

**ZEB NICKEL CORP.**  
*Suite 507, 837 West Georgia Street*  
*Vancouver, BC*  
*V6C 3N6*

August 26, 2022

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**MANAGEMENT DISCUSSION & ANALYSIS**

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This management's discussion & analysis ("MD&A") should be read in conjunction with our condensed interim financial statements and the accompanying notes for the six months ended June 30, 2022, which were prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting and are filed on the SEDAR website: [www.sedar.com](http://www.sedar.com).

All amounts in the condensed interim consolidated financial statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated.

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**FORWARD LOOKING INFORMATION**

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Forward-looking statements are necessarily based upon a number of factors and assumptions that, if untrue, could cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such statements. Forward-looking statements are based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the future price of precious and base metals, anticipated costs and the Company's ability to fund its programs, the Company's ability to carry on exploration and development activities, the timing and results of drilling programs, the discovery of mineral resources on the Company's mineral properties, the timely receipt of required approvals and permits, including those approvals and permits required for successful project permitting, construction and operation of projects, the costs of operating and exploration expenditures, the Company's ability to operate in a safe, efficient and effective manner, the Company's ability to obtain financing as and when required and on reasonable terms and the continuing impact of the COVID-19 pandemic and the resumption of business. Forward-looking information involves 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 information. Although Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets; changes in interest rates; disruption to the credit markets and delays in obtaining financing; inflationary pressures; risks arising from holding derivative instruments (such as credit risk, market liquidity risk and mark-to-market risk); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States of America, South Africa, or other countries in which the Company may, upon completion of the Transaction, carry on business; business opportunities that may be presented to, or pursued by the Company upon vi completion of the Transaction; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with business activities; the possibility of cost overruns or unanticipated expenses; employee relations; the risks of obtaining and renewing necessary licenses and permits; diminishing quantities or grades of reserves; adverse changes in the Company's credit rating; the occurrence of natural disasters, hostilities, acts of war or terrorism; and the ongoing global pandemic involving the novel coronavirus. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under the heading "Risk Factors". Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the

forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to, or otherwise update, this forward-looking information to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## OVERVIEW

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ZEB Nickel Corp. (formerly Blue Rhino Capital Corp). (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 6, 2019. The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO” or “Offering”) on the TSX Venture Exchange (“Exchange”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the Exchange. On July 14, 2020, the Company completed its IPO and started trading on the Exchange under the symbol “RHNO.P”.

On August 1, 2021, the Company completed the Transaction acquiring Zebediela (below). Upon completion of the Transaction, the Company continues to carry on the business of Zebediela as currently constituted, which is the exploration and development of mineral properties in South Africa. The Company’s head office is Suite 507 – 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6, Canada. The Company’s registered and records office is located at 2200 – 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada.

Immediately prior to completion of the Transaction, the Company also consolidated its issued and outstanding common shares on a 2.3:1 basis. This MD&A has been retrospectively adjusted to reflect the share consolidation. The Company also changed its name to ZEB Nickel Corp. and trades under the ticker symbol “ZBNI”.

The condensed interim consolidated financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has not generated any revenues and its continuing operations as intended are dependent upon its ability to raise further equity. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business. Such adjustments could be material.

The Company may face risks related to COVID-19, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. In December 2019, a novel strain of the coronavirus emerged in China, and the virus has now spread globally, including Canada, resulting in a global pandemic. The extent to which COVID-19 will impact the Company’s business, including its business and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company’s business, including, without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company’s control, which may have a material and adverse effect on the its business, financial condition and results of its business. There can be no assurance that the Company’s personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. In addition, a significant outbreak of COVID-19 could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Company’s future prospects.

## MINERAL PROPERTY, SOUTH AFRICA

The Company controls the rights to a project located in the Limpopo Province in the Republic of South Africa, near the platinum mining town of Mokopane. The Project comprises various portions of the farms Uitloop 3 KS, Amatava 41 KS, Bloemhof 4 KS and Piet Potgietersrust Town and Townlands 44 KS, and is located approximately 9 km northeast of the town of Mokopane, in the Mogalakwena Local, and Waterberg District Municipalities of the Limpopo Province, South Africa. The project consists of three prospecting areas, which have now been amalgamated into a single area by a mining right application that is currently being processed by the DMRE (submitted on July 26, 2019) (the “Mining Right Application”).

