

# **KAPA GOLD INC.**

## **Management's Discussion and Analysis**

**For the three and nine months ended September 30, 2024 and 2023**

(Expressed in Canadian dollars)

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the condensed interim consolidated financial statements of Kapa Gold Inc. (the "Company" or "Kapa") and its subsidiaries as well as the notes thereto for the three and nine months ended September 30, 2024 and 2023 (collectively referred to hereafter as the "Financial Statements"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board including International Accounting Standards 34 *Interim Financial Reporting*.

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 Financial Statements of the Company. In addition, the MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"), as some disclosures from the Annual Financial Statements have been condensed or omitted. In this MD&A, unless the context otherwise dictates, a reference to "us", "we", "our", or similar terms refers to the Company. Additional information relating to the Company is available on the Company's website at <https://kapagold.com/> and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under Kapa Gold Inc.

This MD&A is current as of November 26, 2024 (the "MD&A Date") and was approved and authorized by the Company's Board of Directors.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The nine months ended September 30, 2024 and 2023 are referred to as "YTD 2024" and "YTD 2023", respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements. References to "\$" are to Canadian dollars and references to "US\$" are to United States dollars.

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 responsible for ensuring that information disclosed externally, including the information contained within the Company's Financial Statements and MD&A, is complete and reliable.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

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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 and administrative as well as 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.

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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 "Risks and Uncertainties" 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.

**DESCRIPTION OF BUSINESS**

The Company was incorporated under the laws of British Columbia, Canada on January 29, 2018. The Company's head office and principal address is Suite 1400 - 1199 West Hastings Street, Vancouver, BC, V6E 3T5. The Company is listed on the TSX Venture Exchange under the symbol "KAPA.V". The Company's principal business activities include the acquisition and exploration of mineral property assets.

**SUMMARY OF QUARTERLY RESULTS**

Selected financial data during the last eight quarters are as follows:

	<b>Q3 2024</b>	<b>Q2 2024</b>	<b>Q1 2024</b>	<b>Q4 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	<b>2,448,576</b>	2,501,984	2,565,637	2,728,179
Total liabilities	<b>331,958</b>	303,372	256,304	257,356
Working capital surplus	<b>(54,689)</b>	31,865	143,562	320,440
Loss and comprehensive loss	<b>(108,338)</b>	(111,764)	(163,852)	(153,872)
Loss per share - basic and diluted	<b>(0.00)</b>	(0.00)	(0.00)	(0.00)

  

	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	2,835,947	2,962,987	3,216,917	3,410,914
Total liabilities	199,829	136,597	181,176	191,766
Working capital surplus	528,025	888,096	1,233,935	1,428,357
Loss and comprehensive loss	(218,802)	(214,851)	(183,407)	(188,550)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

During the last eight quarters, the Company's loss and comprehensive loss ranged between \$108,338 and \$218,802. Loss and comprehensive loss throughout Q4 2022 to Q3 2024 mainly comprised of consulting fees, legal and professional fees, management fees and office expenses to support the exploration activities for the Blackhawk Property and the Mastodon Nickel Project as well as to maintain the public listing of the Company. In Q4 2023, Q1 2024 and Q2 2024 loss and comprehensive loss included of the Mastodon Nickel Project due to management's decision to no longer pursue exploration of this project.

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**SOURCES AND USES OF CASH**

	YTD 2024	YTD 2023
	\$	\$
Net cash used in operating activities	(330,164)	(549,504)
Net cash used in investing activities	(13,385)	(332,127)
Change in cash	(343,549)	(881,631)
Cash, beginning of period	527,451	1,548,615
Cash, end of period	183,902	666,984

Cash used in operating activities was \$330,164 compared to \$549,504 in the prior year comparable period due to cost reduction measures implemented by management which reduced the cash spent on corporate overhead and other expenses.

Cash used in investing activities was \$13,385 compared to \$332,127 in the prior year comparable period due to cost-cutting measures implemented by management and the discontinuance of the Mastodon Nickel Project.

