

Sky Gold Corp.

Management's Discussion and Analysis

Period Ended Report – September 30, 2023

(Expressed in Canadian dollars, unless otherwise noted)

Following is a discussion and analysis of the activities, results of operations and financial condition of Sky Gold Corp. ("Company") for the period ended September 30, 2023. The discussion should be read in conjunction with the unaudited consolidated financial statements of the Corporation for the period ended September 30, 2023 and the notes thereto. The reader should also refer to the consolidated financial statements for the year ended June 30, 2023. The Corporation's financial statements and financial data set out below have been prepared by management in accordance with International Financial Reporting Standards applicable to the annual financial statements. Unless otherwise denoted, all amounts discussed herein are denominated in Canadian dollars.

Additional information relating to the Corporation is also available on the System for Electronic Document Analysis and Retrieval (SEDAR+) at www.sedarplus.ca.

The effective date of this report is November 21, 2023.

OVERVIEW

The Company was incorporated on January 8, 2008, pursuant to the *Business Corporations Act* (British Columbia), the Company's trading symbol is SKYG on the TSX Venture Exchange ("TSX-V").

On January 19, 2023, the Company consolidated its outstanding shares on the basis of three existing shares for one new share. All share and per share amounts have been retroactively restated to reflect the share consolidation.

The Company's principal business is the exploration and pursuit of multiple mineral properties in Canada and United States.

MINERAL PROPERTIES

Evening Star Property, Nevada, USA

The Company owns an 80% interest in the Evening Star Property, located in Nevada with an option to acquire an additional 20% by making cash payments of \$450,000 and issuing an additional 16,666 common shares.

A Net Smelter Return Royalty ("NSR") of 0.5% will be granted pursuant to the first option. An additional 2% NSR will be under the second option, of which 1% can be purchased for cancellation at the Company's option for \$500,000, and the remaining 1% NSR can be purchased for cancellation for \$1,000,000, for a period of five years commencing after the exercise of the second option.

The Evening Star property is located 12 kilometers southeast of the town of Hawthorne. The Evening Star property covers two historic, formerly producing mines, the Evening Star mine and the Gold Bug mine.

During the year ended June 30, 2023, the Company decided not to continue with the acquisition of the property and wrote off exploration and evaluation assets of \$1,234,753.

Mustang Property

On January 30, 2020, the Company entered into an option agreement to acquire a 100% interest in the Mustang Property located in Newfoundland, Canada.

In consideration of the Mustang Property, the Company shall make the following payments:

- a) \$35,000 upon execution of the agreement (paid);
- b) 883,333 common shares on or before February 16, 2020 (paid, issued at a value of \$291,500); and

Additionally, the Company is responsible for maintaining the property in good standing by making the underlying option payments of agreement:

- a) \$65,000 on or before February 27, 2020 (paid);
- b) issuance of common shares with a value of \$60,000 on or before February 27, 2020 (issued 200,000 common shares at a value of \$66,000); and
- c) incurring exploration expenditures of \$25,000 on or before January 21, 2021 (incurred).
- d) incurring exploration expenditures of \$100,000 on or before January 21, 2022 (incurred).
- e) incurring exploration expenditures of \$300,000 on or before January 21, 2023.

A 3% NSR was granted to the vendors with 1.5% purchasable by the Company for \$2,000,000.

In connection with the acquisition of the Mustang Property, the Company also paid a finder's fees of \$32,700 cash.

On May 15, 2020, the Company entered into an additional option agreement to acquire a 100% interest in the Mustang Extension claims in consideration of:

- a) \$12,000 cash upon execution of the agreement (paid); and
- b) share issuance of 200,000 common shares (issued at a valued of \$51,000).

In connection with the expansion, a 2% NSR will be granted to the vendors with 1.0 % purchasable by the Company for \$1,000,000.

