

**FIRST AMERICAN URANIUM INC.  
(FORMERLY PROSPERITY EXPLORATION CORP.)**

**Management Discussion and Analysis**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**April 24, 2023**

This discussion and analysis of the financial position and results of operations are prepared as at April 24, 2023 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 for First American Uranium Inc. (formerly Prosperity Exploration Corp.). The audited consolidated financial statements for the year ended December 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”). 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).

First American Uranium Inc. (formerly 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 the Company 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 holds property option agreements on the Silver Lake Property in British Columbia, Canada and the Red Basin Uranium/Vanadium Project in New Mexico, USA. 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 consolidated financial statements for the year ended December 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 consolidated 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.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

## **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.

## **Acquisition Of FirstAmerican Energy Fuels Ltd.**

During the year ended December 31, 2022, the Company acquired 60% of the issued and outstanding shares of FirstAmerican Energy Fuels Ltd. ("FirstAmerican").

The transaction does not constitute a business combination as FirstAmerican does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of FirstAmerican has been accounted for as an asset acquisition, whereby all of the assets acquired, and liabilities assumed are assigned a carrying amount based on their relative fair values. Upon closing the transaction, FirstAmerican became a subsidiary of the Company.

The net assets acquired pursuant to the acquisition are as follows:

Net Assets Acquired	
Cash	\$ 8,227
Receivable	58,523
Accounts payable and accrued liabilities	(24,758)
Exploration and evaluation assets	1,162,175
Non-controlling interest	(481,667)
	\$ 722,500

  

Total Purchase Price	
Issuance of 80,000,000 common shares	\$ 680,000
Finder's fee – 500,000 common shares	42,500
	\$ 722,500

## 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. 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 (issued and 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 January 28, 2023 (subsequently issued and paid);
- iii) pay \$25,000 and issue 150,000 common shares by January 28, 2024;
- iv) pay \$50,000 and issue 100,000 common shares by January 28, 2025;
- v) pay \$125,000 by January 28, 2026; and
- vi) pay \$175,000 by January 28, 2027.

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.

The Company paid \$24,000 as a reclamation bond on the Silver Lake Property.

## **Red Basin Uranium/Vanadium, Catron County, New Mexico**

During the year ended December 31, 2022, through the FirstAmerican acquisition, the Company acquired the option for the acquisition of a 100% interest (subject to a 2% NSR) in and to certain mineral claims located in Catron County, New Mexico by making the following payments:

- i) paying US\$50,000 (currently in negotiation for extension) and issuing 266,667 common shares (issued with a value \$22,667);
- ii) paying US\$100,000 and issuing 333,333 common shares by the 1<sup>st</sup> anniversary of June 15, 2022 (the “Effective Date”);
- iii) paying US\$50,000 and issuing 400,000 common shares by the 2<sup>nd</sup> anniversary of the Effective Date;
- iv) paying US\$150,000 and issuing 466,667 common shares by the 3<sup>rd</sup> anniversary of the Effective Date;
- v) issuing 533,333 common shares by the 4<sup>th</sup> anniversary of the Effective Date;

On or before the date of commencement of commercial production an additional bonus payment of US\$250,000 in cash or shares will be paid to the optionee. The property is subject to a royalty equal to 2% of net smelter returns upon commencement of commercial production and such royalty may be reduced from 2% to 1% by the payment of US\$500,000.

### **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.

### **Expenses**

The Company incurred a loss and comprehensive loss for the year ended December 31, 2022 of \$174,027 (2021 - \$234,724). Significant differences were primarily a result of the following.

- i) management and consulting fees of \$20,000 (2021 - \$26,250).
- ii) share-based compensation of \$Nil (2021 - \$27,500).
- iii) professional fees of \$117,061 (2021 - \$143,752) for legal and accounting.
- iv) filing fees of \$30,641 (2021 - \$31,550).
- v) Office and miscellaneous expenses \$1,391 (2021 - \$422).

Significant differences during the year end were a result of the Company becoming less active in the current year, other than the FirstAmerican acquisition.

## Summary of Quarterly Results

The previous eight quarters have been presented in the table below.

