

KAPA CAPITAL INC.

Management's Discussion and Analysis of Financial Position and Results of Operations

For the year ended April 30, 2021.

OVERVIEW

This Management Discussion and Analysis ("MD&A") of Kapa Capital Inc. (the "Company" or "Kapa") has been prepared by management as of August 11, 2021.

MD&A should be read in conjunction with the Company's financial statements and the accompanying notes for the year ended April 30, 2021, copies of which are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange.

As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). A CPC has 24 months from when the shares are listed on the Exchange (September 27, 2018) to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. The Company has filed the documents for the Qualifying Transaction dated September 22, 2020 with the Exchange which are in process of obtaining approval.

The Company filed a final prospectus dated July 4, 2018 in connection with the IPO. On September 24, 2018, the Company completed its IPO. The Company's common shares commenced trading on the Exchange on September 27, 2018 under the trading symbol "KAPA.P".

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

Qualifying transaction

On September 22, 2020, pursuant to the Letter of intent signed by the Company with Quantus Resource Corp. ("Quantus"), the Company entered into an acquisition agreement pursuant to which Kapa agreed to acquire all of the issued and outstanding common shares of Quantus ("the Qualifying Transaction"). Under the Arrangement, Quantus shall make a final payment of 750,000 common shares completing all option payment obligations and in doing so, earn a 100% interest in the Blackhawk Property subject to certain royalties upon production.

Concurrent with the Qualifying Transaction, Quantus is proposing to complete the Concurrent Financing of up to 14,000,000 Quantus common shares for aggregate gross proceeds of up to \$2,800,000. Assuming the Concurrent Financing is completed, subscribers to the Concurrent Financing will hold, as a group, approximately 23.6% of the Resulting Issuer's common shares.

FORWARD-LOOKING INFORMATION

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "predicts," "expect," "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; requirements for additional capital. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including general economic and business conditions; our lack of operating history; conclusions or economic evaluations; delays in obtaining government approvals, any of which may cause our performance to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

OVERALL PERFORMANCE

The Company was incorporated under the British Columbia Business Corporations Act on January 29, 2018.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the Exchange as a CPC as defined in Policy 2.4 of the Exchange.

The Company filed a final prospectus dated July 4, 2018 in connection with the IPO. On September 24, 2018, the Company completed its IPO. The Company's common shares commenced trading on the Exchange on September 27, 2018 under the trading symbol "KAPA.P".

On September 22, 2020, pursuant to the Letter of intent signed by the Company with Quantus Resource Corp., the Company has entered into an acquisition agreement pursuant to which Kapa has agreed to acquire all of the issued and outstanding common shares of Quantus ("the Qualifying Transaction") (See 'Overview' for details).

In pursuance of the Qualifying transaction, the trading of the Company's shares has been halted on Exchange since May 5, 2020.

PROPOSED TRANSACTION

On September 22, 2020, pursuant to the Letter of intent signed by the Company with Quantus Resource Corp., the Company has entered into an acquisition agreement pursuant to which Kapa has agreed to acquire all of the issued and outstanding common shares of Quantus ("the Qualifying Transaction"). Under the Arrangement, Quantus shall make a final payment of 750,000 common shares completing all option payment obligations and in doing so, earn a 100% interest in the Blackhawk Property subject to certain royalties upon production.

Under the terms of the Arrangement Agreement, each shareholder of Quantus will receive one (1) common share in the capital of Kapa in exchange for one (1) Quantus common share. Assuming completion, Kapa will issue a total of up to 53,402,273 KAPA shares to the shareholders of Quantus. Following the completion of the Qualifying Transaction, the resulting issuer will have 59,402,274 issued and outstanding shares.