**RESULTS OF OPERATIONS**

A summary of the Company's results of operations is as follows:

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
<b>Operating expenses</b>				
Consulting fees	13,562	39,922	44,538	69,854
Depreciation expense	725	725	2,175	2,175
Insurance expense	8,669	12,901	24,843	29,014
Investor relations	14,671	38,998	52,847	141,336
Legal and professional fees	7,557	38,561	105,449	181,965
Management fees	30,000	30,000	90,000	90,000
Office expense	3,150	24,871	9,368	54,085
Share-based compensation	26,344	28,530	29,749	28,530
Transfer agent and exchange fees	5,801	3,336	18,890	17,609
	110,479	217,844	377,859	614,568
<b>Other expenses</b>				
Foreign exchange loss	(2,128)	(958)	(3,626)	(2,492)
Recovery of impairment (impairment) of exploration and evaluation assets	4,269	-	(2,469)	-
<b>Loss and comprehensive loss</b>	<b>(108,338)</b>	<b>(218,802)</b>	<b>(383,954)</b>	<b>(617,060)</b>

**Q3 2024 compared to Q3 2023**

Loss and comprehensive loss decreased to \$108,338 compared to \$218,802 in the prior year comparable period. The primary drivers of this decrease were as follows:

- Consulting fees decreased to \$13,562 from \$39,922 in the prior year comparable period mainly due to the expiration of a consulting agreement that was in place in the prior year comparable period.
- Investor relations decreased to \$14,671 from \$38,998 in the prior year comparable period mainly due to reduced spending on travel and accommodations.
- Legal and professional fees decreased to \$7,557 from \$38,561 in the prior year comparable period mainly due to the reversal of accrued amounts of \$23,515 relating to the FY 2023 audit in the current period.
- Office expense decreased to \$3,150 from \$24,871 in the prior year comparable period mainly due the completion of a rent agreement that was in place in the prior year comparable period for a storage unit for the Blackhawk Property and \$nil of truck repairs in the current period compared to \$7,113 in the prior year comparable period.

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**YTD 2024 compared to YTD 2023**

Loss and comprehensive loss decreased to \$383,954 compared to \$617,060 in the prior year comparable period. The primary drivers of this decrease were as follows:

- Consulting fees decreased to \$44,538 from \$69,854 in the prior year comparable period mainly due to the completion of a consulting agreement that was in place in the prior year comparable period.
- Investor relations decreased to \$52,847 from \$141,336 in the prior year comparable period due to the reduced expenditure on marketing activities, including reduced conference attendance, travel costs and sponsorship.
- Legal and professional fees decreased to \$105,449 from \$181,965 in the prior year comparable period due to higher legal fees incurred as part of the Blackhawk Property's permitting process and title reviews which did not occur in the current period and the reversal of accrued amounts of \$23,515 relating to the FY 2023 audit in the current period.
- Office expense decreased to \$9,368 from \$54,085 in the prior year comparable period mainly due the completion of a rent agreement that was in place in the prior year comparable period for a storage unit for the Blackhawk Property.

**EXPLORATION AND EVALUATION ASSETS**

A summary of the Company's exploration and evaluation assets is as follows:

	<b>Blackhawk Property</b>	<b>Mastodon Nickel Project</b>	<b>Total</b>
	\$	\$	\$
Balance, December 31, 2022	1,777,266	-	1,777,266
Common shares issued	-	5,500	5,500
Option payments	-	25,000	25,000
Exploration and evaluation expenditures:			
Field costs	151,789	21,169	172,958
IP Geophysics	61,780	-	61,780
Legal and insurance	31,158	-	31,158
Mapping and reports	6,040	6,756	12,796
Mining claims	86,767	-	86,767
Property maintenance costs	4,189	-	4,189
Road rehabilitation deposit	6,217	-	6,217
Rock sampling assays	14,552	517	15,069
Impairment of exploration and evaluation assets	-	(58,942)	(58,942)
Balance, December 31, 2023	2,139,758	-	2,139,758
Exploration and evaluation expenditures:			
Field costs	3,093	1,539	4,632
Mapping and reports	-	280	280
Mining claims	8,100	-	8,100
Property maintenance costs	9,736	-	9,736
Rock sampling assays	2,170	650	2,820
Impairment of exploration and evaluation assets	-	(2,469)	(2,469)
<b>Balance, September 30, 2024</b>	<b>2,162,857</b>	<b>-</b>	<b>2,162,857</b>

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history that is characteristic of many mineral property interests. The Company has investigated title to its mineral property interests and remains in good standing.

**Blackhawk Property**

On November 6, 2017, the Company entered into an option agreement to acquire a 100% interest in certain claims, patents and leases which comprise the Blackhawk Property located near the Lucerne Valley in San Bernardino County, California, a natural resource exploration project targeting gold and other metals and minerals.

