



Avanti Energy Inc.

Management Discussion and Analysis

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

THE ATTACHED FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE.

INTRODUCTION

Avanti Energy Inc. (the "Company" or "AVN") is a resource company in the business of acquiring, exploring and evaluating resource properties related to helium projects. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 7, 2011. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "AVN" and are listed for trading on the OTC, a U.S. based securities trading system, under the symbol "ARGYF".

Effective December 11, 2020, the Company's common shares were split on a two-new-for-one-old basis (the "Share Split"). All references to common shares, stock options, warrants and weighted average number of shares outstanding in this MD&A reflect the Share Split unless otherwise noted.

The Company incurred a loss of \$7,334,262 during the nine months ended September 30, 2021 and, as of that date the Company's had a working capital of \$7,478,678. Future operations of the Company will be dependent on its ability to raise additional equity or debt financing, and the attainment of profitable operations. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The following management discussion and analysis ("MD&A"), prepared as of November 26, 2021, should be read together with the unaudited condensed interim financial statements and accompanying notes for the nine months ended September 30, 2021, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The reader should also refer to the audited financial statements and accompanying notes for the year ended December 31, 2020 and related notes hereto.

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from the Company's expectations. The Company assumes no obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

FORWARD LOOKING STATEMENTS

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Such statements and assumptions also include those relating to guidance, results of operations and financial condition, capital spending and financing sources. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, actual results may differ materially from those predicted. The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results.

The financial risks the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in interest rates. The Company is subject to regulatory legislation; compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

MANAGEMENT CHANGES

In March 2021, the Company announced the appointment of Genga Nadaraju as Vice President, Subsurface Geology. Ms. Nadaraju will oversee the exploration and development operations of the Company's helium projects and brings strong project management and organization skills to interact effectively with all stakeholders, both internally and externally, along with 25 years of diverse professional experience in the oil and gas industry which directly apply to helium exploration.

In April 2021, the Company announced the appointment of Dr. Jim Wood as Director of Geoscience, Mr. Ali Esmail as Vice President of Engineering, to expand the Company's exploration and development operations of its helium projects. The Company also announced the appointment of Natasha Tsai as Chief Financial Officer.

In May 2021, the Company announced the appointment of Chris Bakker as the new CEO for the Company. Mr. Rob Gamley will continue as the President and a director of the Company. Mr. Bakker has over 20 years of experience in oil and gas, most recently he led the Joint Venture between the Company and Terrelum Resources Corp. and previously worked as a commercial negotiator with Encana Corporation (now Orintiv Inc.) for major facilities and pipelines in the Montney gas play. He has extensive experience in all facets of natural gas exploration including land acquisition, exploration, drilling, well production and facility integration and construction. Mr. Bakker holds a BAH in Economics from Queen's University, an MA in Economics from the University of Victoria and an MBA from the University of Calgary. With the appointment of Mr. Bakker as a director, the Company also announced that Mr. Cory Cleveland is stepping down as a director of the Company.

In July 2021, the Company announced the appointment of Mr. Jody Denis as Senior Drilling and Completions Manager, to oversee the Company's drilling programs in both Alberta and Montana. Mr. Denis is an Engineer with over 19 years' experience in oil and gas drilling, new well completions, and productions optimization. Throughout his career as a drilling and completions manager Mr. Denis has managed drilling teams for Seven Generations, ARC Resources, and Birchcliff Energy, with drilling and completions budgets in excess of \$900 million. He is an APEGA certified Professional Engineer (P.Eng), and a member of Society of Petroleum Engineers (SPE), Canadian Association of Drilling Engineers (CADE), and previously was a member of CAPP Orphan Well Advisory Committee. Mr. Denis holds a B.Sc. in Chemical Engineering from the University of Saskatchewan.

EXPLORATION AND EVALUATION ASSETS

Montana Project

The Company entered into a joint venture agreement dated December 17, 2020 (the "Joint Venture Agreement"), which was completed on March 11, 2021, with Terrelum Resources Corp. ("Terrelum"), whereby the Company and Terrelum will cooperate in the exploration and development of a helium project, located in Montana ("Montana Project"). The Montana Project consists of a lease of two parcels of land consisting of 2,749 acres, located in the County of Petroleum, State of Montana.

The lease is for an original period of three years and, upon the discovery of helium, oil or gas, may be extended by an additional thirty years. The lease is also subject to a royalty on 4.25% of the gross proceeds of the sale of helium and 12.5% on the sale of natural products and 16% on the sale of oil products produced from the lease.

