

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") is dated February 28, 2023 and should be read in conjunction with the audited consolidated financial statements of Xcite Resources Inc. ("Xcite" or the "Company") for the year ended October 31, 2022 and the period of inception at February 8, 2021 to October 31, 2021. Xcite prepares its audited financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Professional Accountants.

### **FORWARD-LOOKING INFORMATION**

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for the introduction or enhancement of its services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, and other expectations, intentions and plans that are not historical fact. The forward-looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Readers are also advised to consider such forward-looking statements in light of the risk factors and uncertainties that may affect the Company's actual results, performance, achievements or developments.

The Company 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 to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and the Company's business may be found in the Company's other filings.

### **OVERVIEW**

Xcite Resources Inc. is an exploration company incorporated on February 8, 2021 under the laws of the Province of British Columbia, Canada. The Company's head office and principal address is Suite 1910, 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

The Company is engaged in the investigation, acquisition and exploration of potentially economically viable mineral properties. The recoverability of the cost of the mineral properties is dependent upon the existence of economically recoverable resources, the ability to secure necessary financing to complete the exploration and development programs to generate future profitable production.

## HIGHLIGHTS AND NOTABLE EVENTS

On April 12, 2021, the Company entered into a purchase and sale agreement to acquire a 100% interest in the Turgeon Lake Gold Property (“Turgeon Lake Property”), which was amended October 1, 2021 and November 24, 2021. The Turgeon Lake Property consists of 39 mineral claims covering 2,203.28 hectares.

To earn 100% interest, the Company must make cash payments totaling \$250,000 as follows:

- \$30,000 on execution of the agreement (paid);
- \$70,000 earlier of the date of listing and September 30, 2022 (outstanding); and
- \$150,000 3 years from execution of the agreement (outstanding).

In addition, to earn a 100% interest the Company must issue 1,500,000 common shares to the vendor as follows:

- 250,000 shares on the closing date once approved by the Canadian Securities Exchange (outstanding);
- 750,000 shares earlier of the date of listing and September 30, 2022 (outstanding); and
- 500,000 shares 3 years from the date of execution (outstanding).

Finally, to earn a 100% interest the Company must complete a minimum work commitment totaling \$500,000 as follows:

- \$200,000 on or before 2 years from the date of execution (outstanding); and
- \$300,000 on or before 3 years from the date of execution (outstanding).

The Company has also agreed to grant a 2% Net Smelter Returns Royalty (“NSR”) to the vendor. The NSR requires will require the Company to pay a 2% royalty on production and the Company will have the right to acquire 1% of the NSR by making a payment of \$1,000,000 to the vendor. In addition, the Turgeon Lake Property is subject to an additional 2% NSR in favour of the prospectors who staked the property.

## OVERALL PERFORMANCE

### Key Performance Indicators

	2022		2021	
Revenue	\$	-	\$	-
Net loss	\$	(142,291)	\$	(91,215)
Loss per share	\$	(0.01)	\$	(0.01)
Total assets	\$	100,428	\$	189,122
Purchase of mineral properties	\$	30,000	\$	30,000

The Company incurred a net loss of \$142,291 for the year ended October 31, 2022 compared to \$91,215 from the period at inception February 8, 2021 to October 31, 2021. The increase net loss is attributed to increase expenses incurred for management consulting fees of \$19,400, investor relations and filing fees of \$20,126 resulting from transfer agent fees and costs associated with listing application fees, general and administration expense of \$13,438 attributed to rent and investor meetings, and share-based compensation of \$14,875 resulting from the issuance of stock-options to management and directors. This was offset by decrease in professional fees of \$12,886 due to lower legal expenses related to the application and filing of the prospectus. The Company has \$100,428 of total assets as at October 31, 2022 compared to \$189,122 at October 31, 2021. The decrease in total assets is the result of the cash expenses for the year. From the period of inception at February 8, 2021 to October 31, 2021, the Company purchased \$30,000 of mineral properties resulting from the acquisition of the Turgeon Lake Property.

## Results of Operations

	2022	2021
Exploration and evaluation expenses	\$ 31,397	\$ 35,790

For the year ended October 31, 2022, the Company incurred \$31,397 of exploration and evaluation expenses compared to \$35,790 for the period of inception on February 8, 2021 to October 31, 2021. The expenses relate to the analysis and work performed on the Turgeon Lake Property.

	2022	2021
Management and consulting fees	\$ 44,900	\$ 25,500

For the year ended October 31, 2022, the Company incurred management and consulting fees of \$44,900 compared to \$25,500 for the period of inception on February 8, 2021 to October 31, 2021. These expenses relate to the fees paid to management of the Company for the day-to-day management requirements.