The Company obtained this option to acquire a 100% interest in the Blackhawk Property from Blackcali Ventures Ltd ("Blackcali"), a related party, via assignment of Blackcali's rights and obligations under a pre-existing agreement that Blackcali had with the vendor of the Blackhawk Property.

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#### Property Description and Location

The Property comprises of eight patented claims in three non-contiguous groups and an additional Bureau of Land Management claim, separate and to the east. The Property is located in Sections 7, 8, 15, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27; Township 3 North; Range 2 East, in the historic Blackhawk Mining District, San Bernardino County, Big Bear City Quadrangle, State of California, U.S.A. The Property is in the south-eastern part of the State of California, approximately 60 km northwest of Palm Springs. The nearest community of size to the property is Lucerne Valley, California, 20 km to the northwest.

The center of the Property is located at approximately latitude 34° 21' North and longitude 116° 47' West (Universal Transverse Mercator Zone 11N; 519,500 E / 3,800,200 N; North American Datum of 1983). The Property stretches roughly 5.3 km northwest to southeast by 2.6 to 3.3 km northeast to southwest, covering approximately 3,555.09 acres (1,438.7 hectares).

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Property is in the south-eastern part of the state of California approximately 60 km northwest of Palm Springs. The Property, which totals about 1438.7 hectares, can be easily accessed from the town of Lucerne Valley, California which is located about 75 km northwest of the city of Palm Springs. The Property is accessible from Lucerne Valley by traveling about 15 km to the east on State Highway 247, then southwards for 8 km via Santa Fe Fire Road. A network of narrow mountain roads and trails, many in disrepair, provides access throughout the Property including the areas of historical drilling and underground development.

The Property has a typical dry desert climate with hot summers and cool winters and is best described as semi-arid to arid. The climate is generally amenable to year-round exploration work with adequate preparation.

Depending on the ultimate extent of mineralization identified on the Property, the current claim base seems sufficient to contain all the aspects of a large modern mining operation, including adequate areas for plant, waste and tailings disposal and other recovery designs.

Water would need to be obtained from privately owned and operated wells in the vicinity; however, expanded operations will likely require purpose-built access to subsurface waters. A 75-gallon-per-minute water well is located on the Cliff claim but needs rehabilitation or re-drilling. An active power line runs along the junction of State Highway 247 and the Santa Fe Fire Road, approximately 8 km from the center of the area of known gold mineralization.

#### Property Geology

The Property is underlain by deformed basement gneisses which have been intruded by Mesozoic granitoids, Mississippian and Pennsylvanian carbonate strata and Miocene arkosic sediments. The deformed Mississippian and Pennsylvanian carbonates are the preferred host rocks for the gold-silver mineralization on the Property.

##### a) Cliff to Lookout Zones

The Cliff Zone is exposed along the north-northwest wall of a major north to northeast-trending canyon and along the adjacent steep-north facing slope of the Northern Frontal Thrust System. The contact of this basement unit with the overlying supracrustal breccias is a zone of intense cataclasis, a chlorite schist up to 2-3 metres thick. The supracrustal section structurally above the schistose detachment plane was mapped along a north-south section through the Cliff Zone thrust for approximately 1.0 km and through a vertical distance of ~100 metres. Breccias assigned to the Monte Cristo limestone comprise >90% of the Cliff Zone structural section. The southern and structurally highest level of the Cliff Zone is comprised of gray white carbonate breccia and massive beds of the Bird Springs Formation.

The Lookout Zone which is approximately 240 metres south of the Cliff Zone is the comprised of white, gray and black carbonate breccias of the Bird Springs Formation and is equated with similar breccias at the southern exposed area of the Cliff Zone.

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b) Gully Prospect

High runoff from the winter snow melt, coupled with anomalous amounts of spring rainfall lead to erosional incising of the alluvial gravels in the ephemeral creeks that drain northward off Blackhawk Mountain. A major erosion of the alluvial gravels in a canyon immediately north of the Cliff Zone exposed an east-facing wall of Hematized Monte Cristo brecciated limestone. The vertical height of Hematization in the creek wall is approximately 3 metres at its eastern end and extends southward, for about 30 metres. The Hematized zone extends southward, upslope along the creek wall for approximately 30 metres and has been disrupted by a series of normal faults with north side down. Breccia clasts from the Hematized breccia are locally coated with malachite, minor azurite and relict sulphide with limonite.