On November 8, 2020, the Company entered into an additional option agreement to acquire a 100% interest in the Mustang Expansion claims in consideration of:

- a) issue a total of 400,000 common shares as follows:
 - a) 83,333 common shares on or before November 18, 2020 (issued at a value of \$37,500).
 - b) 116,666 common shares on or before November 8, 2021 (issued at a value of \$31,500).
 - c) 200,000 common shares on or before November 8, 2022.
- b) pay an aggregate total amount of \$65,000 as follows:
 - a) \$20,000 on or before November 18, 2020 (paid).
 - b) \$20,000 on or before November 8, 2021 (paid).
 - c) \$25,000 on or before November 8, 2022.

In connection with the expansion, a 2% NSR will be granted to the vendors with 1.0 % purchasable by the Company for \$1,000,000

On June 23, 2022, the Company announced it is now working with Goldspot Discoveries Group Corp on arranging for an upcoming program this summer on the Mustang property located in Newfoundland.

Additionally, a 3-week program on the Company's Virginia property has just concluded with a total of 153 channel/hand samples were taken and assays will be announced once received. The Virginia property is located contiguous to the north-eastern portion of the Queensway Gold Project, owned by New Found Gold Corp. and the south-west portion of Labrador Gold's Kingsway project.

During the year ended June 30, 2023, the Company decided not to continue with the acquisition of the Mustang Property and the Mustang Expansion claims and wrote off exploration and evaluation assets of \$2,125,529.

Virginia Property

During the year ended June 30, 2020, the Company earned a 100% interest in the Virginia Property located in Newfoundland, Canada, in consideration of a cash payment of \$20,000 and the issuance of 133,333 common shares at a value of \$44,000.

A 1.5% NSR was granted to the vendors with 0.5% purchasable by the Company for \$500,000.

During the year ended June 30, 2023, the Company decided not to continue with the acquisition of the property and wrote off exploration and evaluation assets of \$148,823.

Imperial Property

On May 27, 2021, the Company signed two definitive agreements (collectively the “Agreement”) for two contiguous claim blocks (the “claims” or “Projects”) comprising the Imperial Property which shares 4.7 kilometers of its northern border with Amex Exploration’s (TSX-V: AMX) Perron Property in Quebec, where high-grade gold has been intersected in three zones along a 3.2 kilometre corridor. To the east, the claims adjoin Generic Gold Corp. (CSE: GGC) who are set to commence 7,500 metres of drilling in the coming weeks, targeting both orogenic gold and gold-rich volcanogenic massive sulfides (VMS) style mineralization. The two Projects, named La Reine and Le Roi, comprise a combined 228 claims covering approximately 6,575.84 hectares in the gold and VMS-prospective Abitibi Greenstone Belt region of Ontario and Quebec.

During the year ended June 30, 2023, the Company decided not to continue with the acquisition of the property and wrote off exploration and evaluation assets of \$1,983,809.

Greenwater Lake, Kekekuab Lake and Sun Gold Property, Ontario

On February 3, 2023, the Company entered into an agreement to acquire a 100% interest in the Greenwater Lake, Kekekuab Lake and Sun Gold Property, Ontario, Canada for the following consideration:

- i) issuance of 1,500,000 common shares (issued at a value of \$165,000); and
- ii) cash payment of \$20,000 paid).

The arm's-length vendors will retain a 2.5% NSR royalty, of which 1.5% may be purchased back at any time by the Company at its discretion for \$2,000,000, leaving a net 10% NSR royalty.

In the event that the Company determines, in its reasonable discretion, that an ore body of more than 5,000,000 tonnes is situated in or on the property, and that such ore body is commercially viable in accordance with industry standards, then the consideration payable by the Company shall be adjusted upwards, such that the Company will issue an additional 1,000,000 common shares to the vendors provided that the Company has not sold or otherwise relinquished the property.

Star Lake Property

On March 14, 2023, the Company entered into an agreement to acquire a 100% interest in the Star Lake Property, Ontario, Canada for the following consideration:

Cash payments

- i) \$25,000 on or before April 15, 2023 (paid); and
- ii) \$200,000 on or before March 14, 2027.