	2022	2021
Professional fees	\$ 11,697	\$ 24,583

For the year ended October 31, 2022, the Company incurred \$11,697 of professional fees compared to \$24,583 for the period of inception on February 8, 2021 to October 31, 2021. These expenses relate to the fees paid for legal and accounting services for the corporate matters resulting from the acquisition of the Turgeon Lake Property, preparation of the listing application and prospectus, and for the annual filings required for the Company.

	2022	2021
General and administration expenses	\$ 18,735	\$ 5,297

General and administrative fees were \$18,735 compared to \$5,297 resulting from office rent and investor meetings.

	2022	2021
Investor relations and filing fees	\$ 20,126	\$ -

For the year ended October 31, 2022, the Company incurred \$20,126 of professional fees compared to nil for the period of inception on February 8, 2021 to October 31, 2021. These expenses relate to the fees associated with the transfer agent and the listing application fees.

	2022	2021
Share-based compensation	\$ 14,875	\$ -

For the year ended October 31, 2022, the Company incurred \$14,875 of share-based compensation compared to nil for the period of inception on February 8, 2021 to October 31, 2021. These expenses relate to the fair value of the stock-options which were issued during the period.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

Management has determined that cash flows for operating, exploration and evaluation expenses, and general and administrative expenses will be funded by Xcite's existing cash on hand. Any expected short

fall of cash required for these expenses will be funded by the issuance of common shares through private placements.

### Cash Flow Summary

	2022	2021
Cash on hand, beginning of period	\$ 145,798	\$ -
Cash flow from cash loss	(127,416)	(91,215)
Changes in non-cash working capital	(12,229)	17,013
Cash flow from financing activities	-	250,000
Cash flow used in investing activities	-	(30,000)
Cash on hand, October 31, 2021	\$ 6,153	\$ 145,798

Cash flow used in operations for the year ended October 31, 2022 was \$127,416 resulting from the expenses incurred on the analysis and investigation of the mineral properties, general expenses incurred for the day-to-day operations of the Company. In addition, the Company had used \$12,229 of cash resulting from the change in non-cash working capital resulting from the timing of the payments of the expenses. Cash flow used in operations for the period ended October 31, 2021 was \$74,202 resulting from the expenses incurred on the analysis and investigation of the mineral properties in addition to the general operating costs incurred for the day-to-day management of the Company. In addition, fluctuations from non-cash working capital resulted in cash inflow of \$17,013 for the period ended October 31, 2021 resulting from the timing of payment of the accounts payable, the collection of the goods and service taxes, and the receipt of services from the prepaid expenses.

There were no cash flows from financing in 2022. Xcite had \$250,000 of cash flows from financing from the period at inception to October 31, 2021. During this period, the Company issued 8,510,000 common shares for gross proceeds of \$250,000.

There were no cash flows from investing in 2022. From February 8, 2021 to October 31, 2021, the Company incurred \$30,000 of cash outflow from investing. This relates to the payment made for the acquisition of Turgeon Lake.

The following table represents the net capital of the Company:

	2022	2021
Shareholders' equity	\$ 31,369	\$ 158,785
Net capital	\$ 31,369	\$ 158,785

Xcite uses net working capital to monitor leverage. The net capital is the result of the issuance of common shares offset by the operating loss of the Company in the current period.

### Working Capital

The Company has working capital of \$1,369 (2021 – surplus \$128,785) as at October 31, 2022. The working capital is comprised of current assets of \$70,428 (2021 - \$159,122) and current liabilities of \$69,059 (2021 - \$30,337).

Current assets is comprised of cash of \$6,153 (2021 - \$145,798), goods and services tax receivable of \$8,298 (2021 - \$2,824), and prepaids and deposits of \$55,977 (2021 - \$10,500) resulting from the payment for assistance with the initial public offering.

Current liabilities is the result of accounts payable of \$52,364 (2021 - \$22,830) resulting from the timing of vendor payments and due to related parties of \$16,695 (2021 - \$7,507) representing outstanding payment of management fees and rent.

## Contractual Obligations

There are no outstanding contractual obligations.

## Contingencies

### *Contingent liabilities*

The Company does not have any contingent liabilities.

### *Contingent assets*

The Company does not have any contingent assets.

