

KAPA GOLD INC.
(formerly Kapa Capital Inc.)

Management's Discussion and Analysis

For the years ended April 30, 2022 and 2021

Expressed in Canadian dollars

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This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of Kapa Gold Inc. (Kapa Capital Inc.) (the "Company" or "Kapa") and the notes thereto for years ended April 30, 2022 and 2021 (collectively referred to hereafter as the "financial statements").

The following MD&A of the financial condition and results of operations of the Company has been prepared by management and should be read in conjunction with the audited annual financial statements and related notes for the years ended April 30, 2022 and 2021.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. For additional information on forward-looking statements and material risks associated with them, please see the "Cautionary Note Regarding Forward-Looking Information" section of this document.

This MD&A is current as of September 21, 2022 and was approved and authorized by the Company's Board of Directors.

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally, including the information contained within the Company's financial statements and MD&A, is complete and reliable.

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.

QUALIFYING TRANSACTION

On May 4, 2020, as amended on September 22, 2020, pursuant to the letter of intent signed by the Company with Quantus Resource Corp. ("Quantus"), the Company has entered into an acquisition agreement ("the Arrangement") pursuant to which Kapa has agreed to acquire all 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, each shareholder of Quantus will receive one common share in the capital of Kapa in exchange for one Quantus common share. Upon 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; (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.

Subsequent to April 30, 2022, on May 19, 2022, the Arrangement received all requisite approvals of the Supreme Court of British Columbia and the Exchange and completed the Qualifying Transaction.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- our business plan and investment strategy; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general & administrative and other costs;
- general business, economic and market conditions;
- the ability of the Company to obtain the required capital to finance its investment strategy and meet its commitments and financial obligations;
- the ability of the Company to obtain services and personnel in a timely manner and at an acceptable cost to carry out activities;
- the timely receipt of required regulatory approvals; and
- that the regulatory framework for permitting of California mineral resource assets will remain relatively consistent.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as there can be no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially than anticipated and described in the forward-looking information.

The material risks and uncertainties include, but are not limited to:

- meet current and future commitments and obligations;
- general business, economic and market conditions;
- the uncertainty of estimates and projections relating to future costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

OVERALL PERFORMANCE

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

DISCUSSION OF OPERATIONS

For the year ended April 30, 2022, the Company reported a net loss of \$73,265 (2021 - \$82,964). The Company's operating expenses included the following:

- | | |
|----------------------------------|----------------------------|
| • Professional fees | \$59,587 (2021 - \$53,133) |
| • Transfer agent and filing fees | \$11,257 (2021 - \$23,231) |
| • General and administrative | \$1,921 (2021 - \$6,600) |
| • Rent expense | \$500 (2021 - \$nil) |

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Professional fees of \$59,587 (2021 - \$53,133) consisted 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 stayed stable in current year compared to prior year as the Company was still actively working towards closing the Qualifying Transaction.

Transfer agent and filing fees of \$11,257 (2021 - \$23,231) consists of expenditures in connection with share capital activities and reporting of the Company. These expenses decreased by half as the Company did not any capital activities during the current period.

General and administrative expenses of \$1,922 (2021 - \$6,600) relate to expenses paid for administration and support. The significant decrease in the general and administrative expenses are due to the decrease in activities during the current period.

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended April 30, 2022 -\$-	Three months ended January 31, 2022 -\$-	Three months ended October 31, 2021 -\$-	Three months ended July 31, 2021 -\$-
Net loss for the period	19,064	35,061	8,757	10,383
Loss per share	0.01	0.01	0.00	0.01

	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	0.00	0.01

During the last eight quarters, the net loss was the most significant for the quarters ended January 31, 2022, April 30, 2021, and July 31, 2020. The increase in net loss in these periods were due to the increase in activities related to the Qualifying Transaction, leading to increase in professional fees as well as transfer agent and filing fees.

Net loss for the current quarter decreased by 63.2% compared to that of the prior quarter, which was the result of fewer capital activities during the current quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company has working capital of \$82,022 as at April 30, 2022 (April 30, 2021 - \$155,287) and cash on hand of \$85,668 (April 30, 2021 - \$168,984). The Company anticipates additional costs in relation to the Qualifying Transaction. As of April 30, 2022, the Company has sufficient liquidity to meet its obligations for the completion of the Qualifying Transaction.

SOURCES AND USES OF CASH

The Company used \$83,316 (2021 - \$78,024) of cash for operating activities during the year ended April 30, 2022. The increase in the use of cash for operating activities was mainly for the expenses related to the Qualifying Transaction. Cash flow provided by financing during the year ended April 30, 2022 was \$nil (2021 - \$11,327). The Company had no investing activities during the years ended April 30, 2022 and 2021.

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OUTSTANDING SHARE DATA

As at April 30, 2022, the Company had total of 5,113,271 common shares, and 500,000 share options issued and outstanding. As at the date of this report, the Company had 55,760,744 common shares outstanding, and 2,500,000 share options issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at April 30, 2022 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. As at April 30, 2022 and 2021, the Company had no outstanding amount due to related parties.

The transaction with key management personnel during the years ended April 30, 2022 and 2021 is as follows:

	For the years ended	
	April 30, 2022	April 30, 2021
Consulting fees	719	-
Rent expense	500	-
Total	1,219	-

As at April 30, 2022, the Company owed \$10,500 (2021 - \$nil) to the Chief Executive Officer and Director of the Company. The amounts owing are unsecured, non-interest bearing, and due on demand.

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 years ended April 30, 2022 and 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 Notes to the audited financial statements for the year ended April 30, 2022 and 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:

- i. Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. 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
- iii. 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 include cash, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

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b. Credit Risk

Financial instruments that potentially expose 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 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.

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Litigation

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

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:

David K. Paxton
George Nicholson
Alexander Tsakumis
Vivian Katsuris

APPROVAL

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis.

On Behalf of the Board of Directors,

"David Paxton"

President, CEO and Director

September 21, 2022