Share issuances

- i) 500,000 common shares upon execution of the agreement (issued at a value of \$70,000);
- ii) 250,000 common shares on or before March 14, 2024;
- iii) 250,000 common shares on or before March 14, 2025; and
- iv) 250,000 common shares on or before March 14, 2026.

Exploration expenditures

- i) incur exploration expenditures of \$300,000 on or before March 14, 2024;
- ii) incur exploration expenditures of \$200,000 on or before March 14, 2025;
- iii) incur exploration expenditures of \$200,000 on or before March 14, 2026; and
- iv) incur total exploration expenditures of \$1,000,000 on or before March 14, 2027.

A 2.0% NSR will be granted to the vendors with 0.5% purchasable for \$500,000 on or before March 14, 2028, and the remaining 1.5% purchasable for \$2,500,000 on or before March 14, 2033.

The Company will also be required to make advance royalty payments of \$20,000 due annually upon the earlier of the completion of a NI 43-101 compliant resource estimate on the property or the seventh anniversary of the execution date (March 14, 2030), up to the tenth anniversary of the execution date (March 14, 2033).

Laurie Property, Ontario

On April 11, 2023, the Company entered into an option agreement to acquire a 100% interest in the Laurie Property, Ontario, Canada for the following consideration:

Cash payments

- i) \$25,000 upon execution of this agreement as a non-refundable deposit (paid);
- ii) \$25,000 on or before April 11, 2024;
- iii) \$25,000 on or before April 11, 2025;
- iv) \$50,000 on or before April 11, 2026; and
- v) \$100,000 on or before April 11, 2027.

Share issuances

- i) 200,000 common shares upon execution of the agreement (issued at a value of \$28,000);
- ii) 200,000 common shares on or before April 11, 2024;
- iii) 200,000 common shares on or before April 11, 2025;
- iv) 200,000 common shares on or before April 11, 2026; and
- v) 200,000 common shares on or before April 11, 2027.

Exploration expenditures

- i) incur exploration expenditures of \$100,000 on or before April 11, 2024;
- ii) incur exploration expenditures of \$100,000 on or before April 11, 2025;
- iii) incur exploration expenditures of \$100,000 on or before April 11, 2026; and
- iv) incur total exploration expenditures of \$500,000 on or before March 14, 2027.

A 2.0% NSR will be granted to the vendors with 1.0% purchasable for \$500,000 on or before April 11, 2028, and the remaining 1.0% purchasable for \$2,500,000 on or before April 11, 2033.

The Company will also be required to make advance royalty payments of \$20,000 due annually upon the earlier of the completion of a NI 43-101 compliant resource estimate on the property or the seventh anniversary of the execution date (April 11, 2030), up to the tenth anniversary of the execution date (April 11, 2033).

Horne Property, Ontario

On April 5, 2023, the Company entered into an option agreement to acquire a 100% interest in the Horne Property, Ontario, Canada for the following consideration:

Cash payments

- i) \$25,000 upon execution of this agreement as a non-refundable deposit (paid);
- ii) \$25,000 on or before April 11, 2024;
- iii) \$25,000 on or before April 11, 2025;
- iv) \$50,000 on or before April 11, 2026; and
- v) \$100,000 on or before April 11, 2027.

Share issuances

- i) 200,000 common shares upon execution of the agreement (issued at a value of \$28,000);
- ii) 200,000 common shares on or before April 11, 2024;
- iii) 200,000 common shares on or before April 11, 2025;
- iv) 200,000 common shares on or before April 11, 2026; and
- v) 200,000 common shares on or before April 11, 2027.

Exploration expenditures

- i) incur exploration expenditures of \$100,000 on or before April 11, 2024;
- ii) incur exploration expenditures of \$100,000 on or before April 11, 2025;
- iii) incur exploration expenditures of \$100,000 on or before April 11, 2026; and
- iv) incur total exploration expenditures of \$500,000 on or before March 14, 2027.