Thinning of the newly exposed hematite zone southward along the east-facing creek wall is due to alluvial gravels and its position upstream from the thickest exposed segment. This newly exposed Hematized zone is positioned at an elevation of about 1,316 metres. The significance of this Hematized zone is that it is the structurally lowest alteration zone identified on the Property. Consequently, altered Hematized breccia have been identified through a vertical distance of approximately 550 metres, this vertical distance is the cumulative vertical distance of separate carbonate-hosted mineralized zones through the imbricated thrust stack.

The Santa Fe thrust is exposed along a sub vertical north-facing wall having a strike length of approximately 750 metres. The deformed Santa Fe supracrustal rocks are in tectonic contact with basement biotite quartzofeldspathic augen gneiss with subordinate monzonitic to granitic dykes. The contact is characterized by a 3-6 meter-thick chlorite schist which is comparable mineralogically and in style of deformation to the schist below the deformed supracrustal rocks in the Cliff Zone.

c) Round Mountain Prospect

The Round Mountain prospect is an isolated dome-shaped hill at the base of the Northern Frontal Thrust System. Five adits inclined at 20-30 degrees to the south in carbonate breccia are located along the north- eastern and northern edge of the erosional break away, interpreted carbonate-basement tectonic contact. The east striking south dipping Hematitized carbonate breccia and schist define a prospective zone along the carbonate-basement contact.

This style of mineralization and the structural position near or at the base of the deformed carbonate sequence with basement is directly comparable to mineralization in the Cliff and Santa Fe zones.

d) Hill Top Prospect

The Hilltop prospect is well exposed due to recent artisanal mining and is located in a structural panel above and south of the structural panel that hosts mineralization at Round Mountain. The Hill Top prospect is a silicified fault breccia hosted in brecciated blue-gray Monte Cristo carbonate strata. This mineralized fault breccia dips north at moderate attitude and is atypical when compared to the willowly south-dipping mineralization in carbonate breccias near and adjacent to basement in each thrust panel.

The opposing dip direction of this mineralized fault may be interpreted as a syn-mineralization back thrust.

Mineralization

The Blackhawk alteration and mineralization is visually dramatic because the varying amounts of hydrothermal red-pink to brick red to purple-red hematite impregnated through deformed carbonate strata is in sharp contrast to the gray, blue-gray, black and white hues in deformed and weakly deformed Mississippian and Pennsylvanian carbonate rocks.

The distribution of mineralization related hematite has two geometrical forms. The first style of hematization occurs as sub horizontal bands parallel to sub parallel to the regional south-dip of the Northern Frontal imbricate thrust fan. Hematization is concentrated along and near the deformed carbonate basement detachment contact. Hematite altered zones vary from wispy discontinuous bands of hematite-cemented breccia, hematite impregnated mylonite and fractured carbonate with thickness to one metre to hematite-cemented breccias up to several metres in thickness.

The second geometrical style of hematization within the carbonate breccia is concentrated along moderate south-dipping faults that are inferred to be ramps that crosscut panels of carbonate breccia. These ramps provided the structural release to tectonically thicken individual thrust slices and provided the structural pathways for hydrothermal fluids to migrate to higher structural levels within a thickened thrust slice.

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Hematized, structurally-linked, flat-ramp structures which are well exposed in walls of the past-producing Bessemer limestone quarry in the area of the Lester Dale gold mine area illustrate the structural control of hydrothermal fluid and the migration pathway through the imbricate thrust fan. The quarry face is located about 2.0 km east of the Santa Fe mine portal and at the approximate same tectonic level. Flat faults are outlined by hematite and significantly the volume of hematite metasomatized rock increases markedly on both sides of the ramp that connects flat faults. This increased volume of altered rock implies pooling or damming of the hydrothermal fluid during transmission to a higher structural level.

These same structural-alteration attributes are present in the imbricate panels that host the Santa Fe and Cliff prospects. The Santa Fe thrust is a composite of numerous parallel to sub-parallel anastomosing willow to sub-horizontal faults comprised of hematized mylonite, crushed carbonate and related fracture band with interconnecting hematized ramps. The multi-level Calle d'Or Zone, which was developed over a vertical distance of about 90 metres within the Santa Fe mine, reportedly exploited a ramp-flat complex within the Santa Fe thrust (Ely, 1982). Similar hematized flat-ramp complexes are present in the Cliff Zone. Consequently, the same structural style with alteration and gold mineralization is present in separate thrust slices and extends vertically through the imbricate thrust fan from the Santa Fe mine area near the top of Blackhawk Mountain to Round Mountain near the base of the Northern Frontal Thrust System.