Under the terms of the joint venture, the Company acquired a 90% interest in the Montana Project and Terrelum agreed to provide technical services for the exploration, development and, if applicable, production of the Montana Project. In consideration of the 90% interest and the technical services provided by Terrelum, the Company issued to Terrelum 4,900,000 common shares of the Company. The Company is providing initial funding for the joint venture of \$50,000 per month over a six-month period for a total of \$300,000. Provided that Terrelum provides its technical services and the Company agrees to any further expenditures, the Company will also fund any subsequent operations of the joint venture. As the Company holds a 90% interest in the Montana Project, the Company retains the sole right to terminate the Joint Venture Agreement.

Sweetgrass Project

On September 15, 2021, the Company entered into an agreement to acquire 15 new Montana gross sections with multiple structural closures. The new sections are highly prospective for potential helium extraction, consisting of ~50,000 acres of land in Montana and the highlights are as follows:

- The additional sections of land have multiple structural closures and contain several closed structural highs, ideal for the trapping helium, that exhibit ~80m to >200m of relief.
- Multiple target zones in the Devonian and Cambrian, and with excellent reservoir quality.
- Adjacent wells to the north of the acreage in Canada have helium shows up to 2% and nitrogen up to 96%.

On November 1 2021, the Company announced that it has entered the drilling phase of operations at its 100%-owned Greater Knappen land holdings in Northern Montana, encompassing the Sweetgrass and Kicking Horse Projects. The Company has commenced surface operations and is finalizing surveys prior to starting its initial drilling program.

Kicking Horse Project

On August 1, 2021, the Company acquired approximately 3,180 acres of land located in Montana from Western Natural Grass Co. The property is highly prospective for potential helium extraction.

Kevin Dome Project

On September 1, 2021, the Company acquired approximately 5,241 acres of land located in Montana from Three Forks Resources LLC. The property is highly prospective for potential helium extraction.

Acquisition of Additional Land Licenses in North-Central Montana

On April 16, 2021, the Company entered into a letter of intent with a group of private land holders to acquire the helium rights on approximately 12,000 acres of prospective land in North-Central Montana. The highlights of the land are as follows:

- Large land position in North-Central Montana, in close proximity to, and on trend with, an active drilling area in SW Saskatchewan, which has nitrogen-rich helium tests in Cambrian to Devonian zones.
- Basement highs are mapped on the lands using 2D and 3D seismic data, and several of these structures appear prospective for helium trapping in overlying sedimentary formations.
- Multiple gas analyses from shallow Cretaceous gas zones have notable concentrations of helium, suggesting upward migration of helium and good potential for deeper helium-rich zones, similar to that seen in SW Saskatchewan and other helium-producing areas across North America.

On June 4, 2021, the Company entered into an offer to purchase 2 additional properties totaling approximately 50,000 acres of land in Montana. The properties are highly prospective for the potential discovery of helium, and the highlights are as follows:

- The properties feature several closed structural highs, ideal for the trapping of helium, that exhibit 70m to 170m of relief.
- Surrounding wells have helium shows in multiple Devonian and Cambrian targets with helium percentages of up to 2%.
- Area helium shows are associated with favorably high nitrogen percentages of up to 96%.
- Area well log and core analyses indicate excellent reservoir quality in Devonian and Cambrian target intervals.

The Company's geologic models suggest the properties contain several four-way closed structures with 70m to 170m of relief. These dramatic rises in subsurface elevations can create ideal reservoirs for trapping and accumulating helium and will be the targets for the Company's exploration and development plan. The evaluation process has indicated the potential for excellent reservoirs in multiple zones, with several existing analogue wells showing up to 2% helium and 96% nitrogen in both the Devonian and Cambrian formations.

Knappen Project

On March 29, 2021, the Company acquired over 6,000 acres under licenses from the government of Alberta. The property is highly prospective for helium and contains wells that were originally drilled for oil and natural gas with the following highlights:

- A previously abandoned natural gas well on the property, drilled by a Canadian major oil and gas company, showed 2.18 % helium and 96% nitrogen in the Cambrian, and 0.3% helium and up to 98% nitrogen in the Devonian.
- Offsetting wells have multiple tests in Cambrian and Devonian intervals with up to 1.79% helium and 83-93% nitrogen content.
- Drill stem tests (DSTs) in wells in and around the newly acquired land package indicate reservoir quality rock in the Cambrian and Ordovician zones.

The newly acquired project resides in an area with confirmed reservoir rock and multiple DSTs with analysed gas. A previously drilled well on the property tested gas with high helium content (2.18%) and high nitrogen content (96%). The high-grade of helium gas showings of greater than 2% compare favourably to commercially viable grades ranging from 0.3% to 1%. The property fits well with helium tests in multiple nearby wells and the potential for viable helium reservoirs over a larger basement structure. The Company will continue to evaluate and map deeper Paleozoic zones in detail as mapping the basement structure will be crucial to high grading areas with structural or stratigraphic trapping of helium.