A 2.0% NSR will be granted to the vendors with 1.0% purchasable for \$500,000 on or before April 11, 2028, and the remaining 1.0% purchasable for \$2,500,000 on or before April 11, 2033.

The Company will also be required to make advance royalty payments of \$20,000 due annually upon the earlier of the completion of a NI 43-101 compliant resource estimate on the property or the seventh anniversary of the execution date (April 11, 2030), up to the tenth anniversary of the execution date (April 11, 2033).

KA Property, Ontario, Canada

On July 12, 2023, the Company entered into an option agreement to acquire a 100% interest in the KA Property located in Ontario, Canada, in consideration of the following over a 4-year period:

Cash payments

- i) \$10,000 cash upon execution of the agreement (paid).
- ii) \$15,000 cash on or before July 18, 2024;
- iii) \$25,000 cash on or before July 18, 2025;
- iv) \$50,000 cash on or before July 18, 2026; and
- v) \$50,000 cash on or before July 18, 2027

Share issuances

- i) 125,000 common shares or issue 80,000 common shares upon execution of the agreement (125,000 common shares issued at a value of \$10,000);
- ii) 140,000 common shares or issue 90,000 common shares on or before July 18, 2024;
- iii) 150,000 common shares on or before July 18, 2025;
- iv) 200,000 common shares on or before July 18, 2026; and
- v) 200,000 common shares on or before July 18 2027.

The Company will also be required to make advance royalty payments of \$20,000 due annually upon the earlier of the completion of a NI 43-101 compliant resource estimate on the property or the fifth anniversary of the execution date (August 10, 2028), up to the tenth anniversary of the execution date (August 10, 2033).

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$250,000. The Company have the right of first refusal on purchasing the remaining 1% of the NSR from the vendors.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had cash and cash equivalents of \$4,734 (June 30, 2023 - \$3,053) and a working capital deficiency of \$287,446 (June 30, 2023 - \$63,098). The change is due primarily to exploration activities at mineral properties.

Cash flows provided by operating activities was \$36,467 as at September 30, 2023 (2022 – cash flow used was \$177,963). It was higher in the current year primarily because of the increase in accounts payable and accruals during the current period.

Cash flows used in investing activities was \$84,786 as at September 30, 2023 (2022 – \$273,189). The changes related to exploration activities by the Company for exploration, a metric which has periodic variability, and option payments for mineral properties.

Cash flows provided by financing activities was \$50,000 as at September 30, 2023 (2022 – \$466,700). It was higher in the comparative year primarily due to proceeds received from private placements.

As at September 30, 2023 and as at the date of this report, the Company had not advanced its mineral properties to commercial production. The Company's continuation as a going concern is dependent not only upon successful results from exploration activities on its mineral properties but also its ability to raise capital and attain profitable operations. In the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options and warrants or the issuance of debt securities to fund ongoing operations. The ability of the Company to raise capital will depend on market conditions; it may not be possible for the Company to raise capital on acceptable terms or at all.

QUARTERLY RESULTS

Quarter Ended	Total Assets	Revenue	Loss for the period	Basic and Diluted Loss per share
December 31, 2021	5,541,115	Nil	(136,644)	(0.00)
March 31, 2022	5,372,012	Nil	(131,390)	(0.00)
June 30, 2022	5,362,842	Nil	(192,630)	(0.00)
September 30, 2022	5,680,444	Nil	(115,727)	(0.00)
December 31, 2022	5,539,144	Nil	(225,139)	(0.01)
March 31, 2023	5,762,113	Nil	(169,592)	(0.01)
June 30, 2023	579,117	Nil	(5,586,900)	(0.18)
September 30, 2023	717,775	Nil	(117,602)	(0.00)

During the quarter ended December 31, 2021, loss decreased to \$136,644 (September 30, 2021 - \$425,882) due to the Company not granting any options this quarter.