#### Exploration

A rock chip sampling program was conducted from November 3-7, 2016 and April 2017 by B. Game, P.Geo. and J. Walther, P.Geo. A total of 96 samples were collected along accessible road cut exposures, benches and outcrops covering portions of the Cliff, Lookout and Santa Fe zones.

The purpose of the sampling program was to map the distribution of surface gold values associated with various geometries of mineralization, fracture densities, hematite concentration and alteration and to confirm the tenor of historical gold values. Gold values ranged from <0.05 ppm to highs of 2.10 ppm in the Lookout Zone, 41.3 ppm in the Cliff Zone and 4.66 ppm in the Santa Fe Zone. In general, samples containing higher gold values occur in discrete, stacked parallel zones with increased fracture/fault density and accompanying strong to intense brick-red to purple-red hematization. Higher gold values are associated with elevated Ag, As, Cd, Cu, Mo, Pb, Sb and Zn values, trace elements commonly associated with epithermal gold mineralization. During October 2016, a test geophysical interpretation utilizing lightning strike data was conducted by Dynamic Measurements LLC of Cedar City, Utah.

This work was to determine if this method would aid in defining faults and improve the understanding of the subsurface geology.

During the nine months ended September 30, 2024, the Company incurred \$23,099 (2023 - \$273,146) in costs related to Blackhawk Property.

#### **Mastodon Nickel Project**

On February 13, 2023, the Company entered into an option agreement with Mr. Guy Delorme (the "Optionor") to acquire 100% interest in mineral claims located in British Columbia, Canada (the "Mastodon Nickel Project").

On April 4, 2024, management terminated the Mastodon Option Agreement. As a result, the Mastodon Nickel Project was fully impaired at December 31, 2023, resulting in an impairment charge of \$58,942 recorded during the year ended December 31, 2023. During the three and nine months ended September 30, 2024 up to the date of terminating the Mastodon Option Agreement, the Company had a recovery of \$4,269, due to the reversal of an accrual of \$4,269, and expenditures of \$2,469, respectively, of exploration and evaluation costs (2023 - expenditures of \$nil and \$46,331, respectively). Consequently, during the three and nine months ended September 30, 2024 the Company had an impairment reversal of \$4,269 and an impairment charge of \$2,469, respectively (2023 - \$nil and \$nil, respectively).

#### **TECHNICAL DISCLOSURE**

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The technical disclosure included in this MD&A have been reviewed and approved by Allan Miller, PhD, P. Geo, a qualified person under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

#### **SHARE CAPITAL HIGHLIGHTS**

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During the nine months ended September 30, 2024, the Company released a fifth tranche of 841,978 escrow shares from the RTO. Subsequent to September 30, 2024, the Company released a sixth tranche of 841,978 escrow shares from the RTO and as at the MD&A Date there were 841,978 common shares held in escrow.

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During the year ended December 31, 2023, the Company issued 50,000 common shares at \$0.11 per common share with a total fair value of \$5,500 to the Optionor pursuant to the Mastodon Nickel Project option agreement.

## LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and debt. The Company's Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at September 30, 2024, the Company has an accumulated deficit of \$9,452,344 (December 31, 2023 - \$9,068,390), a cash balance of \$183,902 (December 31, 2023 - \$527,451), an accounts payable and accrued liabilities balance of \$331,958 (December 31, 2023 - \$257,356) and a working capital deficiency of \$54,689 (December 31, 2023 - working capital surplus of \$320,440).

In addition to the Company's accumulated deficit and historic working capital position, the Company has not generated revenues and does not anticipate generating revenues in the near future to fund its operating and administrative expenses. These circumstances together present a material uncertainty which casts significant doubt over the Company's ability to continue as a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of investigating new potential properties and exploration work on those potential properties, the Company will require additional financing through debt or equity issuances. Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

The Company's Financial Statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

## RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel comprise the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Directors of the Company and its subsidiaries. Other related parties are close relatives of key management personnel.

A summary of the Company's transactions with key management personnel and other related parties is as follows:

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Consulting fees	9,939	-	37,315	-
Investor relations	6,000	-	18,000	-
Professional services <sup>(1)</sup>	15,375	21,781	64,063	89,339
Management services	30,000	30,000	90,000	90,000
Share-based compensation	24,592	-	27,997	-
	85,906	51,781	237,375	179,339

(1) Included in legal and professional fees is an accrual reversal of \$23,515 to non-related parties resulting in total legal and professional fees for the three and nine months ended September 30, 2024 of \$7,557 and \$105,499, respectively.

