material weakness until we commence mining operations at which time, we would expect to hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

#### **Changes in Internal Control over Financial Reporting:**

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.