The completion of the Qualifying Transaction is subject to the satisfaction of certain conditions being met including but not limited to: (i) the filing of the draft completed TSX Venture Form 3B2 (Information Required in a Filing Statement for a Qualifying Transaction); (ii) public filing of the NI 43-101F1 Report on the Blackhawk Property; (iii) public filing of the Fairness Opinion; (iv) conditional approval of the TSX Venture in respect of the Arrangement Agreement; (v) the completion of a non-brokered private placement by Quantus (the "Concurrent Financing").

Concurrent with the Qualifying Transaction, Quantus is proposing to complete the Concurrent Financing of up to 14,000,000 Quantus common shares for aggregate gross proceeds of up to \$2,800,000. Assuming the Concurrent Financing is completed, subscribers to the Concurrent Financing will hold, as a group, approximately 23.6% of the Resulting Issuer's common shares.

The Arrangement Agreement is subject to final approval of the Supreme Court of British Columbia and is conditional upon the Resulting Issuer receiving approval for listing on the TSX Venture Exchange

DISCUSSION OF OPERATIONS

For the year ended April 30, 2021, the Company reported a net loss of \$ 82,964 (2020 - \$37,030). The Company's operating expenses included the following:

- Professional fees \$53,133 (2020 - \$24,065)
- Transfer agent and filing fees \$23,231 (2020 - \$11,488)
- General and administrative \$6,600 (2020 - \$1,477)

Professional fees of \$53,133 (2020 - \$24,065) consists of expenses relating to the Company's accounting, and financial reporting activities in connection with required SEDAR filings for publicly listed companies, as well as legal and administrative fees. The expenses for professional fees have increased due to the increase in the legal fees in connection with the Qualifying transaction.

Transfer agent and filing fees of \$23,231 (2020 - \$11,488) consists of expenditures in connection with share capital activities and reporting of the Company. The increase in transfer agent and filing fees are due to the qualifying transaction entered by the Company during the period.

General and administrative expenses of \$6,600 (2020 - \$1,477) relate to expenses paid for administration and support. The increase in the general and administrative expenses are due to the increased administrative activities to pursue the qualifying transaction.

SUMMARY OF QUARTERLY RESULTS

The Company's operating results from the last eight periods are summarized as follows:

	Three months ended April 30, 2021 -\$-	Three months ended January 31, 2021 -\$-	Three months ended October 31, 2020 -\$-	Three months ended July 31, 2020 -\$-
Net loss for the period	(35,325)	(7,069)	(9,790)	(30,780)
Loss per share	(0.01)	(0.00)	(0.01)	(0.02)

	Three months ended April 30, 2020 -\$-	Three months ended January 31, 2019 -\$-	Three months ended October 31, 2019 -\$-	Three months ended July 31, 2019 -\$-
Net loss for the period	(15,328)	(5,327)	(12,310)	(4,065)
Loss per share	(0.01)	(0.00)	(0.00)	(0.00)

The increase in the net loss in the quarter ended October 31, 2019 compared with the quarter ended July 31, 2019 is primarily due to the significant expenditures incurred in the quarter ended October 31, 2019 in relation to the transfer agent and filing fees.

The decrease in the net loss in the quarter ended January 31, 2020 compared with the quarter ended October 31, 2019 is primarily due to the significant reduction in the transfer agent and filing fees due to low to no operational activity being conducted during the quarter ended January 31, 2020.

The increase in the net loss in the quarter ended April 30, 2020 compared with the quarter ended January 31, 2020 was primarily due to the significant expenditures incurred in the quarter ended April 30, 2020 on professional fees and transfer agent and filing fees.

The increase in the net loss in the quarter ended July 31, 2020 compared with the quarter ended April 30, 2020 was primarily due to the significant expenditures incurred in the quarter ended July 31, 2020 on professional fees and transfer agent and filing fees to pursue the Qualifying transaction.

The decrease in the net loss in the quarter ended October 31, 2020 compared with the quarter ended July 31, 2020 was primarily due to the significant expenditures incurred in the quarter ended July 31, 2020 on professional fees and transfer agent and filing fees to pursue the Qualifying transaction.

