

# **PROSPERITY EXPLORATION CORP.**

## **Management Discussion and Analysis**

### **FOR THE THREE MONTHS ENDED MARCH 31, 2022**

**May 27, 2022**

This discussion and analysis of the financial position and results of operations are prepared as at **May 27, 2022** and should be read in conjunction with the unaudited condensed interim financial statements for the period ended March 31, 2022 and audited annual financial statements for the year ended December 31, 2021 for Prosperity Exploration Corp. (the “Company”). The unaudited condensed interim financial statements for the three months ended March 31, 2022, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Prosperity Exploration Corp. (the “Company”) was incorporated under the laws of British Columbia on September 1, 2020. The Company’s principal business activities include the acquisition and exploration of resource properties. The disclosure in this MD&A of scientific and technical information regarding exploration projects of Prosperity Exploration Corp. has been reviewed and approved by Tom McCandless, Ph.D., P.Geo., a director of the Company.

#### **Forward-Looking Statements**

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements herein include, but is not limited to, statements relating to the timing, availability and amount of financings; expected use of proceeds; business objectives; the costs and timing relating to the potential acquisition of interests in mineral properties; the timing and costs of future exploration activities on the Company’s future properties; success of exploration activities; permitting time lines and requirements for additional capital; the impact of COVID-19 or other viruses and diseases on the Company’s ability to operate; and failure to maintain community acceptance (including First Nations). In making forward-looking statements herein, the Company has applied several material assumptions, including, but not limited to, any additional financing needed will be available on reasonable terms, that general business and economic conditions will not change in a materially adverse manner, and that all necessary governmental approvals for the future exploration will be obtained in a timely manner and on acceptable terms. 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 other factors include, among others, risks related to the completion of financings and the use of proceeds; operations and contractual obligations; changes in exploration programs based upon results of exploration; future prices of metals; availability of third party contractors; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; environmental risks; community relations; and delays in obtaining governmental approvals or financing.

## **Overview and Going Concern**

The Company is in the business of acquiring exploration and evaluation assets. The Company currently has a property option agreement on the Silver Lake Property in British Columbia, Canada. The Company expects its current capital resources will not be sufficient to complete its exploration plans and operations through its current operating year and will be required to raise additional funds through future equity issuances. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

The condensed interim financial statements for the three months ended March 31, 2022 were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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. There has been no material disruption to the Company's current operations to date. The Company's current focus is on its project located in British Columbia, Canada and as a result, access to the property is not currently prohibited. The Company may consider acquisitions of other properties in foreign or domestic jurisdictions in the future.

## **Results of Operations**

The results of operations reflect the overhead costs incurred by the Company to maintain an administrative infrastructure to manage the acquisition, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions continues. The Company has not recorded, since the date of its incorporation, any revenues from its mineral exploration and development activities, nor does it expect to record any revenue over the course of the next 12 months.

## **Mineral Properties**

### **Silver Lake Property, British Columbia**

The Silver Lake project is an exploration stage project approximately 30 km southeast of Houston, BC in the Omineca Mining Division. Prosperity Exploration Corp ("Prosperity" or "the Company") has entered into an option agreement to earn a 100% interest in the property.

The property is comprised of eight contiguous mineral claims totalling 1647.24 ha. Mineral exploration on and in the immediate vicinity of the property has been intermittent since the mid-1900's and focused on silver, gold, copper, and molybdenum. Reasonable access to the Property and well-maintained road networks from nearby towns may permit year-long work programs at the Silver Lake Project.

The property lies within the Stikine terrane and is underlain by Mesozoic to Cenozoic sedimentary and volcanic rocks and related intrusive stocks. Rocks at the Silver Lake property are ascribed to the Cretaceous Skeena and Kasalka Groups and Eocene Endako Group and Goosly Lake and Nanika plutonic suites. Mineralization on the property occurs as Cu-Ag-Au and polymetallic Ag-Pb-Zn+/-Au style mineralization and massive sulfide vein systems in altered volcanics of the Goosly Lake formation.

On November 27, 2020, the Company entered into an option agreement to earn a 100% interest in the Silver Lake Property in British Columbia. In order to earn the interest, the Company must make the following option payments:

- i) pay \$10,000 (paid) within 5 days of execution of the agreement and issue 100,000 common shares (valued at \$10,000) within 10 days after a listing on a Canadian stock exchange (the “Listing Date”);
- ii) pay \$15,000 and 150,000 common shares by the 12-month anniversary of the Listing Date;
- iii) pay \$25,000 and issue 150,000 common shares by the 24-month anniversary of the Listing Date;
- iv) pay \$50,000 and issue 100,000 common shares by the 36-month anniversary of the Listing Date;
- v) pay \$125,000 by the 48-month anniversary of the Listing Date; and
- vi) pay \$175,000 by the 60-month anniversary of the Listing Date.

If the Silver Lake Property is acquired by the Company, then it will be required to pay a 2.0% net smelter returns royalty payable to vendor upon the commencement of commercial production, 0.75% of which is purchasable by the Company for \$250,000 at any time.

### Revenues

Due to the Company’s status as an exploration and development stage mineral resource company, the Company currently does not have any revenues from its operations, nor does it expect to record any revenue over the course of the next 12 months.