Additional details about the project can be found on the Company website <https://zebnickel.com/> and in the Filing Statement and Technical Report (NI-43-101) filed on [www.sedar.com](http://www.sedar.com) on July 31, 2021.

**On March 15, 2022**, the Company completed Phase 2 of exploration drilling on the Zebediela Project and has successfully intersected Critical Zone lithologies in all drillholes with reported assay results in this recent phase, located beneath the historical 43-101- compliant 1.5 billion-ton sulfide nickel resource which contains approximately 3,955 kt of nickel.

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A weighted average calculation using a cut-off grade of 0.31% Ni from this phase of drilling has resulted in an increased grade of 76% higher than that declared in the historical resource used in the existing Preliminary Economic Assessment (PEA). This existing historical resource consists of an Indicated Resource of 485.4 million tonnes averaging 0.245% Ni, with an additional Inferred Resource of 1,115.1 million tonnes at 0.248% Ni using a cut-off grade of 0.1% Ni.

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The Critical Zone of the Bushveld Complex is the geological horizon that hosts Platreef-style mineralization in the Northern Limb, which is the mineralised zone currently being mined at Anglo American Platinum’s flagship Mogalakwena Mine, and Ivanhoe Mines Platreef Mine (average depth of 800 m). The location of the project in relation to Mogalakwena Mine and Platreef Mine is shown in Figure 1 below.

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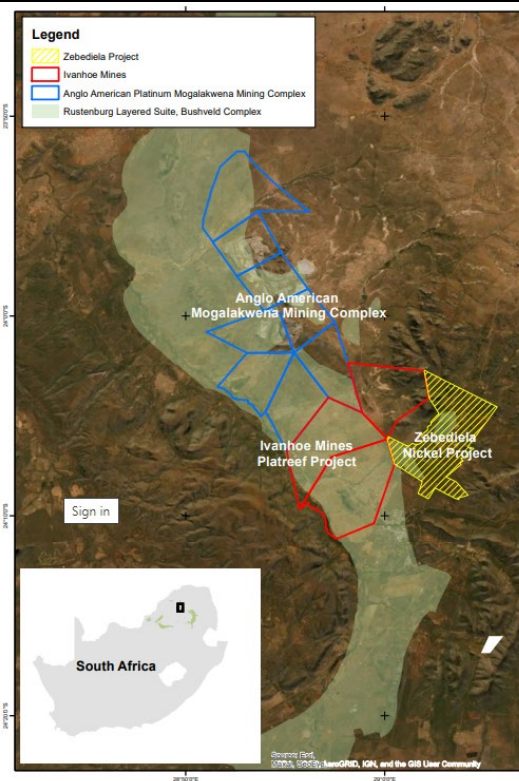


Figure 1: Location of the Zebediela Project in relation to Mogalakwena Mining Complex and Platreef Mine.

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This phase of drilling is a continuation of the first phase conducted by the Company for a total of 4,901 m in both Phase 1 and Phase 2, targeting higher grade nickel PGE mineralisation in Critical Zone rocks found beneath

the existing NI43-101 compliant nickel resource.

The Company announced that these Critical Zone rocks have been discovered along a strike length of at least 3 km. 6 holes were completed in the Phase 1 drill campaign and a further 8 holes were completed in the Phase 2 drill campaign (assay results for 5 holes are outstanding).

Exploration results from the drilling campaign are presented in the table below, and the location of these holes are presented in Figure 2 below. Drill core diameter for all holes is NQ and drill holes are drilled at an inclination of 50 degrees on an azimuth of approximately 45 degrees.