The decrease in the net loss in the quarter ended January 31, 2021 compared with the quarter ended October 31, 2020 was primarily due to the significant expenditures incurred in the quarter ended October 31, 2020 on professional fees and transfer agent and filing fees to pursue the Qualifying transaction.

The increase in the net loss in the quarter ended April 30, 2021 compared with the quarter ended January 31, 2021 was primarily due to the significant expenditures incurred in the quarter ended April 30, 2021 on professional fees and transfer agent and filing fees to pursue the Qualifying transaction.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a working capital of \$155,287 as at April 30, 2021 (April 30, 2020 - \$226,924) and cash on hand of \$168,984 (April 30, 2020 - \$235,681). The Company anticipates similar general and administrative expenses over the next quarter and anticipates additional costs in relation to the Qualifying Transaction. As of April 30, 2021, the Company has sufficient liquidity to meet its obligations for the completion of the Qualifying Transaction.

Shares:

During the year ended April 30, 2021, the Company issued 113,270 common shares pursuant to the exercise of share purchase warrants for proceeds of \$11,327.

As at April 30, 2021 and August 11, 2021, the Company has 5,113,271 common shares outstanding.

Stock Options:

The Company adopted a stock option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, or consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

	Number of options	Weighted average exercise price \$
Outstanding, April 30, 2019, 2020, and 2021	500,000	0.10

As at August 11, 2021, the Company has 500,000 stock options outstanding.

Warrants:

	Number of warrants	Weighted average exercise price \$
Outstanding, April 30, 2019 and 2020	200,000	0.10
Exercised	(113,270)	0.10
Expired	86,730	0.10
Outstanding, April 30, 2021	—	—

Cash Flow Activities:

The Company used \$78,024 (2020 - \$23,668) of cash for operating activities during the year ended April 30, 2021. The increase in the use of cash for operating activities was due to the Qualifying transaction entered by the Company during the year ended April 30, 2021. There was an inflow of \$11,327 (2020 - \$Nil) from financing activities from the exercise of share warrants.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at April 30, 2021 or as of the date of this report.

TRANSACTIONS WITH RELATED PARTIES

The Company has identified its directors and officers as its key management personnel. The remuneration of key management was as follows:

During the year ended April 30, 2021 and 2020, the Company was not a party to any related party transactions.

As at April 30, 2021 and 2020, no amounts are due to or from any of the Company's directors, officers, and related entities.

CHANGES IN THE ACCOUNTING POLICIES

For a detailed summary of the Company's significant accounting policies and accounting estimates, the readers are directed to Note 2 of the notes to the audited financial statements for the year ended April 30, 2021.

CRITICAL ACCOUNTING ESTIMATES

For a detailed summary of the Company's significant accounting policies and accounting estimates, the readers are directed to Note 2 of the Company's audited financial statements for the year ended April 30, 2021.

FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, and accounts payable and accrued liabilities, approximates their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure of credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans on settling its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may materially affect its success.

Limited Operating History

The Company has no history of business operations, revenue generation or production history. The Company was incorporated on January 29, 2018 and has yet to generate a profit from its activities. The Company is subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and development costs are all the factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion and pursue only those development plans that can be funded through cash flows generated from its existing operations.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will complete an IPO or identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors indicate the existence of a material uncertainty that cast significant doubt as to the Company's ability to continue as a going concern. There can be no assurance that the Company's securities will ever be listed for trading on a stock exchange.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or

agreement that is material to the issuer, the director must disclose his/her interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

During and subsequent to the year ended April 30, 2021, the COVID-19 pandemic has caused significant and negative impact to the global financial market. The Company continues to monitor and assess the impact on its business activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.

OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings as of the date of this report.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

DIRECTORS

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current Directors of the Company are as follows:

Charalambos Katevatis

Vivian Katsuris

Allan Williams

APPROVAL

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,

“Charalambos Katevatis”

President, CEO and Director

August 11, 2021