During the quarter ended March 31, 2022, loss decreased to \$131,390 (December 31, 2021 - \$136,644) due to lower office expenses during the quarter.

During the quarter ended June 30, 2022, loss increased to \$192,630 (March 31, 2022 - \$131,390) due to options granted during the quarter.

During the quarter ended September 30, 2022, loss decreased to \$115,727 (June 30, 2022 - \$192,630) due to the Company's cost-saving effort during the quarter.

During the quarter ended December 31, 2022, loss increased to \$225,139 (September 30, 2022 - \$115,727) due to the Company's decision to abandon Mustang property extension during the quarter.

During the quarter ended March 31, 2023, loss decreased to \$169,592 (December 31, 2022 - \$225,139) due to lower office expenses and other income during the quarter.

During the quarter ended June 30, 2023, loss increased to \$5,586,900 (March 31, 2023 - \$169,592) due to write-off of exploration and evaluation assets of \$5,383,914 during the quarter.

During the quarter ended September 30, 2023, loss decreased to \$117,602 (June 30, 2023 - \$5,586,900) due to lower consulting and regulatory and filing fees during the quarter.

Three Months Ended September 30, 2023

The Company incurred a net loss of \$117,602 for the period ended September 30, 2023, as compared to a net loss of \$115,727 for the comparative period.

A brief explanation of the significant changes in expense categories is provided below:

- i) Consulting of \$15,000 (2022 - \$11,800) increased primarily due to increased consulting services incurred during the current period.
- ii) Marketing and promotion of \$12,000 (2022 - \$13,330) decreased primarily due to the Company's cost saving efforts during the current period.
- iii) General and administration of \$7,248 (2022 - \$17,550) decreased primarily due to the Company's cost saving efforts during the current period.
- iv) Office management fees of \$36,000 (2022 - \$39,000) decreased primarily due to the Company's cost saving efforts during the current period.
- v) Property investigation of \$17,729 (2022 - \$Nil) increased due to exploration expenses during the current period.

SHAREHOLDERS' EQUITY

Common shares

At November 21, 2023, the Company had 43,292,191 common shares outstanding.

The following tables disclose the number of warrants and options outstanding as at November 21, 2023:

Warrants

Expiry date	Number of warrants outstanding and exercisable	Exercise price
December 23, 2023	2,016,667	\$0.30
July 7, 2024	206,111	0.24
July 7, 2024	2,666,667	0.24
October 25, 2024	134,400	0.10
April 4, 2025	6,425,000	0.12
October 25, 2025	3,756,667	0.10
October 25, 2025	1,830,000	0.10
	17,035,512	

Stock options

Number of options	Exercisable	Exercise Price	Expiry Date
666,667	666,667	\$0.24	8-April-2024
100,000	100,000	0.10	25-April-2024
500,000	500,000	0.10	8-Mar-2025
1,500,000	1,500,000	0.11	13-April-2026
2,766,667	2,766,667		

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements.

Financial instruments

Fair values of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company’s financial instruments consist of cash, subscription receivable, accounts payable and accrued liabilities and convertible debentures.

	Fair Value Hierarchy Level	September 30, 2023	June 30, 2023
Financial assets		\$	\$
Cash	1	4,734	3,053

(1) The carrying value of cash, subscription receivable, and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not consider its exposure to interest rate risk to be significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s goal is to have sufficient capital or access to capital to allow it to meet its liabilities when they become due. This goal has not been fully met in recent periods thereby increasing the liquidity risk. As at September 30, 2023, the Company had a working capital deficiency of \$287,446 as compared to \$63,098 at June 30, 2023. The Company intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt, loans and related party loans.

Related Party Transactions

The Company’s related parties include its subsidiaries and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm’s length.