Table 1: Exploration Program Results from the drill program

Drillhole ID	Depth From	Depth To	Sample Interval	Depth Below Surface	Ni <sup>A</sup>	Cu	Pt	Pd	Rh	Au	3PGE + Au*	Mineralisation Style
	meters	meters	meters	meters	%	%	g/t	g/t	g/t	g/t	g/t	
2017	37.43	415.00	377.57	23.61	0.24	0.01					**	Lower Zone (Target 1)
including	38.00	110.00	72.00	23.97	0.25	0.01					**	Lower Zone (Target 1)
including	124.00	136.00	12.00	78.20	0.33	0.02					**	Lower Zone (Target 1)
including	170.00	178.00	8.00	107.21	0.28	0.01					**	Lower Zone (Target 1)
including	193.00	198.00	5.00	121.72	0.37	0.01					**	Lower Zone (Target 1)
including	212.10	239.60	27.50	133.76	0.25	0.01					**	Lower Zone (Target 1)
including	304.00	308.00	4.00	191.73	0.40	0.02					**	Lower Zone (Target 1)
including	319.63	386.00	66.37	201.58	0.27	0.01					**	Lower Zone (Target 1)
including	412.75	415.00	2.25	260.31	1.67	0.51	0.21	0.41	0.03	0.06	0.71	Lower Zone (Target 1)
2018	33.00	394.00	361.00	21.48	0.25	0.01					**	Lower Zone (Target 1)
including	88.00	125.19	37.19	57.27	0.30	0.01					**	Lower Zone (Target 1)
including	144.00	171.80	27.80	93.71	0.28	0.01					**	Lower Zone (Target 1)
including	328.00	348.00	20.00	213.45	0.31	0.01					**	Lower Zone (Target 1)
2019	89.00	103.00	14.00	52.81	0.22	0.06	0.20	0.36	0.02	0.03	0.61	Critical Zone (Target 2)
2019	133.00	170.80	37.80	78.92	0.29	0.09	0.40	0.68	0.07	0.04	1.19	Critical Zone (Target 2)
including	133.00	142.00	9.00	78.92	0.42	0.15	0.60	1.22	0.08	0.07	1.97	Critical Zone (Target 2)
including	169.00	170.60	1.60	100.29	0.50	0.12	0.73	0.92	0.22	0.04	1.90	Critical Zone (Target 2)
2020	53.00	71.00	18.00	41.19	0.41	0.13	0.53	1.07	0.10	0.05	1.75	Critical Zone (Target 2)
including	55.00	64.00	9.00	42.74	0.51	0.18	0.73	1.47	0.13	0.07	2.45	Critical Zone (Target 2)
2020	106.00	Sign in	39.00	82.38	0.30	0.11	0.31	0.64	0.06	0.04	1.05	Critical Zone (Target 2)
2020	174.00	176.07	2.07	135.22	0.59	0.15	0.90	0.95	0.11	0.05	2.00	Critical Zone (Target 2)
2021	187.00	210.00	23.00	169.62	0.32	0.10	0.36	0.79	0.05	0.05	1.25	Critical Zone (Target 2)
including	194.00	199.00	5.00	175.97	0.48	0.12	0.57	1.45	0.08	0.06	2.16	Critical Zone (Target 2)
2022	38.08	41.74	3.66	28.87	0.35	0.08	0.30	0.46	0.10	0.03	0.89	Critical Zone (Target 2)
2022	69.00	76.00	7.00	52.31	0.25	0.08	0.20	0.42	0.02	0.03	0.67	Critical Zone (Target 2)
2022	95.00	95.50	0.50	72.02	0.39	0.13	5.68	0.63	0.02	0.04	6.37	Critical Zone (Target 2)
2026	277.50	290.00	12.50	209.43	0.35	0.15	0.74	0.97	0.06	0.06	1.82	Critical Zone (Target 2)
including	284.00	287.00	3.00	214.35	0.47	0.19	0.70	1.30	0.07	0.06	2.13	Critical Zone (Target 2)
including	288.50	290.00	1.50	217.73	0.41	0.16	0.55	1.20	0.07	0.06	1.88	Critical Zone (Target 2)
2027	406.50	411.50	5.00	310.02	0.31	0.11	0.23	0.52	0.03	0.05	0.84	Critical Zone (Target 2)
including	406.50	408.50	2.00	310.02	0.32	0.11	0.26	0.59	0.04	0.05	0.94	Critical Zone (Target 2)
2027	413.00	426.00	13.00	314.98	0.17	0.04	0.15	0.28	0.04	0.03	0.50	Critical Zone (Target 2)
including	420.00	421.50	1.50	320.32	0.69	0.11	0.31	0.67	0.25	0.25	1.27	Critical Zone (Target 2)
2028	413.00	449.50	36.00	314.98	0.22	0.08	0.24	0.48	0.04	0.03	0.80	Critical Zone (Target 2)
including	427.00	433.50	6.50	325.65	0.37	0.18	0.54	1.10	0.10	0.06	1.80	Critical Zone (Target 2)

\* 3PGE+Au equals platinum + palladium + rhodium + gold by fire assay with ICP-AES Finish;

<sup>A</sup>Total Ni assay by complete digestion, representing the silicate and sulfide portion of Ni;

Additional drilling is required to determine true thickness;

"Depth From", "Depth To" and "Sample Thickness" reported are depths from surface down the drill hole.

