

SORRENTO RESOURCES LTD.

("Sorrento" or "the Company")

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2023**

Introduction

The following management's discussion and analysis ("MD&A"), prepared as of May 17, 2023, is the responsibility of management and is intended to supplement the condensed interim financial statements of the Company. The following discussion of performance, financial condition and future prospects should be in conjunction with the unaudited condensed interim financial statements for the nine months ended March 31, 2023 and audited financial statements for the period from incorporation on October 4, 2021 to June 30, 2022, and the related notes thereto. All financial information in this document have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains forward-looking statements. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations. The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties.

Sorrento was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on October 4, 2021. The Company maintains its registered office at 3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada V6B 4P7. The head office and principal address of the Company is 9285-203B Street, Langley, BC, Canada V1M 2L9.

Description of Business

The Company is a mineral resource company engaged in the business of acquiring and exploring mineral resource properties in Canada. The Company's principal property is the Wing Pond Project, located in Newfoundland, Canada.

Wing Pond Project Option Agreement

On November 9, 2021, and subsequently amended on October 28, 2022, the Company entered into an option agreement (the "Wing Pond Agreement"), with unrelated parties (the "Wing Pond Optionors"), to acquire a 100% interest in 462 mining claims located in Newfoundland.

In order to exercise the option and acquire the Wing Pond property, the Company must complete, over a period of two years, the following payments:

- Make a cash payment of \$35,000 within 21 days of signing the Wing Pond Agreement (paid);
- Incur \$90,000 of exploration expenditures on the claims and deliver the technical report, on or before November 30, 2022 (completed);
- Issue 1,000,000 common shares to the optionors on or before the earlier of (i) listing of the Company's common shares on the Canadian Securities Exchange, and (ii) April 30, 2023 (issued subsequent to period end); and
- Make a further cash payment of \$50,000 and issue a further 2,000,000 common shares to the Wing Pond Optionors and incur a further \$200,000 of exploration expenditures on the claims on or before the earlier of (i) the first anniversary of the listing date, and (ii) November 30, 2023.

On March 16, 2023, the Company announced that it has signed a contract to engage Longford Exploration Services Ltd. to perform exploration work on the Wing Pond Project. The work program will comprise of two phases and build upon the high resolution airborne magnetic survey flown by the Company in 2022.

During the nine months ended March 31, 2023, the Company had advanced a deposit of \$153,180 on the Wing Pond Project included in prepaid expenses and deposits.

Mineral Property Interests

Details of mineral property balance is as follows:

	Wing Pond Project
Balance, October 4, 2021 (incorporation)	\$ -
Option payments – cash	<u>35,000</u>
Balance, June 30, 2022	\$ 35,000
Option payments – shares	<u>175,000</u>
Balance, March 31, 2023	<u>\$ 210,000</u>

Technical information and project detail is provided in the long-form Prospectus on Sedar (www.sedar.com) on December 23, 2022.

Exploration Expenditures

The Company expended the following exploration and evaluation expenditures:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022	For the nine months ended March 31, 2023	For the period from incorporation on October 4, 2021 to March 31, 2022
Field office	\$ -	\$ 6,605	\$ 989	\$ 6,605
Geological and geophysical	6,000	3,000	25,975	3,000
Staking	5,330	-	5,330	-
Surveying	-	70,875	-	70,875
Technical report	-	-	1,950	7,500
Travel, logistics & camp costs	<u>-</u>	<u>36,045</u>	<u>14,429</u>	<u>36,045</u>
Total expenditures for the period	<u>\$ 11,330</u>	<u>\$ 116,525</u>	<u>\$ 48,673</u>	<u>\$ 124,025</u>

Performance Summary

Equity:

Nine months ended March 31, 2023

On February 23, 2023, the Company completed its initial public offering ("IPO") and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange. Leede Jones Gable Inc. (the "Agent") acted as lead agent and sole bookrunner for the Company in connection with the IPO of the Company.

