

**PROSPECT RIDGE RESOURCES CORP.**

("the Company")

**FORM 51-102F1****MANAGEMENT'S DISCUSSION AND ANALYSIS****FOR THE SIX MONTHS PERIOD ENDED FEBRUARY 28, 2021****Introduction**

This Management's Discussion and Analysis ("MD&A") of Prospect Ridge Resources Corp is the responsibility of management and covers the period from incorporation on April 6, 2020 to February 28, 2021. The MD&A takes into account information available up to and including May 27, 2021 and should be read together with the Corporation's interim financial statements for the period ended February 28, 2021 and with the audited financial statements for the period ended August 31, 2020. The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

Throughout this document the terms *we, us, our, and the Company* refer to Prospect Ridge Resources Corp. All financial information in this document is derived from the financial statements of the Company, which have been prepared in accordance with IFRS, except share and per share amounts, or unless otherwise indicated.

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

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements." Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control, that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Please refer to "Risk Factors" below.

**Description of Business**

Prospect Ridge Resources Corp. was incorporated under the laws of the Province of British Columbia. The Company is principally engaged in the acquisition and exploration of resource properties. The head office, records office, and principal address of the Company is 10<sup>TH</sup> Floor-595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Company has elected to have August 31 as its year end.

The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. During the year ended August 31, 2020, the Company entered into an agreement to acquire an interest in a property in Baie-James, Quebec.

## Performance Summary and Subsequent Events

As the Corporation was incorporated on April 6, 2020 it has not yet achieved profitable operations.

During and subsequent to the period ended February 28, 2021, the Company:

- a) Issued 455,000 seed special warrants at \$0.025 per warrant for gross proceeds of \$11,375, of which \$11,375 has been received subsequent to November 30, 2020 and issued 9,250,000 pre-IPO special warrants at \$0.05 per pre-IPO special warrant for net proceeds of \$456,061 received prior to November 30, 2020 (Note 5). Each seed special warrant and pre-IPO special warrant (the "Special Warrants") entitle the holder thereof to receive, upon deemed exercise for no additional consideration, one common share of the Company. Each Special Warrant will be deemed to be exercised at 4:00 p.m. (Vancouver time) on the date which is the earlier of: (i) the third business day after the date on which the Company obtains a final receipt from the applicable securities commission(s) in Canada for the final prospectus qualifying the distribution of the Special Warrant Shares to be issued upon deemed exercise of the Special Warrants, provided that if the Company is completing an initial public offering of Shares (an "IPO") by way of such prospectus, such time and date will instead be immediately prior to the time and date of completion of such IPO; and (ii) the day that is four months and a day after the date the Special Warrant was issued.
- b) Filed preliminary long form prospectus (the "Prospectus"), the Prospectus qualifies the distribution of a minimum of 3,000,000 Common Shares and a maximum of 5,000,000 Common Shares to be issued and sold at a price of \$0.10 per Common Share for gross proceeds of a minimum of \$300,000 and a maximum of \$500,000.

## COVID-19 Update

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

While the Company's business operations continue to operate, if the COVID-19 situation were to deteriorate, it could have an adverse impact on our business, results of operations, financial position and cash flows.

## Discussion of Operations

### Net Loss

For the period ended February 28, 2021, the Company recorded expenses of \$106,836, which resulted in a net loss of \$107,431. The main factors that contributed to the loss in the period were investor relations fees of \$34,625, management fees of \$27,500, depreciation expense of \$7,415 and office expense of \$1,670. The increase is due to expense for Offering, expenses associated with being a reporting issuer listed on a stock exchange and expenses anticipated to be incurred in connection with earning the Company's interest in the Property.

### Assets

The Company's assets as at February 28, 2021 were \$700,074.

On June 26, 2020, the Company entered into an agreement, whereby it has the right to earn a 100% interest in the Galinee Property in the Baie-James, Quebec. The Galinee Property is subject to a 1% NSR Royalty.

The terms of the option agreement call for cash payments totalling \$200,000 to be paid as follows:

- \$25,000 on the execution date (paid \$25,000);

- \$50,000 and 150,000 shares on the Effective Date<sup>1</sup>;
- \$25,000 on or before 16 months after the Effective Date; and
- \$100,000 on or before 24 months after the Effective Date.

The terms of the option agreement call for expenditure on the property as follows:

- \$150,000 on or before 16 months after the Effective Date; and
- \$150,000 on or before 24 months after the Effective Date.

<sup>1</sup> The date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the Shares on the facilities of the Exchange and the acceptance by the Exchange of the agreement and the transactions contemplated by the agreement.

### Summary of Quarterly Results

The following table summarizes the last quarter of the Company.

	February 28, 2021	November 30, 2020	From Incorporation on April 6, 2020 to August 31, 2020 (Audited)
Total assets	700,074	756,190	742,317
Working capital	621,466	664,873	677,903
Shareholders' deficit	(144,151)	(86,351)	(36,720)
Revenue	-	-	-
Net loss	57,800	49,631	36,720
Net loss per share	0.00	0.00	36,720

### Results of Operations for the three months ended February 28, 2021

For the period ended February 28, 2021, the Company recorded expenses of \$57,439, which resulted in a net loss of \$57,800. The main factors that contributed to the loss in the period were investor relations fees of \$4,625, management fees of \$12,000, depreciation expense \$4,437 and office expense of \$767.

### Liquidity

As at February 28, 2021, the Company had a cash a balance of \$660,149 and working capital balance of \$621,466 which consisted of current assets of \$664,693 and current liabilities of \$43,227.

Operating Activities: For the period ended February 28, 2021, the Company used \$105,075 in operating activities.