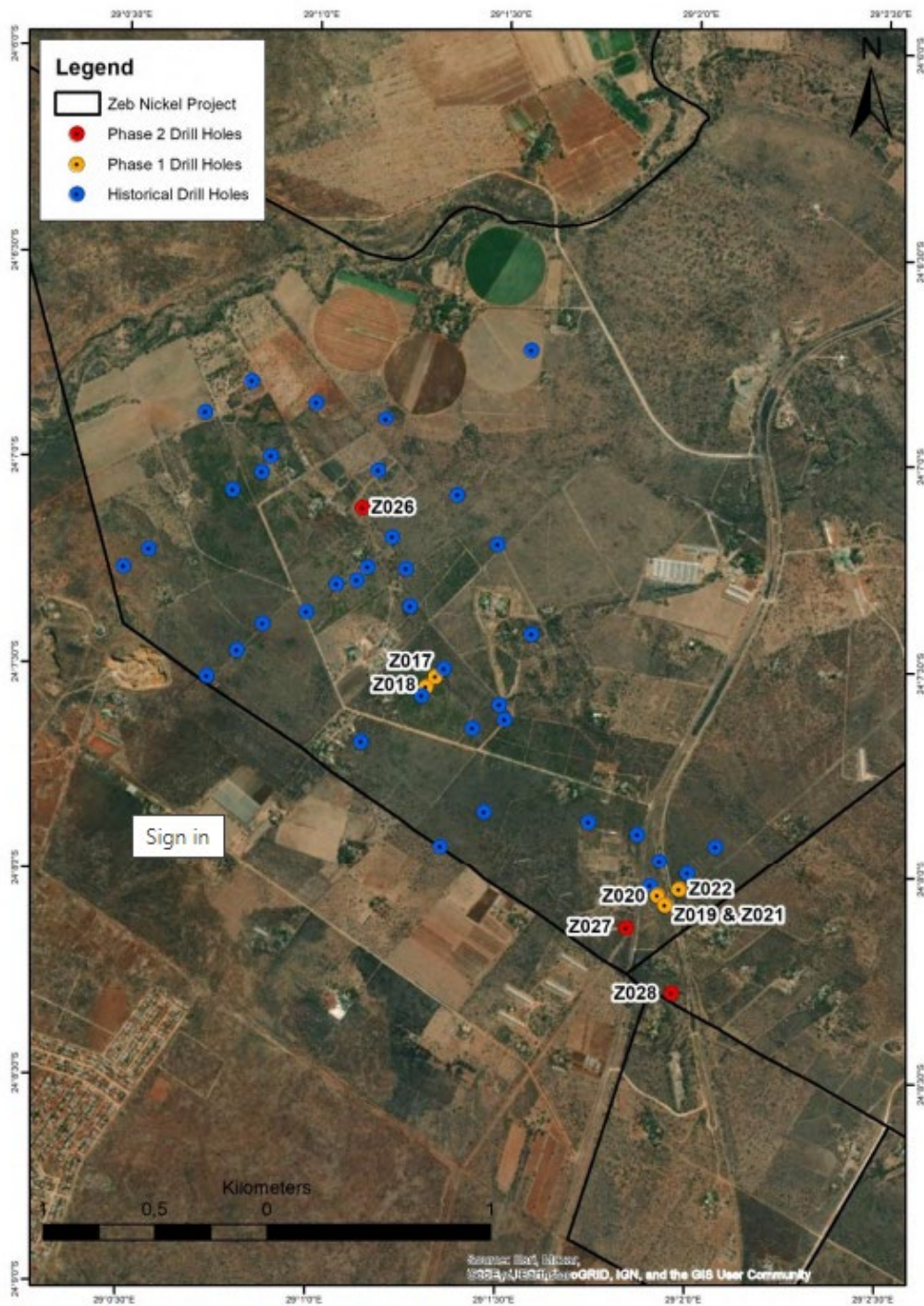


Figure 2: Location of drillholes overlain on satellite imagery

Based on whole rock geochemistry and methodologies developed by the Zebediela technical team, this exploration program has now conclusively proved that mineralized Critical Zone rocks are present beneath the historical NI43-101 resource that could be mined using open pit mining methods.