The IPO completed with the issuance of 4,884,300 common shares at an offering price of \$0.175 per common share for gross proceeds of \$854,753. As compensation for services rendered by the Agent in connection with the IPO, the Company paid a cash commission of \$76,928 and issued an aggregate of 439,587 non-transferable agent's options to acquire up to 439,587 common shares at a price of \$0.175 per common share until February 23, 2025. In addition, the Company paid a corporate finance fee of \$35,000 in cash, plus applicable taxes. The Company incurred other share issuance costs of \$186,379.

The agent's options were valued at \$42,785 using the Black-Scholes inputs: risk-free interest rate of 4.20%, volatility of 103.80% and expected life of 2 years. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the instrument.

Concurrently, the Company issued 1,000,000 common shares in accordance with the Wing Pond Agreement.

On March 21, 2023, the Agent exercised its over-allotment options in full in connection with the IPO. The Company issued 732,645 common shares to the Agent at a price of \$0.175 per share for gross proceeds of \$128,213. The Company paid a cash commission of \$11,539 and issued an aggregate of 65,938 non-transferable agent's options to acquire up to 65,938 common shares at a price of \$0.175 per common share until March 21, 2025. The Company incurred other share issuance costs of \$2,936.

The agent's options were valued at \$16,271 using the Black-Scholes inputs: risk-free interest rate of 3.70%, volatility of 104.95% and expected life of 2 years. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the instrument.

Period from October 4, 2021 to June 30, 2022

During the period from incorporation on October 4, 2021 to June 30, 2022, the Company:

On October 4, 2021, the Company issued 1,200,000 common shares on incorporation at a price of \$0.005 per common share for gross proceeds of \$6,000.

On December 14, 2021, the Company completed a private placement of 5,300,000 flow-through units at a price of \$0.02 per unit, each consisting of one flow-through share and one-half common share purchase warrant at a price of \$0.05, for gross proceeds of \$106,000 and incurred share issuance costs of \$2,282. There was no flow-through premium allocated to the private placement.

On May 9, 2022, the Company completed a private placement of 2,666,666 common shares at \$0.15 for gross proceeds of \$400,000 and incurred share issuance costs of \$5,777.

Results of Operations

The Company has not generated any revenues since inception from its planned operations and has incurred losses primarily from investment into the Wing Pond Project through exploration expenditures, and the related general and administrative expenses to support the corporate entity.

As at March 31, 2023, the Company had total assets of \$903,501 (June 30, 2022 - \$340,931). As at March 31, 2023, the Company had current liabilities of \$13,833 (June 30, 2022 - \$62,369).

For the three months ended March 31, 2023 compared to three months ended March 31, 2022

For the three months ended March 31, 2023, the Company reported a net loss of \$119,195 (2022 - \$148,409). Significant expenses included in net loss are as follows:

- Consulting fees of \$17,000 (2022 - \$13,500) is associated with payments to the Chief Financial Officer and to a consultant providing general consulting services.
- Exploration expenses of \$11,330 (2022 - \$116,525) is related to exploration work on the Wing Pond property.
- Listing fees of \$35,030 (2022 - \$nil) is largely comprised of listing fee services for the Company to be listed on the OTC markets.
- Management fees of \$17,500 (2022 - \$15,000) are fees to the Chief Executive Officer.
- Office and miscellaneous of \$10,278 (2022 - \$3,384) refers to general administrative costs, including rent and travel costs.
- Professional fees of \$18,016 (2022 - \$nil) includes amounts for audit and legal fees.

For the nine months ended March 31, 2023 compared to the period from incorporation on October 4, 2021 to March 31, 2022

For the nine months ended March 31, 2023, the Company reported a net loss of \$234,078 (October 4, 2021 – March 31, 2022 (“2022”) - \$167,518). Significant expenses included in net loss are as follows:

- Consulting fees of \$44,000 (2022 - \$19,500) is associated with payments to the Chief Financial Officer and to a consultant providing general consulting services.
- Exploration expenses of \$48,673 (2022 - \$124,025) is related to exploration work on the Wing Pond property.
- Listing fees of \$35,030 (2022 - \$nil) is largely comprised of listing fee services for the Company to be listed on the OTC markets.
- Management fees of \$47,500 (2022 - \$15,000) are fees to the Chief Executive Officer.
- Office and miscellaneous of \$22,972 (2022 - \$5,259) refers to general administrative costs, including rent and travel costs.
- Professional fees of \$25,862 (2022 - \$3,734) increased due to more corporate agreement consultation from legal fees.