Investing Activities: For the period ended February 28, 2021, the Company did not incur any investing activities.

Financing Activities: For the period ended February 28, 2021, the Company received \$53,570 in financing activities.

Management intends to meet its liabilities by actively pursuing investors.

### Related Party Transactions

Related parties and related party transactions impacting the condensed interim financial statements, which are not disclosed elsewhere in the statements are summarized below and include transactions with the following individuals or entities:

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

The following entities are classified as related parties due to the following:

	Management fees	Share-based payments	Total
Chief Executive Officer	\$ 7,500	\$ -	\$ 7,500
Chief Financial Officer	20,000	-	20,000
	\$ 27,500	\$ -	\$ 27,500

As at February 28, 2021, \$2,839 (August 31, 2020 - \$Nil) was included in trade payables and accrued liabilities for fees owed to related parties.

### Outstanding Share Data

As at February 28, 2021, the Company had 14,055,001 common share issued and outstanding.

### Issued Share Capital

During the period ended February 28, 2021, the Company completed a non-brokered private placement by issuing 13,600,000 common shares at \$0.025 per common share for gross proceeds of \$340,000, less issuance costs of \$6,439, with net proceeds of \$333,561.

### Special Warrants

During the period ended February 28, 2021, the Company issued 455,000 seed special warrants at \$0.025 per warrant for gross proceeds of \$11,375, of which \$11,375 has been received subsequent to November 30, 2020 and issued 9,250,000 pre-IPO special warrants at \$0.05 per pre-IPO special warrant for net proceeds of \$456,061 received prior to November 30, 2020 (Note 5). Each seed special warrant and pre-IPO special warrant (the "Special Warrants") entitle the holder thereof to receive, upon deemed exercise for no additional consideration, one common share of the Company. Each Special Warrant will be deemed to be exercised at 4:00 p.m. (Vancouver time) on the date which is the earlier of: (i) the third business day after the date on which the Company obtains a final receipt from the applicable securities commission(s) in Canada for the final prospectus qualifying the distribution of the Special Warrant Shares to be issued upon deemed exercise of the Special Warrants, provided that if the Company is completing an initial public offering of Shares (an "IPO") by way of such prospectus, such time and date will instead be immediately prior to the time and date of completion of such IPO; and (ii) the day that is four months and a day after the date the Special Warrant was issued.

During the period ended August 31, 2020, the Company received net proceeds of \$456,061 for a non-brokered private placement of 9,250,000 pre-IPO special warrants at \$0.05 per pre-IPO special warrant for gross proceeds of \$462,500 less professional fees of \$6,439. The issuance of the pre-IPO special warrants was completed subsequent November 30, 2020. The net proceeds of the special warrants private placements are intended to be used for working capital. During the period ended November 30, 2020, the Company used \$47,353 related to operating activities.

#### *Share Purchase Warrants*

The Company has no warrants outstanding as of the date of this MD&A.

#### *Incentive Stock Options*

The Company has no incentive stock options outstanding as of the date of this MD&A.

**Off-Balance Sheet Arrangements**

At February 28, 2021, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

**Proposed Transactions**

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

**Financial Instruments**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and short-term loans. The fair value of the Company's receivables, accounts payable and accrued liabilities, short-term loans and due to related parties approximate carrying value, which is the amount recorded on the statements of financial position, due to their short terms to maturity. The Company's other financial instrument, being cash under the fair value hierarchy, is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

**Capital Risk Management**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns and/or benefits for shareholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the administration of its corporate affairs and to provide funds for the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company has no revenue generating operations and as such is dependent upon external financings to fund activities. In order to develop its business and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the size of the Company.

There were no changes in the Company's approach to capital management during the period of February 28, 2021. The Company is not subject to externally imposed capital requirements.

**Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables consists mainly of goods and services tax receivables due from the government of Canada. As at February 28, 2021, the Company's exposure to credit risk is minimal.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2021, the Company had a cash balance of \$660,149 to settle current liabilities of \$43,227. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Management intends to meet its liabilities by actively pursuing investors.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

## a) Interest rate risk

As at February 28, 2021, the Company was not subject to or exposed to any interest rate risk as it had no variable interest debt or investments.

## b) Foreign currency risk

As at February 28, 2021, the Company is not exposed to foreign currency risk.

## c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As at February 28, 2021, the Company was not exposed to any equity or commodity price risks.

**Significant Accounting Judgements, Estimates and Assumptions**

The preparation of financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's financial statements are prepared.

The Company's significant accounting judgements, estimates and assumptions are disclosed in Note 3 of the audited Financial Statements for the period from April 6, 2020 to August 31, 2020.

**Significant Accounting Policies**

The Company's accounting policies are the same as those applied in the Company's annual financial statements for the period from April 6, 2020 to August 31, 2020.

**New standards, amendments and interpretations**

## IFRS 16, Leases

The Company leases some items of property and equipment. Under IFRS 16 Leases ("IFRS 16"), the Company assesses whether a contract to rent an item of property and equipment is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments:

- 1) fixed payments, including in-substance fixed payments;

- 2) variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- 3) amounts expected to be payable under any residual value guarantees; and
- 4) exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized costs using the effective interest method.

The lease liability is remeasured in the following circumstances:

- 1) if there is a change in the future lease payments resulting from a change in index or rate;
- 2) if there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and
- 3) if the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets.

### **Risks and Uncertainties**

#### **Lack of Cash Flow**

The Company does not expect to generate material revenue in the foreseeable future. The Company has paid no dividends on its shares since inception and does not anticipate doing so in the foreseeable future. Historically, the major source of funds available to the Company is through the sale of its securities and loans. Future additional equity financing would cause dilution to current shareholders.