During the period ended September 30, 2023 and 2022, the Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	Period ended September 30, 2023	Period ended September 30, 2022
	\$	\$
Consulting	3,000	8,000
Office management services	36,000	39,000
	39,000	47,000

Included in accounts payable and accrued liabilities at September 30, 2023 is \$66,690 (June 30, 2023 - \$3,150) owed to companies owned by current and former officers/directors of the Company.

During the period ended September 30, 2023, the Company:

- i) paid or accrued consulting fee of \$3,000 (2022 - \$3,000) to an officer for consulting services provided.
- ii) paid or accrued consulting fee of \$Nil (2022 - \$5,000) to a director for consulting services provided.
- iii) paid or accrued office management fees of \$36,000 (2022 - \$39,000) to a company owned by an officer and director for management services provided.

During the period ended September 30, 2023, the Company received a non-interest-bearing loan of \$50,000 (June 30, 2023 - \$5,000) from a company controlled by key management personnel. As of September 30, 2023, the amount owed to a company controlled by key management personnel is \$55,000 (June 30, 2023 - \$5,000).

Capital Risk Management

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders’ equity (deficit), as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company’s capital resources are largely determined by the strength of the junior resource markets and by the status of the Company’s projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company’s approach to capital management during the period.

Risk and uncertainties

The operations of the Company are speculative due to the nature of its business which is the investment in the exploration and development of mining properties. 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.

The list of risk factors below should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

No History or Expectation of Revenue

The Company is in the business of exploring for, with the ultimate goal of developing and producing, minerals from properties in which the Company has, or may have in the future, an interest. The Company has not commenced commercial production and the Company has no history or earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow. The Company has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has limited cash and other assets. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management in all aspects of the development and implementation of the Company's business activities. There is no guarantee that the Company will enter into profitable agreements with mining companies and earn revenue from operations.

Market Price of the Common Shares

The Common Shares are listed and posted for trading on the TSX-V. The Company's business is in an early stage of exploration and an investment in the Company's securities is highly speculative. There can be no assurance that an active trading market in the Company's securities will be established and maintained. Securities of companies involved in the resource industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Common Shares is also likely to be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations as reflected in its quarterly earnings reports.

The Company may not realize the benefits of its growth projects

A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, geological, operating, technical, and technological risks, uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

Current Global Financial Conditions

Events over the last number of years in global financial markets, including global debt concerns and overall commodity pressure, have had a profound impact on the global economy and global financial conditions have been subject to volatility. Many industries, and particularly the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's business, financial condition, results of operations and ability to grow.

Financing Risk

The Company is limited in financial resources and has no assurance that additional funding will be available for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be

no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or infinite postponement of further exploration and development of its projects with the possible loss of such properties. In addition, an inability to raise capital could result in the cessation of operations.

Competition

The mineral exploration and development industry is highly competitive. The Company competes with other domestic and international mineral exploration companies that have greater financial, human and technical resources. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations than the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share to the Company's detriment. The Company may also encounter increasing competition from other mining companies in the Company's efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable properties or prospects for mineral exploration in the future. As a result of this competition, the Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its investment capital.

Risks Associated with Joint Venture Agreements

Pursuant to agreements the Company may enter into in the course of its business, the Company's interest in its properties may become subject to the risks normally associated with the conduct of joint ventures. In the event that any of the Company's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Reliance on Key Individuals

The Company's success depends on its ability to attract and retain the services of key personnel who are qualified and experienced. In particular, the success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Company's directors and senior management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of these individuals could have a material adverse effect on the Company.

The resource industry is largely driven by fluctuations in commodity prices which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn adversely affect the development of the Company's projects, the results of operations and the Company's financial condition and prospectus.

Commodity Prices

The price of the Common Shares and the Company's financial results may be significantly adversely affected by a decline in the price of metals. The price of metal commodities fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metal-producing countries throughout the world.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company anticipates that it will retain all cash resources for the foreseeable future for the operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws. It is understood by the Company that certain directors and officers of the Company may continue to independently pursue opportunities in the mineral exploration industry.