## SELECTED QUARTERLY FINANCIAL INFORMATION

	Oct 31, 2022	July 31, 2022	April 30, 2022	Jan 31, 2022
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(35,257)	(25,078)	(37,683)	(44,273)
Loss per share	(0.00)	(0.00)	(0.00)	(0.01)

  

	Oct 31, 2021	July 31, 2021	April 30, 2021	Jan 31, 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	(68,714)	(12,001)	(10,500)	-
Loss per share	(0.01)	(0.00)	(0.00)	-

For the quarter ended July 31, 2021, the Company incurred a net loss of \$12,001 resulting from the management and consulting fees of \$6,100, for to manage day-to-day operations of the Company, legal fees of \$2,879 for general corporate matters, and \$2,555 resulting from office rent and investor meetings.

For the quarter ended October 31, 2021, the Company incurred a net loss of \$68,714 resulting from the analysis of the mineral properties totaling \$35,790, professional fees of \$25,775 from legal services and management and consulting fees of \$6,000 due to general management of the Company, including preparation of financial records for annual filings.

For the three-months ended January 31, 2022, the Company incurred a net loss of \$44,273 resulting from exploration and evaluation expenses of \$27,617 due to the analysis of the Turgeon Lake Property, management and consulting fees of \$8,450 due to day-to-day management operations, and professional fees of \$6,277 due to legal fees resulting from charges related to the initial public offering.

For the three-months ended April 30, 2022, the Company incurred a net loss of \$37,683 resulting from management and consulting fees of \$11,000 due to day-to-day management of the Company, filing fees of \$19,161 for the expenses related to the listing fee application and system fees, professional fees of \$2,097 related to legal fees for general corporate matters.

For the three-months ended July 31, 2022, the Company incurred a net loss of \$25,078 resulting from management and consulting fees of \$12,950 due to day-to-day management of the Company, filing fees of \$951 for the expenses related to the listing fee application and system fees; professional fees of \$1,500 relating to accounting charges for services incurred for the initial public offering, and general and administrative expenses of \$8,313 resulting from rent and investor relation costs.

For the quarter ended October 31, 2022, the Company incurred a net loss of \$35,257 resulting from management and consulting fees of \$12,500 for the day-to-day operations, professional fees of \$1,373 due to expenses related to annual filing expenses, share-based compensation of \$14,875 resulting from the issuance of stock-options, and \$3,400 related to investor meetings.

## **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

### *Exploration and evaluation assets*

The Company has acquired exploration and evaluation assets, which consists of mineral claims, for use in its business activities. Amortization is recognized using the unit of production basis, once available for use, based upon management's estimate of the useful life.

### *Taxes*

The determination of taxes is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for taxes. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

### *Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. There is a material uncertainty regarding the Company's ability to continue as a going concern. The Company's principal source of cash is from private placements. The Company is dependent on raising funds in order to have sufficient capital to be able to identify, evaluate and then acquire an interest in assets or a business.

### *Impairment of non-current assets*

To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

### *Decommissioning and restoration provision*

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent, and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates. As at October 31, 2022 and 2021, the Company has no material decommissioning and restoration provision

## **NEW ACCOUNTING PRONOUNCEMENTS**

*The Company has not applied the following amendments to standards that have been issued but are not yet effective:*

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements.

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after October 31, 2022 will have on its financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changed on the financial statements to be material., although additional disclosure may be required.

## **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

Risk is inherent in all business activities and cannot be eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect Xcite's future results, as well as activities used to mitigate such risks. These risks do not occur in isolation but must be considered in conjunction with each other.

The Board of Directors have overall responsibility for the establishment and oversight of Xcite's risk management framework. The Board is responsible for developing and monitoring Xcite's compliance with risk management policies and procedures.

Xcite's risk management policies are established to identify and analyze the risks faced by Xcite, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Xcite's activities.

### **Financial risks and financial instruments**

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of cash and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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 potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

#### *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 October 31, 2022, the Company had a cash balance of \$6,153 (2021 - \$145,798) to settle current liabilities of \$69,059 (2021 - \$30,337). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. To maintain liquidity, the Company is currently investigating financing opportunities.

### *Mark Price 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. The Company does not have a practice of trading derivatives.

### *Interest rate risk*

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2022 and 2021, the Company did not have any investments in investment-grade short-term deposit certificates.

### *Foreign currency risk*

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than Canadian dollars. As at October 31, 2022 and 2021, the Company did not have foreign currency risk.

