



("the Company")

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") of Prospect Ridge Resources Corp is the responsibility of management and covers the period ended May 31, 2022. The MD&A takes into account information available up to and including July 20, 2022 and should be read together with the Corporation's interim financial statements for the period ended May 31, 2022 and the audited financial statements for the year ended August 31, 2021. The Company 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 in Canada. 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 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. The Company's primary focus is the Holy Grail property in Terrace, BC.

### Performance Summary and Subsequent Events

During the nine months period ended May 31, 2022 and subsequent, the Company:

- a) Paid \$200,000 and issued 2,000,000 common shares valued at \$2,460,000 as required under the Holy Grail Agreement. In connection with agreement, the Company issued 285,715 finder shares valued at \$131,429 to Triple K Ventures Ltd., a company related to the CEO.
- b) Completed a private placement by issuing 17,142,856 units at a price of \$0.35 per unit for total proceeds of \$6 million. Each unit consists of one common share and one-half of one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.70 per common share for 18 months from the date of issuance, subject to a forced exercise clause in the event that the trading price of the common shares equals or exceeds \$1.15 for 10 consecutive days. In connection with the offering, the Company paid an aggregate of \$88,903 in finders' fees, issued 250,510 finder's warrants entitling the holder to purchase one common share at \$0.70 per common share for a period of 18 months from the date of issuance and incurred an additional \$29,927 in other closing costs.
- c) Issued 113,200 common shares at a price of \$0.10 per common share for proceeds of \$11,320 on the exercise of broker warrants.
- d) Issued a total of 500,000 stock options to certain of its directors, officers, employees and consultants. All of the stock options will be exercisable for a period of 5 years at an exercise price of \$1.40. All stock options were voluntarily surrendered by directors, officers, employees and consultants.
- e) Completed a private placement by issuing 1,263,000 units at a price of \$1.00 per unit for total proceeds of \$1,263,000. Each unit consists of one common share and one-half of one share purchase warrant entitling the holder to purchase one additional common share at a price of \$1.50 per common share for 18 months from the date of issuance, subject to a forced exercise clause in the event that the trading price of the shares equals or exceeds \$2.25 for 10 consecutive days. In connection with the offering, the Company paid an aggregate of \$75,110 in finders' fees, issued 75,110 finder's warrants entitling the holder to purchase one common share at \$1.50 per common share for a period of 18 months from the date of issuance.
- f) Paid \$10,000 and issued 500,000 common shares valued at \$675,000 as required under the Knauss Creek Agreement. In connection with agreement, the Company issued 50,000 finder shares valued at \$67,500 to Loan Wolf Exploration Ltd.
- g) The Company announced the appointment of Mr. Toby Lim to the Board of Directors. Biographical details are provided in the news release of February 24, 2022. Concurrently, Mr. Liam Corcoran resigned from the Board of Directors.
- h) The Company announced the appointment of Mr. Allen Alper and Mr. Brad Scharfe to the Board of Directors. Biographical details are provided in the news release of April 27, 2022.
- i) Issued a total of 1,075,000 stock options to certain of its directors, officers, employees and consultants. All of the stock options will be exercisable for a period of 5 years at an exercise price of \$0.50.
- j) The Company announced the appointment of Mr. Allen Alper and Mr. Brad Scharfe to the Board of Directors. Biographical details are provided in the news release of April 27, 2022.
- k) The Company announced the appointment of Mr. Yan Ducharme as the new company President, Nicholas Luksha as the new Executive Vice President. Biographical details are provided in the news release of June 6, 2022.

## COVID-19 Update

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. The Company continues to work to adapt to changing circumstances, travel restrictions and impacts on movement of goods and services. These conditions may impact the Company's ability to execute on its business plans.

## Exploration Results

### 2021 Highlights

2021 field crews have collected over 500 rock samples, over 850 soils and cut over 40 meters of channel samples through a systematic property-wide exploration program efficiently rank and generate drilling vectors.

Key results from rock sampling available in Table 1, with highlights including:

- Sample #A0600805 from the Shock & Awe target containing 49.20 g/t gold, 311.0 g/t silver, 0.09% copper, 2.32% lead, and 1.92% zinc
- Sample #A0600810 from the Shock & Awe target containing 21.20 g/t gold, 17.8 g/t silver, 0.04% copper, 0.85% lead, and 0.23% zinc
- Sample #A0600829 from the 4shore target containing 21.30 g/t gold, 38.3 g/t silver, and 1.62% copper
- Over 50% of assay results are still pending and are expected to be received periodically over the coming months.