The Company is extremely pleased with the successful drill campaign which has confirmed the geological model targeting higher-grade Ni-PGE mineralization beneath the historical NI43-101 resource, and towards the north and south, expanding the strike length of the Critical Zone mineralization. The Company looks forward to reporting the outstanding results from this phase of the drilling program, as well as commencing with the next phase of drilling. This next phase should allow for the declaration of a maiden Ni-PGE resource statement on this higher-grade NiPGE mineralization target and allow for a new PEA with improved project economics.

## SUMMARY OF QUARTERLY RESULTS

The Company was incorporated on November 6, 2020, comparative figures prior to that are not available. The following is a summary of the Company's financial results for the most recently completed quarters which have been prepared using accounting policies consistent with IFRS:

Quarterly period ended	June 30 2022 \$	Mar 31 2022 \$	Dec 31 2021 \$	Sep 30 2021 \$	Jun 30 2021 \$	Mar 31 2021 \$	From the date of Incorporation on November 6, 2020 to Dec 31, 2020 \$
<i>Net revenues</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<i>Net loss for period</i>							
<i>Total</i>	(217,267)	(348,698)	(308,953)	(669,280)	(12,665)	(12,665)	(1,006,490)
<i>Per share</i>	(0.00)	(0.01)	(0.02)	(0.02)	(0.00)	(0.00)	(0.00)

### Fiscal 2022

During the quarter ended June 30, 2022, the Company's loss of \$217,267 decreased from a loss of \$348,698 incurred during the three months ended March 31, 2022. The decrease in loss is primarily due to the decrease of share-based compensation from the vest of option, filing and regulatory fees, management fees, and professional fees related to general legal administrative services.

During the quarter ended March 31, 2022, the Company's loss of \$348,698 increased from a loss of \$308,953 incurred during the three months ended December 31, 2021. The increase in loss is primarily due to the increased of share-based compensation from the vest of option, filing and regulatory fees, management fees, and professional fees related to general legal administrative services.

### Fiscal 2021

During the quarter ended December 31, 2021, the Company's loss of \$334,283 decreased from a loss of \$669,280 incurred during the three months ended September 30, 2021. The decrease in loss is primarily due to the decrease of share-based compensation from the grant of option, and professional fees related to legal services for the RTO transaction.

During the quarter ended September 30, 2021, the Company's loss of \$669,280 increased from \$nil during the three months ended June 30, 2021. The increase in loss is primarily due to listing expenses related to the RTO.

## RESULTS OF OPERATIONS

### *Six months ended June 30, 2022*

For the period ended June 30, 2022, the Company had a net loss of \$543,670 (2021 - \$20,000). The loss is primarily a result of:

- i) Management fees of \$30,000 (2020 - \$Nil). The increase is related to services provided by the CEO of the Company during the current period compared to management group exploration fees in the prior period.
- ii) Professional fees of \$61,628 (2020 - \$Nil). The increase is primarily for legal services related to the general administrative services during the current period.

- iii) Share based payments of \$279,303 (2020 - \$Nil). The increase is related to options vested during the current period.
- iv) Accretion of long-term payable of \$73,259 (2020 - \$Nil) related to interest accrued on the long-term payable during the current period.

*Three months ended June 30, 2022*

For the period ended June 30, 2022, the Company had a net loss of \$217,267 (2021 - \$7,335). The loss is primarily a result of:

- v) Management fees of \$15,000 (2020 - \$Nil). The increase is related to services provided by the CEO of the Company during the current period compared to management group exploration fees in the prior period.
- vi) Professional fees of \$32,272 (2020 - \$Nil). The increase is primarily for legal services related to the general administrative services during the current period.
- vii) Share based payments of \$96,652 (2020 - \$Nil). The increase is related to options vested during the current period.
- viii) Accretion of long-term payable of \$36,568 (2020 - \$Nil) related to interest accrued on the long-term payable during the current period.