Financial Condition, Liquidity, Capital Resources and Financial Instruments

As at March 31, 2023, the Company had cash of \$510,884 and a working capital of \$679,668, compared with cash of \$261,990 and working capital of \$210,187 as of the year ended June 30, 2022.

Cash Used in Operating Activities

Cash used in operating activities during the nine months ended March 31, 2023 was \$454,665 (2022 - \$131,536) resulting from a net loss of \$234,078 (2022 - \$167,518) and net of non-cash and working capital adjustments.

Cash Used in Investing Activity

Cash used in investing activity during the nine months ended March 31, 2023 was \$nil (2022 - \$35,000) with respect to its option payment on the Wing Pond Project.

Cash Generated by Financing Activities

Cash generated by financing activities during the nine months ended March 31, 2023 was \$703,559 (2022 - \$507,436). The Company received \$982,966 (2022 - \$317,000) pursuant of common share issued and expended \$279,407 (2022

- \$4,564) in share issuance costs. Additionally, the Company received \$nil (2022 - \$195,000) in subscriptions for a private placement which completed subsequent to period end.

The Company is in a working capital deficiency and will need a financing to continue administrative operations and development of its exploration asset and may continue to have capital requirements in excess of its currently available resources. The Company intends to raise additional financing either privately or through a public financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Financial instruments

Cash and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial 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.

Financial risk factors

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. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank, the credit risk is considered by management to be negligible. The Company considers credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at March 31, 2023, the Company had working capital of \$679,668 (June 30, 2022 – \$210,187). The Company's financial obligations are limited to accrued liabilities, which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at March 31, 2023.

Commodity price risk

The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

Foreign currency risk

As at March 31, 2023, the Company did not have any accounts in foreign currencies and considers foreign currency risk to be insignificant. The Company may be exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency in the future.

Requirement of Additional Equity Financing

The Company has relied on equity financings and funding contributions from exploration project agreements for all funds raised to date for its operations. The Company will need additional funding to meet its current and further exploration commitments and option payments. Until the Company starts generating profitable operations from exploration development, sale of properties, and sale of minerals, the Company intends to continue relying upon venture partners and the issuance of securities to finance its operations and acquisitions pursuant to private placements, the exercise of warrants and stock options, and short-term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's Shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms.

Use of Proceeds

During the nine months ended March 31, 2023, the Company completed an IPO on February 23, 2023 and raised gross proceeds of \$854,753.

The following tables sets out a comparison of how the Company used the proceeds following the closing date to March 31, 2023, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	Actual Use of Proceeds
To pay the estimated cost of phase 1 of the recommended exploration program and the budget on the Wing Pond Project as outlined in the technical report.	The Company has signed a contract to engage Longford Exploration Services Ltd. to perform exploration work on the Wing Pond Project. The work program will comprise of two phases and build upon the high resolution airborne magnetic survey flown by the Company in 2022.
To pay the estimated cost of phase 2 of the recommended exploration program and the budget on the Wing Pond Project, if warranted by the results of the phase 1 exploration program, as outlined in the technical report	The Company has not used any use of proceeds towards this objective as phase 1 has not been completed.
To pay consulting and management fees to the CEO and CFO.	The Company are up to date on payments for consulting and management fees to the CEO and CFO.
To provide funding sufficient to meet administrative costs for 12 months.	The Company have used funds to meet the monthly administrative costs.
Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.	No material variances have yet been identified by the Company. Proceeds have been used as intended to date.