Exploration, Development and Operating Risks

Mining operations and exploration involves a high degree of risk. Any potential mining operations of the Company will be subject to all the hazards and risks normally encountered in the exploration, development and production of metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, fire, environmental hazards and the discharge of toxic chemicals, explosions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to property, injury or loss of life, environmental damage, work stoppages, delays in production, increased production costs and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. Although the Company believes that appropriate precautions to minimize risks are taken, these risks cannot be eliminated.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned or other mining operations in which the Company may acquire an interest will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including among other things: the interpretation of geological data obtained from drill holes and other sampling techniques, the particular attributes of the deposit, such as size, grade and proximity to infrastructure and labor; metal and commodity prices which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; and political stability. The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

Exploration Costs

The estimates of costs to conduct further exploration work by the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

Environmental Regulation, Risks and Hazards

All phases of mining operations are subject to environmental regulation in the jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, the Company's exploration programs or current operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's mining operations.

Furthermore, environmental hazards may exist on the properties on which the owners or operators of mining operations hold interests which are unknown to such owners or operators at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be, required in connection with mining operations at the Company's properties. To the extent such approvals are required and not obtained, mining operations may be curtailed or prohibited from continuing operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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 or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The occurrence of any environmental violation or enforcement action may have an adverse impact on the Company's operations and reputation.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on mining operations and cause increases in exploration expenses, 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.

Governmental Regulation

Mining operations and exploration activities are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labor standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupation health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating, and other facilities in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the owners or operators of mining operations would not proceed with the development of or continue to operate a mine. As part of their normal course operating, and development activities, such owners or operators have expended significant resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from mining operations could result in substantial costs and liabilities in the future.

Permitting

Mining operations are subject to receiving and maintaining permits from appropriate governmental authorities. It can be time-consuming and costly to obtain, maintain and renew permits. In addition, permit terms and conditions can impose restrictions on how the Company conducts its operations and limit the Company's flexibility in development its mineral properties. Prior to any development on the Company's properties, permits from appropriate governmental authorities may be required. Permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may not be issued or renewed upon conditions that restrict the Company's ability to conduct the Company's operations economically, or may be subsequently revoke. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions could have a material adverse effect on the Company's business, results of operations, financial condition and prospectus.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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 activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect operations at the Company's properties.

Exploration and Geological Report

The reported results in the technical reports filed in respect of the Company's properties are estimates only. No assurance can be given that the estimated mineralization will be recovered. The reported results are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Estimates may require revision (either up or down) based on actual production experience. If the Company encounters mineralization or geological formations different from those predicted by past drilling, sampling and interpretations, any estimates may need to be altered in a way that could adversely affect the Company's operations or proposed operations. In addition, market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain minerals uneconomic.

Land/Mineral Title

No assurances can be given that there are no title defects affecting the Company's properties. The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, including First Nations land claims, and title may be affected by, among other things, undetected defects.

Additional Capital

Mining, processing, development and exploration require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on satisfactory terms.

Property Exploration and Development Risk

The Company's properties are currently at the exploration stage of development. Exploration and development is subject to numerous risks, including, but not limited to, delays in obtaining equipment, material and services essential to developing the project in a timely manner; changes in environmental or other government regulations; currency exchange rates; labor shortages; and fluctuation in metal prices. There can be no assurance that the Company will have the financial, technical and operational resources to complete the exploration and development in accordance with current expectations or at all.

Insurance Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failure, cave-ins, mechanical failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, the Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to the Company or other companies in the mining industry on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

Force Majeure

The Company's projects now or in future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding our intent, or the beliefs or current expectations of our officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "attempts", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Evening Star Property, Mustang Property, Virginia Property and Imperial Property, and the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause our actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, you are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. Forward-looking statements

speaking only as of the date those statements are made. Except as required by applicable law, we assume no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If we update any one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. You should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A and the associated financial statements are expressly qualified in their entirety by this cautionary statement.