## **LIQUIDITY AND CAPITAL RESOURCES**

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As of June 30, 2022, Company reported cash of \$949,168 (December 31, 2021 - \$1,922,185), and working capital of \$876,486 (December 31, 2021 - \$1,551,530).

The Company incurred a loss of \$543,670 for the period ended June 30, 2022. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

During the period ended June 30, 2022, the Company:

- issued 25,200 common shares pursuant to the exercise of options for gross proceeds of \$5,796, and accordingly, allocated \$10,665 from contribution surplus to share capital.

The numbers included in this MD&A came from the financial statements that were prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for the financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported expenses, and the financial statement classifications used. Such adjustments could be material.

## **RELATED PARTY TRANSACTIONS**

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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 period ended June 30, 2022, the Company paid or accrued:

- i) \$30,000 (2021 - \$Nil) in management fees to the CEO.
- ii) \$42,500 (2021 - \$Nil) in professional fees to an accounting firm in which the CFO has an interest.
- iii) \$12,000 (2021 - \$Nil) in consulting fees to a director.
- iv) \$98,341 (2021 - \$Nil) in exploration expenditures, relating to field work, administration and other, to a corporation who has an officer who is also a director of the Company.

During the year ended December 31, 2021, the Company granted 2,785,000 stock options, of which 1,597,500 stock options were to its directors and officers, and recorded \$151,810 of share-based compensating related to the vesting period to the related parties. During the period ended June 30, 2022, the Company recorded \$160,211 of share-based compensating related to the vesting period to the related parties.

During the year ended December 31, 2021, the Company recorded listing expenses of \$112,500 related to \$50,000 accrued cash costs and \$62,500 in common shares issued to a director in consideration for facilitating the negotiation and completion of the Transaction.

At June 30, 2022, the Company had \$93,581 (December 31, 2021 - \$318,338) in accounts payable and accrued liabilities relating to amounts owed to officers and directors of the Company.

At June 30, 2022, the Company had \$Nil (December 31, 2021 - \$80) in loan payable relating to amounts owed to a director of the Company.

## **DIRECTORS AND OFFICERS**

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Our Board of Directors are as follows:

**Wayne Isaacs**  
**Richard Montjoie**  
**Tom Panoulis**  
**Anton Drescher**  
**Gregory McKenzie**  
**Jay Vieira**

Our officers are:

**Wayne Isaacs** *Chief Executive Officer*  
**David Cross** *Chief Financial Officer*

## **SHARE CAPITAL**

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As at August 26, 2022, the Company had the following outstanding:

Common shares: 54,909,986 outstanding

Stock Options:

<u>Options Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,760,000	\$0.25	9-Nov-25

## **FUTURE ACCOUNTING PRONOUNCEMENTS**

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Please refer to the condensed interim consolidated financial statements on [www.sedar.com](http://www.sedar.com).

## **FINANCIAL INSTRUMENTS**

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Please refer to the condensed interim consolidated financial statements on [www.sedar.com](http://www.sedar.com).

## **CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS**

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The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the



completion of a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2022. The Company is not currently subject to externally imposed capital requirements.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit Risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfil its obligations. The Company's management believes it has no significant credit risk as its cash is held with a major Canadian financial institution

#### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2022, the Company had a cash balance of \$949,168 (December 31, 2021 - \$1,922,185), and \$186,984 (December 31, 2021 - \$505,001) of accounts payable and accrued liabilities. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subjected to normal trade terms.

#### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates prices. The Company is not exposed to any significant market risk

As at June 30, 2022, the carrying and fair value amounts of cash, accounts payable and accrued liabilities are approximately the same because of the short term nature of these instruments.

## **GENERAL RISKS**

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### **Issuance of Securities**

The Company may issue equity securities to finance its activities, including to finance acquisitions. If the Company were to issue additional common shares, existing holders of such shares may experience dilution. Moreover, if the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be materially adversely affected.