The 2021 program has identified multiple new targets and mapped 7 extensive mineralized zones that cross the Property including samples with visible gold (VG) at four sites. Exploration is on-going with field crews active on the Property and continuing 2nd and 3rd pass follow-up programs.

## Resource Property Interests – Exploration and evaluation expenditures

Activities of the Company for the period ended May 31, 2022 focused on the continuing exploration work on its properties as indicated in the Exploration Program and Results described above.

Exploration and evaluation expenditures for the nine-month period ended May 31, 2022 is detailed below:

	Holy Grail	Knauss Creek	Total
Claims	\$ 25,691	\$ 2,000	\$ 27,691
Geophysics	11,473	-	11,473
Geology	95,108	31,506	126,614
Prospection/Geochemistry	371,806	144,315	516,121
Drilling	14,291	12,750	27,041
Stripping	1,785	-	1,785
Technical studies	5,418	12,000	17,418
	<b>\$ 525,572</b>	<b>\$ 202,571</b>	<b>\$ 728,143</b>

## Results of Operations for the three months ended May 31, 2022

During the three-month period ended May 31, 2022, the Company incurred a net loss of \$1,049,465 as compared to \$57,405 for the period ended May 31, 2021. Significant items making up the loss include:

- Investor relation expense of \$242,366 (2021 - \$Nil) as the Company increased its investor relations following the completion of the Company's IPO and listing on the CSE on May 27, 2021.

- Consulting and Management fees of \$90,500 (2021 - \$12,000) as the Company incurred third-party consulting fees in addition to fees paid or accrued to the Company's Management. Activity ramped up significantly following the completion of the Company's IPO and listing on the CSE on May 27, 2021.
- Professional fees of \$28,991 (2021 - \$29,738) related to audit, accounting fees and legal fees.
- Transfer agent and filing fees of \$17,607 (2021 - \$10,200) related to transfer agent, regulatory, and filing fees.
- Exploration and evaluation expenditures of \$245,378 (2021 - \$Nil) as the Company continues to ramp-up exploration work following initial success on its projects.
- Share-based payments of \$367,860 (2021 - \$Nil) relating to the fair value of stock options granted in the period.
- Depreciation expense of \$20,217 (2021 - \$4,448) as the Company recorded office lease right-of-use assets and purchased additional equipment during the period.

### Summary of Quarterly Results

The following table summarizes the last quarter of the Company.

	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Total assets	9,228,390	9,864,515	9,522,217	1,484,465
Working capital	4,659,953	5,580,707	5,290,183	303,457
Deficit	(4,766,132)	(3,706,618)	(2,897,212)	(1,690,346)
Net loss	(1,049,465)	(809,406)	(1,206,866)	(1,653,626)
Net loss per share	(0.02)	(0.02)	(0.02)	(0.22)
	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020
Total assets	1,186,613	700,074	756,190	742,317
Working capital	954,394	621,466	664,873	677,903
Deficit	(201,556)	(144,151)	(86,351)	(36,720)
Net loss	(57,405)	(57,800)	(49,631)	(36,607)
Net loss per share	(0.00)	(0.00)	(0.00)	(36,607)

### Results of Operations for the nine months ended May 31, 2022

During the nine-month period ended May 31, 2022, the Company incurred a net loss of \$3,075,786 as compared to \$164,836 for the period ended May 31, 2021. Significant items making up the loss include:

- Investor relation expense of \$956,076 (2021 - \$34,625) as the Company increased its investor relations following the completion of the Company's IPO and listing on the CSE on May 27, 2021
- Consulting and Management fees of \$292,733 (2021 - \$39,500) as the Company incurred third-party consulting fees in addition to fees paid or accrued to the Company's Management. Activity ramped up significantly following the completion of the Company's IPO and listing on the CSE on May 27, 2021.
- Professional fees of \$71,703 (2021 - \$59,643) related to audit, accounting fees and legal fees.
- Transfer agent and filing fees of \$34,625 (2021 - \$15,905) related to transfer agent, regulatory, and filing fees.

- Exploration and evaluation expenditures of \$728,143 (2021 - \$Nil) as the Company continues to ramp-up exploration work following initial success on its projects. Please refer to the exploration and evaluation expenditure table above for a breakdown of the expenditures.
- Share-based payments of \$889,125 (2021 - \$Nil) relating to the fair value of stock options granted in the period.
- Depreciation expense of \$41,807 (2021 - \$11,863) as the Company recorded office lease right-of-use assets and purchased additional equipment during the period.