Summary of Selected Quarterly Results

	For the three months ended March 31, 2023	For the three months ended December 31, 2022	For the three months ended September 30, 2022
Net loss and comprehensive loss for the period	\$ (119,195)	\$ (62,804)	\$ (52,079)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)

	For the three months ended June 30, 2022	For the three months ended March 31, 2022	For the period from incorporation on October 4, 2021 to December 31, 2021
Net loss and comprehensive loss for the period	\$ (57,861)	\$ (148,409)	\$ (19,109)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.01)

The loss for the three months ended March 31, 2023 increased compared to the prior periods as the Company incurred increased administrative expenses subsequent to completing the IPO. The net loss during the December 31, 2022, September 30, 2022 and March 31, 2022 periods is mainly due to investment into the Wing Pond Project through exploration expenditures, and the related general and administrative expenses to support the corporate entity. Total assets consist of primarily cash and total liabilities is all from accounts payable and accrued liabilities.

Off Balance Sheet Arrangements

As of March 31, 2023, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no proposed transactions other than as disclosed with respect to the Offering.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value, of which 15,783,611 common shares are issued and outstanding as fully paid and non-assessable at the date of this report.

The Company has 3,155,525 warrants outstanding at the date of this report.

Related Party Transactions

The Company's related parties consist of key management personnel that are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel are comprised of the officers and directors of the Company. Amounts paid or accrued to key management personnel are as follows:

	For the nine months ended March 31, 2023	Period from incorporation on October 4, 2021 to March 31, 2023
Payments to key management personnel		
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Bobby Dhaliwal, is an employee	\$ 17,500	\$ -
Consulting fees – Red Fern Consulting Ltd., a company in which the former CFO, Samantha Shorter, has a significant investment	\$ -	\$ 7,500
Management fees – Sutton Ventures Ltd., a company in which the CEO, Brayden Sutton, has a significant investment	\$ 47,500	\$ 15,000

As at March 31, 2023, \$nil (June 30, 2022 - \$42,000) was included in accrued liabilities owing to key management personnel. These amounts are non-interest bearing and due on demand.

Risk Factors

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. A more complete, but not exhaustive, listing of risks is included in the Company's final long-form prospectus filed on Sedar (www.sedar.com) on December 23, 2022. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business, financial condition and result of operations. Select risks significant to the Company are included here:

Insufficient Capital

The Issuer does not currently have any revenue producing operations and may, from time to time, report a working capital deficit. To maintain its activities, the Issuer will require additional funds which may be obtained either by the sale of equity capital or by entering into an option or joint venture agreement with a third party providing such funding. There is no assurance that the Issuer will be successful in obtaining such additional financing; failure to do so could result in the loss or substantial dilution of the Issuer's interest in the Wing Pond Property.

Financing Risks

The Issuer has no history of earnings and, due to the nature of its business, there can be no assurance that the Issuer will be profitable. The Issuer has paid no dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Issuer is through the sale of its Common Shares. Even if the results of exploration are encouraging, the Issuer may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on any of its properties. While the Issuer may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on terms acceptable to the Issuer, or at all. If available, future equity financing may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

Inflation and Cost Management

The Issuer's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Issuer's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and funds from operations.

Limited Operating History and Negative Operating Cash Flow

The Issuer has no history of earnings. There are no known commercial quantities of mineral reserves on the Wing Pond Property. The purpose of this Offering is to raise funds to carry out exploration and development on the Wing Pond Property with the objective of establishing economic quantities of mineral reserves. To the extent that the Issuer has a negative operating cash flow in future periods, the Issuer may need to allocate a portion of its cash reserves to fund such negative operating cash flow. The Issuer may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Issuer.

Property Interests

The Issuer does not own the mineral rights pertaining to the Wing Pond Property. Rather, it holds an option to acquire a 100% interest. There is no guarantee the Issuer will be able to raise sufficient funding in the future to explore and develop the Wing Pond Property so as to maintain its interests therein. If the Issuer loses or abandons its interest in the Wing Pond Property, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by the Issuer, whether by way of option or otherwise, should the Issuer wish to acquire any additional properties. In the event that the Issuer acquires a 100% interest in the Wing Pond Property, there is no guarantee that title to the Wing Pond Property will not be challenged or impugned. The Issuer's mineral property interests may be subject to prior unregistered agreements or transfers or aboriginal or indigenous land claims or title may be affected by undetected defects. Surveys have not been carried out on any of the Issuer's mineral properties, therefore, in accordance with the laws of the jurisdiction in which such properties are situated; their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Issuer can give no assurance as to the validity of title of the Issuer to those lands or the size of such mineral lands.