### **Shareholder Influence**

One shareholder ("URU") owns approximately 74.82% of the Company's shares on a non-diluted basis. URU may therefore be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company's articles of incorporation and the approval of any business combinations, mergers or takeover attempts, in a manner that could conflict with the interests of other shareholders. URU can exert more influence over the Company during shareholder votes than other shareholders. As a result, the Company will be controlled by URU, whose interests may be different from those of the other shareholders. Where certain transactions, require the approval of shareholders, though URU may not be able to unilaterally authorize the transaction they may be able to unilaterally block it. This concentration of ownership and voting power may also delay, defer or prevent an acquisition by a third party or other change of control of URU and may make some transactions more difficult or impossible without the support of URU even if they are in the best interests of the shareholders. Collectively, these considerations may have a negative effect on the price of the Company's Shares. URU's interests may not be fully aligned with those of the other shareholders which, given URU's power and influence, could lead to actions that are not in the best interests of the other shareholders. For example, URU may have a different tax position from the other shareholders, which could influence its decisions regarding whether and when the Company should dispose of assets or incur new, or refinance existing, indebtedness. URU might also be motivated to take actions to retain its controlling stake in the Company at the expense of maximizing the overall value of the Company. URU's fiduciary duties and the consent rights of the shareholders may serve as a check on any such motivation, but shareholders cannot be assured that the potential divergence of URU's interests and theirs might not hurt the value of the Company Shares.

**Competitive Conditions**

The Company will actively compete for resource acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other mining companies, many of which have significantly greater financial resources than the Company. The Company's competitors will include major integrated mining companies and numerous other independent mining companies and individual producers and operators.

**Reliance Upon Management**

The Company will be dependent upon the continued support and involvement of its principals and management. Should the Company lose the services of one or more of the principals or management, the ability of the Company to achieve its objectives could be adversely affected.

**Title to Properties**

The Company will diligently investigate all title matters concerning the ownership of all mining claims and plans to do so for all new claims and rights to be acquired. Any newly acquired options entitling the Company to acquire mining properties may be affected by undetected defects in title, such as the reduction in size of the mining titles and other third party claims affecting the Company's interests. Maintenance of such interests is subject to ongoing compliance with the terms governing such mining titles. Mining properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to any of its mining properties could cause the Company to lose any rights to explore, develop and extract any ore on that property, without compensation for its prior expenditures relating to such property.

**Conflicts of Interest**

The Board of Directors may become directors of other reporting companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the Board of Directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Company and the Board of Directors will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board of Directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA. The provisions of the BCBCA require a director or officer of a corporation who has a material interest in a contract or transaction of the corporation, or a director or officer of a corporation who is a director or officer of or has a material interest in a Person who has a material interest in a contract or transaction with the corporation, to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless permitted under the BCBCA, as the case may be. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

**Permits and Licences**

The operations of the Company will require licences and permits from various governmental and nongovernmental authorities. The Company will obtain all necessary licences and permits required to carry on with activities which it proposes to conduct under applicable laws and regulations. However, such licences and permits are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and extraction operations on its mining properties. See Part III: "Information concerning the Project".

**Environmental and other Regulatory Requirements**

Environmental and other regulatory requirements will affect the future operations of the Company, including exploration and development activities and commencement of production on the Company's mining properties. Such projects will require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing exploration, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. Companies engaged in the development and operation of mines and related facilities often experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the Company's mining properties and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of ore extraction facilities at the Company's mining properties on terms which enable operations to be conducted at economically justifiable costs.

See Part III: "Information concerning the Project". Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. 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 Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

#### **Political Regulatory Risks**

Any changes in government policy may result in changes to laws affecting ownership of assets, exploration policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

In recent years, the securities markets in the United States and Canada, and the Exchange in particular, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Company Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

#### **Liquidity**

The Company cannot predict at what prices the Company Shares will trade upon completion of the Transaction, and there can be no assurance that an active trading market in the Company Shares will develop or be sustained. Acceptance of the Exchange has not yet been obtained. There is a significant liquidity risk associated with an investment in the Company Shares. Dividends At the present time it is unlikely shareholders will receive a dividend on the Company Shares.

### **MINING RELATED RISKS**

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#### **No Known Mineral Reserves or Mineral Resources**

There are no known bodies of commercial minerals on the Project. The exploration programs undertaken and proposed constitute an exploratory search for mineral resources or programs to qualify identified mineralization as mineral resources. There is no assurance that the Company will be successful in its search for mineral resources and mineral reserves.

#### **Exploration Risks**

The Project is in early exploration stages and is without a known body of commercially exploitable ore. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to: general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. The discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body will be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, most

of which factors are beyond the control of the Company and may result in the Company not receiving adequate return on investment capital.