### Liquidity

The Company's historical capital needs have been met by issuance of shares. As at May 31, 2022, the Company had a working capital of \$4,659,953 (August 31, 2021 - \$303,457). The Company proposes to meet any additional financing requirements through equity financing. The Company's cash position as at May 31, 2022 was \$4,399,070 (August 31, 2021 - \$764,359).

*Operating activities:* The Company does not generate cash from operating activities. Net cash used in the Company for operating activities, for the period ended May 31, 2022 was \$2,887,981.

*Investing activities:* The Company spent a total of \$504,217 on investing activities during the period ended May 31, 2022, comprised of mineral property acquisitions and equipment expenditures.

*Financing activities:* The Company generated a total of \$7,027,409 in cash provided by financing activities, comprised of proceeds from private placements of \$7,263,000 and proceeds from special warrant \$11,320 less share issuance costs of \$243,440 and outflows of \$3,471 towards lease liabilities.

The Company does not have operations that generate cash-flow and it is unlikely that it will generate cash-flow from operations in the foreseeable future. Cash requirements will depend primarily on the extent of future exploration programs. Subsequent phases will depend, both on cost and duration, and on results from previous phases, and it is therefore extremely difficult to predict future cash requirements.

### Related Party Transactions

Related parties and related party transactions impacting the financial 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 consist of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, President.

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

	Management fees	Consulting fees	Share-based payments	Total
Chief Executive Officer	\$ 150,000	\$ -	\$ 313,138	\$ 463,138
Chief Financial Officer	22,500	-	-	22,500
Officer	-	-	34,161	34,161
Non-executive directors	-	117,833	263,416	381,249
	\$ 172,500	\$ 117,833	\$ 610,715	\$ 901,048

As at May 31, 2022, \$7,725 (August 31, 2021 - \$343,039) was included in accounts payables and accrued liabilities for fees owed to related parties.

### Outstanding Share Data

As at the date of this report, the Company had 50,009,772 common shares issued and outstanding.

As at the date of this report, incentive stock options were outstanding as follows:

Number	Exercise price	Expire date
<b>Stock Options</b>		
2,600,000	\$ 0.50	August 26, 2026
750,000	\$ 0.50	April 11, 2027
3,350,000		

As at the date of this report, share purchase warrants were outstanding as follows:

Number	Exercise price	Expire date
<b>Share purchase warrants</b>		
8,571,423	\$ 0.70	March 24, 2023
250,510	0.70	March 24, 2023
631,500	1.50	June 16, 2023
75,110	1.50	June 16, 2023
9,528,543		

### Off-Balance Sheet Arrangements

As at May 31, 2022, 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.

### 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 May 31, 2022. The Company is not subject to externally imposed capital requirements

## Financial Instruments

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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 May 31, 2022, 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 May 31, 2022, the Company had a cash balance of \$4,399,070 to settle current liabilities of \$68,392. 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 May 31, 2022, 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 May 31, 2022, 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 May 31, 2022, 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 ended May 31, 2022.

## Risks and Uncertainties

In conducting its business, the Company, like all exploration-stage mineral exploration companies, faces a variety of risks uncertainties. While unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

*Exploration and Development* - Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them and employs experienced consulting to assist in its risk management and to make timely adequate decisions.

*Title Risks* - Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

*Permitting Risks* - The development of mineral resources in British Columbia is subject to a comprehensive review, approval and permitting process involving various provincial and regional agencies, in addition to the various First Nations groups that have jurisdiction in the Company's area of claims. There can be no assurance given for the required approvals and permits for a mining project, even if technically and economically warranted, can be obtained in a timely or cost-effective manner.

*Fluctuating Metal Prices* - Factors beyond the control of the Company have a direct effect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects and the Company's ability to finance the development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

*Environmental Regulations Permits and Licenses* - Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

*Competition* - The mineral exploration industry is intensely competitive in all its phases, and the Company competes with some companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

*Future Financings* - The Company's continued operation will be dependent in part upon its ability procure additional financing. To date, the Company has done so through a combination of: (i) equity financing; and (ii) cash payments received as property option payments from third parties. The current state of global equity markets has had a direct effect on the ability of exploration companies, including the Company, to finance project acquisition and development through the equity markets. There can be no assurance that forms of financing can be obtained at a future date. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

*Price Volatility of Publicly Traded Securities* - During recent months, global securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.



**Information regarding forward looking statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of gold and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements 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 of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompletion of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important 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 not to be as anticipated, estimated or intended. 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 expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.