Consulting fees include fees paid to Northrock Technology, a company owned by Kapa Gold Limited USA's VP, Dennis Parker. Legal and professional fees include fees paid to Invictus Accounting Group LLP, a company which the Company's CFO, Darren Prins, is a partner. Management fees are paid to Adit Investment, a company owned by the Company's CEO, David Paxton. Investor relations and share-based compensation include payments to KPT Ventures Inc. a company owned by a relative of one of the Company's directors, Alex Tsakumis.

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Included in accounts payable and accrued liabilities as at September 30, 2024 is \$151,851 (December 31, 2023 - \$72,806) due to officers, directors and companies controlled by directors of the Company and its subsidiaries. The amount due to related parties is payable on demand, unsecured and non-interest bearing.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value information**

As at September 30, 2024, the Company's financial instruments consist of cash, deposits and accounts payable and accrued liabilities, and are classified as and measured at amortized cost.

The fair values of cash, deposits and accounts payable and accrued liabilities, approximate their carrying values due to their short term to maturity.

**Financial risk factors**

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract.

The Company is exposed to credit risk through its cash and deposits. The Company reduces its credit risk on cash by placing these instruments with financial institutions of high credit worthiness. As at September 30, 2024, the Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

As the Company's operations do not generate cash, financial liabilities are discharged using funding obtained through the issuance of common shares or debt as required. As at September 30, 2024, the Company anticipates that it will need to raise additional funding in order to continue to fund its exploration and evaluation activities. Subsequent to September 30, 2024, the Company issued 20,000,000 units for gross proceeds of \$1,000,000 (see Subsequent Events).

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in US\$.

A summary of the Company's financial assets and liabilities that are denominated in US dollars is as follows:

	<b>September 30,</b>	December 31,
	<b>2024</b>	2023
	<b>US\$</b>	US\$
<b>Financial assets</b>		
Cash	<b>2,579</b>	5,526
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	<b>5,522</b>	11,701
	<b>(2,943)</b>	(6,175)

As at September 30, 2024, a 5% change in the foreign exchange rate would result in an impact of approximately \$199 (December 31, 2023 - \$408) to the Company's net loss and comprehensive loss.

**KAPA GOLD INC.**  
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(Expressed in Canadian dollars, except where noted)

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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 is not exposed to interest rate risk as at September 30, 2024.

**SUBSEQUENT EVENTS**

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On October 15, 2024, the Company granted 1,200,000 stock options exercisable at \$0.10 per share to certain directors. The options vested immediately and are exercisable for a five-year term expiring on October 15, 2029.

On November 7, 2024, the Company completed a private placement of 20,000,000 units at \$0.05 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$.10 per share until November 7, 2027. No finder's commissions were paid in connection with this private placement.

**OUTSTANDING SHARE DATA**

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A summary of the Company's issued and outstanding securities is as follows:

	September 30, 2024	MD&A Date
	#	#
Common shares	55,810,744	75,810,744
Common shares held in escrow	1,683,956	841,978
Warrants	5,622,600	25,622,600
Stock options	3,350,000	4,550,000

**OFF-BALANCE SHEET ARRANGEMENTS**

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As at September 30, 2024 and the MD&A Date, the Company has no off-balance sheet arrangements.

**CAPITAL MANAGEMENT**

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The Company defines capital that it manages as shareholders' equity. The Company manages its capital structure based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company may invest its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends and is not subject to any externally imposed capital restrictions.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company has historically relied on the equity capital markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it concludes there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Although the Company has previously been successful in financing its activities, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have not been changes to the Company's capital management policy during the nine months ended September 30, 2024.

**PROPOSED TRANSACTIONS**

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As at September 30, 2024 and the MD&A Date, the Company has no proposed transactions.

#### **SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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The preparation of financial statements under IFRS Accounting Standards requires management to make judgements in applying its accounting policies and estimates that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these financial statements, the Company applied the same significant judgements in applying its accounting policies and is exposed to the same sources of estimation uncertainty as disclosed its Annual Financial Statements.

#### **RISKS AND UNCERTAINTIES**

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For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the years ended December 31, 2023 and 2022.