### *Commodity price risk*

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

## **RELATED PARTY TRANSACTIONS**

	For the Year Ended October 31, 2022			For the Period at Inception, February 8, 2021 to October 31, 2021		
	Management fees	Rent	Total	Management fees	Rent	Total
CEO and Director	\$ 35,000	\$ 1,850	\$ 36,850	\$ 20,500	\$ 1,065	\$ 21,565
CFO and Director	9,900	-	9,900	5,000	-	5,000
	<b>\$ 44,900</b>	<b>\$ 1,850</b>	<b>\$ 46,750</b>	<b>\$ 25,500</b>	<b>\$ 1,065</b>	<b>\$ 26,565</b>

As at October 31, 2022, \$16,695 (2021 - \$7,507) were owed to related parties for the above services.

On February 8, 2021, the CEO and Director subscribed for 100,000 common shares at \$.005 per share for cash of \$500.

Transactions with related parties are in the normal course of business and initially recorded at fair value.

## **SUBSEQUENT EVENTS**

On December 5, 2022, the Company closed a private placement for gross proceeds of \$85,000 by issuing 850,000 units of the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of \$0.30 for 12 months.

On January 27, the Company received notice of receipt for the filing of the Prospectus in all four provincial jurisdictions where it applied. On February 23, 2023, the Company's share began trading on the CSE.



On February 1, 2023, the Company announced it had amended its agreement with Bullion Gold Resources Corp. by extending the deadline by which the Company must make a cash payment of \$35,000 and issue 750,000 common shares from the earlier of the date on which the Company's shares are listed on the CSE and February 28, 2023 (The former date was January 31, 2023). These amounts were paid and issued on February 23, 2023.

## **OTHER INFORMATION**

Outstanding share data:

Issued and outstanding shares at October 31, 2022	8,510,000
Issued and outstanding shares at February 27, 2023	8,510,000

## **INDUSTRY RISKS**

The Company's principal business activities are the acquisition, exploration, and definition of potentially economically viable mineral resource deposits on mineral properties, which, by nature, are speculative. Companies in this industry are subject to many and varied kinds of risks, including but not limited to; environmental, fluctuating commodity prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable. Due to the high-risk nature of the Company's business and the present stage of the Company's various mineral properties, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A, the risk factors discussed below, and the Company's other public disclosures, including the risks described in the "Risk Factors" section of the Company's MD&A for the year ended October 31, 2022 and the period of inception at February 8, 2021 to October 31, 2021, prior to making any investment in the Company's common shares.

The risk factors described below do not necessarily comprise all of the risks and uncertainties that the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also adversely affect the Company's business, results of operations, financial results, prospects and price of common shares. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

### *Mineral property exploration and mining risk*

Mineral exploration and development are highly speculative and are characterized by a number of significant inherent risks, which may result in the inability to successfully develop a project for commercial, technical, political, regulatory or financial reasons, or if successfully developed, may not remain economically viable for their mine life owing to any of the foregoing reasons.

The Company's ability to identify Mineral Resources in sufficient quantity and quality to justify development activities and/or its ability to commence and complete development work and/or commence and/or sustain commercial mining operations at any of its projects will depend upon numerous factors, many of which are beyond its control, including exploration success, the obtaining of funding for all phases of exploration, development and commercial mining, the adequacy of infrastructure, geological characteristics, metallurgical characteristics of any deposit, the availability of processing and smelting capacity, the availability of storage capacity, the supply of and demand for silver and other metals, the availability of equipment and facilities necessary to commence and complete development, the cost of consumables and mining and processing equipment, technological and engineering problems, accidents or acts of sabotage or terrorism, civil unrest and protests, currency fluctuations, changes in regulations, the availability of water, the availability and productivity of skilled labour, the receipt of necessary consents, permits and licenses

(including mining licenses), and political factors, including unexpected changes in governments or governmental policies towards exploration, development and commercial mining activities.

Furthermore, cost over-runs or unexpected changes in commodity prices in any future development could make the projects uneconomic, even if previously determined to be economic under feasibility studies. Accordingly, notwithstanding the positive results of one or more feasibility studies on the projects, there is a risk that the Company would be unable to complete development and commence commercial mining operations at one or more of the mineral properties which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### *Key management*

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition.

#### *Limited operating history*

The Company has no present prospect of generating revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources, and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering the early stage of operations.

#### *Ability to continue as a going concern*

The Company's auditors' opinion on its October 31, 2022 financial statements includes an explanatory paragraph in respect of there being substantial doubt about its ability to continue as a going concern.