Permits and Government Regulations

The future operations of the Issuer will require certain permits and licenses from various federal, provincial and local governmental Authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters, including the requirement to obtain a forestry permit, mainly for trenching and drilling activities. In particular, in order to conduct its proposed exploration programs on the Property, the Issuer will require the following permits and licenses from the Newfoundland and Labrador Department of Natural Resources and other governmental departments and agencies having jurisdiction:

Exploration Approval Permit: This permit would cover prospecting, rock and soil geochemistry, line cutting, trenching, bulk sampling, airborne and/or ground geophysical surveys, fuel storage, ATV usage and diamond drilling.

Timber Rights Permit: This permit would cover the removal of timber for line cutting, diamond drilling site preparation and trenching.

Licence to Occupy: This permit would be required if a camp location was to be used for a period of time longer than what was allowed as part of the Exploration Approval Permit.

Temporary Water Use Permit: This permit would allow the use of water, from a specified location, for camp and drilling-related needs.

However, the requirements of such permits, licences and approvals are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Issuer will be able to obtain the above mentioned permits or any other necessary permits, licenses and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Wing Pond Property. Furthermore, although in the normal course the required permits and licenses are issued within a period of four to six weeks from the date of application, there can be no assurance that the issuance of the necessary permits and licenses will not be delayed due to circumstances beyond the Issuer's control. The Issuer currently does not have any permits in place.

Surface Rights

Surface rights are not included with minerals rights in the province of Newfoundland and Labrador. In order to develop future mineral resources on the Property, it is necessary to obtain title to the surface rights to the area of the mining lease and areas for siting the required infrastructure incidental to the mineral development. Accordingly, in order to proceed with mineral exploration or potential mine development from the Property, the Issuer will be required to submit an application to the applicable agencies of the government of Newfoundland and Labrador for a surface lease. Although there are currently no known surface rights holders within the Property boundaries that would inhibit mineral exploration or potential mine development. There is a risk that, due to circumstances beyond the Issuer's control, the Issuer will not be able to obtain the required surface rights in a timely manner or at all.

First Nations Land Claims

First Nations rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. The Supreme Court of Canada's 2014 decision in *Tsilhqot'in Nation v. British Columbia* marked the first time in Canadian history that a court has declared First Nations title to lands outside of reserve land. The Wing Pond Property may now or in the future be the subject of aboriginal or indigenous land claims. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Issuer's ownership interest in the Wing Pond Property cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the Wing Pond Property is located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Issuer's activities. Even in the absence of such recognition, the Issuer may at some point be required to negotiate with and seek the approval of holders of aboriginal interests in order to facilitate exploration and development work on the Wing Pond Property, there is no assurance that the Issuer will be able to establish a practical working relationship with any First Nations in the area which would allow it to ultimately develop the Wing Pond Property.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Issuer may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Issuer.

Environmental Laws and Regulations

Environmental laws and regulations may affect the operations of the Issuer. 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. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Issuer 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. In all major developments, the Issuer generally relies on recognized designers and development contractors from which the Issuer will, in the first instance, seek indemnities. The Issuer intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental

laws and regulations may become more onerous, making the Issuer's operations more expensive. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Issuer and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Competition

The mining industry is intensely competitive in all its phases and the Issuer competes with other companies that have greater financial resources and technical facilities. Competition could adversely affect the Issuer's ability to acquire suitable properties or prospects in the future.

Management

The success of the Issuer is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on the Issuer's business and prospects. There is no assurance the Issuer can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Issuer and its prospects.

Fluctuating Mineral Prices

The Issuer's revenues, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals. Factors beyond the control of the Issuer may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Issuer's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. In addition, currency fluctuations may affect the cash flow which the Issuer may realize from its operations, since most mineral commodities are sold in the world market in United States dollars.