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
<b>Three Months Ended</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	1,310,263	1,346,853	1,346,853	120,019
Deficit	(437,763)	(359,101)	(341,851)	(319,306)
Net Loss	(89,858)	(17,249)	(22,546)	(44,374)
Basic and Diluted Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
<b>Three Months Ended</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	107,269	99,451	99,451	96,461
Deficit	(274,932)	(153,979)	(118,079)	(73,859)
Net Loss	(120,953)	(35,900)	(44,220)	(33,651)
Basic and Diluted Loss Per Share	(0.01)	(0.00)	(0.01)	(0.00)

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 there were more 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 December 31, 2022, the Company had cash of \$58,606 (2021 - \$12,156) and a working capital deficiency of \$18,325 (2021 - \$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 year ended December 31, 2022, the Company had the following cash flows:

- i) Net cash used in operating activities of \$162,187 (2021 – \$95,963) which consists of the cash paid for expenses on the statement of loss and comprehensive loss.

- ii) Net cash used in investing activities of \$23,925 (2021 – \$20,209) which consists of cash paid for exploration and evaluation of its mineral property.
- iii) Net cash provided by financing activities of \$232,562 (2021 – \$2,500) which consists of proceeds received from private placement net of share issuance costs.

During the period from January 1, 2022 to April 24, 2023 the Company:

- i) 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) issued 100,000 common shares with a value of \$10,000 pursuant to the acquisition of the Silver Lake Property.
- iii) issued 8,500,000 common shares with a value of \$722,500 pursuant to the acquisition of FirstAmerican.
- iv) issued 266,667 common shares with a value of \$22,667 pursuant to the acquisition of the Red Basin Uranium/Vanadium.
- v) granted 600,000 stock options to directors and officers of the Company, exercisable at a price of \$0.15 per option, expiring on February 11, 2028.
- vi) issued 8,575,000 units at a price of \$0.10 per unit for gross proceeds of \$857,500. Each unit is comprised of one common share and one-half share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share at a price of \$0.15, expiring on or before February 9, 2025.

In connection to the private placement, the Company paid a finders’ fees of \$2,100 and issued 21,000 broker warrants. Each broker warrant will entitle the holder to purchase one common share at a price of \$0.20, expiring on or before February 9, 2024.

- vii) issued 150,000 common shares 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 year ended December 31, 2022, the Company:

- i) paid or accrued management and consulting fees of \$20,000 (2021 - \$30,000) to a company owned by an officer of the Company for management services provided.
- ii) recorded \$Nil (2021 - \$25,667) in share-based compensation related to options granted to officers and directors of the Company.

Included in accounts payable and accrued liabilities at December 31, 2022 is \$448 (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, receivable, and 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.

a) Foreign currency risk

The Company is exposed to nominal foreign currency risk.

b) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and trade receivables. The Company's credit risk is primarily attributable to cash and receivables. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The receivable that is financial instrument consists of subscription receivables. The Company has no significant concentration of credit risk. The maximum exposure to credit risk is the aggregate carrying amount of cash and receivable. The Company has assessed the impairment of its receivable using the expected credit loss model and identified bad debts of \$Nil for the year ended December 31, 2022.

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022 the Company had a cash balance of \$58,606 (2021 - \$12,156) to settle accounts payable and accrued liabilities of \$133,154 (2021 - \$162,645). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short-term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms

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 consolidated financial statements for year ended December 31, 2022 located on [www.sedar.com](http://www.sedar.com).

## **Contingencies**

There are no contingent liabilities.



## Management's Responsibility for Financial Statements

The information provided in this report, including the 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 financial statements.

### Share Capital

#### *Common Shares*

As at April 24, 2023, the Company had 29,695,068 common shares outstanding.

#### *Escrow*

As at April 24, 2023, the Company had 1,605,001 common shares held in escrow.

#### *Options*

As at April 24, 2023, the Company has the following stock options outstanding:

<b>Expiry Date</b>	<b>Number of Options</b>	<b>Exercise price</b>
February 11, 2024	750,000	\$0.10
February 15, 2028	600,000	\$0.15
	1,350,000	

#### *Warrants*

As at April 24, 2023, the Company has the following warrants outstanding:

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Exercise price</b>
February 9, 2024	21,000	\$0.20
January 28, 2025	350,340	\$0.10
February 9, 2025	4,287,500	\$0.15
	4,658,840	