#### *Financing and share price fluctuation risk*

The Company has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its mineral properties. Future exploration and development of the Company's mineral properties may be dependent upon the Company's ability to obtain financing through equity, debt or other means. There can be no assurance that needed financing will be available in a timely or economically advantageous manner, or at all. Failure to obtain sufficient financing could result in delay or indefinite postponement of further exploration and development of on any or all of its mineral properties which could result in the loss of its property, in which case, the Company's ability to operate would be adversely affected. To obtain substantial additional financing, the Company may have to sell additional securities including, but not limited to, its Common Shares or some form of convertible securities, the effect of which may result in substantial dilution of the present equity interests of the Company's shareholders.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

#### *Commodity prices risk*

The Company, along with all mineral exploration and development companies, is exposed to commodity price risk. A decline in the market price of gold, silver, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of its mineral property to a third party.

### *Title risk*

Title on mineral properties and mining rights 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 of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties

### *Insured and uninsurable risks*

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and could cause a decline in the value of the securities of the Company.

### *Competition risk*

Significant and increasing competition exists in the mining and mineral exploration industry. The Company faces strong competition from other mining and exploration companies in connection with the acquisition of properties producing, or capable of producing, minerals. Many of these companies are larger, more established, and have greater financial resources, operational experience and technical capabilities than the Company and make it difficult to compete for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. As a result of this competition, the Company may be unable to acquire additional attractive mining or exploration properties on terms it considers acceptable or at all. Consequently, the Company's business, results of operation, financial conditions and prospects could be adversely affected

### *Government regulations*

Exploration and evaluation companies operate in a high-risk regulatory environment. The mining activities is governed by numerous statutes and regulations in the United States, Canada, and other countries where Xcite intends to market its products. The subject matter of such legislation includes approval of mining facilities and environmental regulations.

The process of completing exploration and evaluation activities and obtaining required approvals is likely to take several years and require the expenditure of substantial resources. Furthermore, there can be no assurance that the regulators will not require modification to any submissions which may result in delays or failure to obtain regulatory approvals. Any delay or failure to obtain regulatory approvals could adversely affect the ability of Xcite to utilize its assets, thereby adversely affecting operations. Further, there can be no assurance that Xcite's properties will achieve levels of sensitivity and specificity sufficient for regulatory approval or market acceptance. There is no assurance that Xcite will be able to timely and profitably produce its products while complying with all the applicable regulatory requirements. Foreign markets, other than the United States and Canada, generally impose similar restrictions.

### *Conflicts of interest risk*

Certain of the Company's directors and officers do, and may in the future, serve as directors, officers, promoters and members of management of other mineral exploration and development companies and, therefore, it is possible that a conflict may arise between their duties as a director, officer, promoter or member of the Company's management team and their duties as a director, officer, promoter or member of management of such other companies. The Company's directors and officers are aware of the laws establishing the fiduciary duties of directors and officers including the requirement that directors act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required under the Business Corporations Act (British Columbia) to disclose their interest.

### *Environmental risk*

All phases of the Company's operations are subject to extensive environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, mitigation of impact of activities to wildlife and plant life, and provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of these regulations may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental-related permits and/or environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to impact the timing of execution of work plans and reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds its interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of those properties.

### *Community relations risk*

The Company's relationships with the communities in which it operates, and other stakeholders are critical to ensure the future success of the development of its properties. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Company's reputation can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for

individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Company.

### *Litigation risk*

All industries, including the mining industry, may be made subject to legal claims and proceedings, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. The Company may also in the future become the subject of a legal claim or proceeding at any time,

and without advance notice of the commencement of the proceeding. To the extent the Company becomes subject to any such claim or proceeding, it may materially impact management's time and the Company's financial resources to defend, even if it is without merit. As well, due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material adverse effect on the Company's business, results of operations, financial condition (including its cash position) and prospects.

#### *Climate change risk*

The potential physical impacts of climate change on the Company's exploration projects is highly uncertain and are particular to the geographic circumstances. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. The Company's future exploration programs in the United States may require water and a lack of necessary water could disrupt exploration programs and adversely impact future development and mining activities. Climate change is an international concern and as a result poses the risk of changes in government policy including introducing climate change legislation and treaties at all levels of government that could result in increased costs. The trend towards more stringent regulations and carbon-pricing mechanisms aimed at reducing the effects of climate change could impact the Company's decision to pursue future opportunities, or maintain our existing exploration programs, which could have an adverse effect on our business.

#### *No Anticipated Dividends*

The Company does not intend to pay dividends on any investment in the shares of stock of the Company. The Company has never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding currently not provided for in its financing plan, its funding sources may prohibit the payment of a dividend. Because the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the stock's price. This may never happen, and investors may lose all their investment in the Company.