### General and Administrative Expenses

The Company incurred a loss and comprehensive loss for the three months ended March 31, 2022 of \$44,374 (2021 - \$33,651), which consisted of management and consulting fees of \$7,500 (2021 - \$2,500), share-based compensation of \$Nil (2021 - \$27,500), professional fees of \$26,480 (2021 - \$3,470) for legal and accounting, and \$8,880 (2021 - \$Nil) for filing fees.

### Summary of Quarterly Results

The Company was incorporated on September 1, 2020 and, for that reason, only the previous five quarters have been presented in the table below.

Three Months Ended	March 31,	December 31,	September 30,	June 30,	March 31,	From incorporation on September 1, 2020 to December 31, 2020
	2022	2021	2021	2021	2021	
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	120,019	107,269	99,451	99,451	96,461	87,060
Deficit	(319,306)	(274,932)	(153,979)	(118,079)	(73,859)	(40,208)
Net Loss	(44,374)	(120,953)	(35,900)	(44,220)	(33,651)	(40,208)
Basic and Diluted Loss Per Share	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.02)

During the quarter ended March 31, 2022, net loss decreased to \$44,374 compared to \$120,953 for the quarter ended December 31, 2021. The decrease was mainly due to increased legal expenses related to the Company completing its initial public offering (IPO) during the prior quarter.

During the quarter ended December 31, 2021, net loss increased to \$120,953 compared to \$35,900 for the quarter ended September 30, 2021. The increase was mainly due to increased legal expenses related to the Company completing its initial public offering (IPO).

### **Liquidity and Capital Resources**

At March 31, 2022, the Company had cash of \$127,147 (December 31, 2021 - \$12,156) and a working capital of \$98,738 (December 31, 2021 - working capital deficiency of \$86,700).

The Company expects its current capital resources will not be sufficient to meet its business objectives or day-to-day operations through its next quarter or current operating year, and that its continuation as a going concern will be dependent on its ability to raise additional funds through equity issuances. There is no guarantee the Company will be successful in that regard. See "Overview and Going Concern" above.

During the three months ended March 31, 2022, the Company had the following cash flows:

- i) Net cash used in operating activities of \$114,821 (2021 - \$32,839) which consists of the cash paid for expenses on the statement of loss and comprehensive loss.
- ii) Net cash used in investing activities of \$2,750 (2021 - \$9,401) which consists of cash paid for exploration and evaluation of its mineral property.
- iii) Net cash provided by financing activities of \$232,562 (2021 - \$10,000) which consists of proceeds received from private placement and share issuance costs.

During the period from January 1, 2022 to May 24, 2022 the Company made the following share issuances pursuant to private placements:

- i) On January 28, 2022, the Company completed its initial public offering ("IPO") of 3,503,400 common share at a price of \$0.10 per share for gross proceeds of \$350,340. PI Financial Corp. acted as agent for the IPO, and received a cash commissions of \$53,988, a corporate finance fee of \$28,125, and 350,340 agent's compensation options to purchase 350,340 shares at a price of \$0.10 per share, exercisable on or before January 28, 2025. The Company also paid other share issuance costs of \$35,664.
- ii) On February 15, 2022, the Company issued 100,000 common shares with a value of \$10,000 pursuant to the acquisition of the Silver Lake Property.

### **Related Party Transactions**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers and Board of Director members.

During the three months ended March 31, 2022, the Company:

- i) paid or accrued management and consulting fees of \$7,500 (2021 - \$2,500) to a company owned by an officer of the Company for management services provided.
- ii) recorded \$Nil (2021 - \$27,500) of share-based compensation related to options granted to officers and directors of the Company.

Included in accounts payable and accrued liabilities at March 31, 2022 is \$Nil (December 31, 2021 - \$31,500) owed to a director and officer of the Company.

### **Risks and Uncertainties**

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely sources of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital and the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company, which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals greatly affect the value and potential value of its exploration and evaluation assets. This, in turn, greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

## **Financial Risk Factors**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

### a) Foreign currency risk

The Company is exposed to nominal foreign currency risk.

### b) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

### c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds non-interest bearing debt.

### d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. At March 31, 2022, the Company had cash of \$127,147 and current liabilities of \$30,744. This emphasizes that the Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. See "Liquidity and Capital Resources" above. There is no guarantee that the Company will be able to raise capital. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

### e) Price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of natural resource commodities. The Company monitors these prices to determine the appropriate course of action to be taken.

## **Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

## **Changes in Accounting Policies and Future Accounting Pronouncements**

Please refer to the condensed interim financial statements for the three months ended March 31, 2022 located on [www.sedar.com](http://www.sedar.com).

## **Contingencies**

There are no contingent liabilities.

## Management's Responsibility for Condensed Interim Financial Statements

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

### Share Capital

#### *Common Shares*

As at May 27, 2022, the Company had 12,203,401 common shares outstanding.

#### *Escrow*

As at May 27, 2022, the Company had 2,511,000 common shares held in escrow.

#### *Options*

As at May 27, 2022, the Company has the following stock options outstanding:

<b>Expiry Date</b>	<b>Number of Options</b>	<b>Exercise price</b>	<b>Number of options exercisable</b>
February 11, 2024	750,000	\$0.10	750,000
	750,000		750,000

#### *Warrants*

As at May 27, 2022, the Company has the following warrants outstanding:

<b>Expiry Date</b>	<b>Number of Options</b>	<b>Exercise price</b>	<b>Number of options exercisable</b>
January 28, 2025	350,340	\$0.10	350,340
	350,340		350,340