Aden Project

On May 4, 2021, the Company acquired a strategic land package under lease from the government of Alberta. The property is highly prospective for potential helium extraction, and the Company is moving forward with a more detailed analysis to identify optimal well locations. The highlights of the land are as follows:

- Multiple surrounding wells have helium shows of up to 2%.
- Previously abandoned wells on the property with high Nitrogen tests from Devonian and Cambrian formations at ~95%.
- A closed structurally high feature with over 75 meters of relief, ideal for trapping of helium, is present over most of the ~2,500-acre property.
- Multiple helium target intervals in the Devonian and Cambrian formations.
- Avanti's technical team will now move into a detailed evaluation phase to identify optimally positioned well locations.

The newly acquired project resides over an area with a closed structural high that is ideal for trapping helium and multiple helium shows have been identified in and around the property with shows up to 2%. Previously drilled oil and gas wells on the property show high nitrogen content of ~95% in multiple zones. Nitrogen at this concentration is important because it is often associated with producible quantities of helium and the production of helium is a relatively simple process. The Company is moving into a more detailed evaluation phase with the goal of drilling exploration wells later this year.

On July 12, 2021, the Company announced that following extensive geophysical evaluation of seismic data, the Company has identified three potential drilling targets on the Aden property and confirmed a large four-way closed structure with over 75 meters of relief. Geological evaluations of nearby wells indicate nitrogen concentrations between ~86% - 98% and helium concentrations between ~.6% - 2.17% in the Cambrian Sandstone, Lower Beaverhill Lake, and Upper Beaverhill Lake, providing three target pay zones for potential helium discovery. As part of the comprehensive geological evaluation of the area, core and log analysis indicate excellent reservoir quality rock over multiple horizons in the Beaverhill Lake and Cambrian formations. The Company has also successfully completed its initial environmental assessment of the property and is moving forward with its planned Q3/Q4 2021 drilling program.

OUTLOOK

The Company's principal projects include a 90% interest in the Montana Project, the Sweetgrass Project, the Kicking Horse Project, the Kevin Dome Project, the Knappen Project and the Aden Project. These projects and the pursuit of opportunities in the helium sector will be the core focus of the Company for the foreseeable future.

According to Cormark Securities July 29, 2020 "Emerging Ideas", the void in supply created by the US depleting its National Helium Reserve in 2019 (~25% of global supply) and increasing demand from the growing space exploration industry, healthcare applications and high-powered computing, has brought some significant increases in price for helium gas. Helium consumers have increased their focus on supply certainty as new projects in Russia, Qatar, and Algeria carry significant geopolitical risk. North America, with a long history of oil and gas exploration/development, is an attractive environment for helium extraction given the availability of a vast conventional well database, ample seismic data, drilling/geological expertise, and stable regulatory systems offering favourable lease terms and royalties.

In 2018, industry studies estimated total global demand for helium reached ~6.3 Bcf per annum. While no functional spot market or any futures market for helium currently exists, the last US government auction in August 2018 saw prices spike 135% year-over-year to US\$280/Mcf. Notably, sales of raw gaseous helium have obtained prices in excess of US\$200/Mcf in the "spot" market.

The Company believes the demand for helium should remain largely price inelastic given the lack of substitutes for helium in a number of critical applications and it being a non-renewable resource, relatively scarce, irreplaceable element. With increasing demand from a variety of high-growth sectors, the Company expects demand to sustain the growth helium has experienced over the past decade. Given the favourable supply and demand sides of helium, the Company believes there is a compelling opportunity in North America to leverage its conventional oil and gas expertise, and in some cases exploit existing natural gas discoveries, to tap into the robust economics for helium extraction.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and

central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

RESULTS OF OPERATIONS

During the three months ended September 30, 2021, the Company's operations reflect its exploration of the Montana Project, its acquisition of additional projects located in the Montana area and its on-going focus on evaluating further opportunities within the helium sector. The Company incurred a net and comprehensive loss totaling \$3,672,340 compared with the \$30,507 incurred in the 2020 period. However, in 2021 the expenses incurred include the significant non-cash charge of \$1,549,139 for share-based compensation to recognize the grant of stock options during the period. The remaining increase in operating expenses primarily reflects the Company's on-going focus on identifying prospective helium projects.

During the nine months ended September 30, 2021, the Company's operations reflect its acquisition and exploration of the Montana Project, its acquisition of licenses from the government of Alberta, its acquisition of additional projects located in the Montana area and its on-going focus on evaluating further opportunities within the helium sector. The Company incurred a net and comprehensive loss totaling \$7,334,262 compared with the \$89,694 incurred in the 2020 period. However, in 2021 the expenses incurred include the significant non-cash charge of \$2,932,783 for share-based compensation to recognize the grant of stock options during the period. The remaining increase in operating expenses primarily reflects the Company's on-going focus on identifying prospective helium projects.

Selected Financial Data [Quarterly - unaudited]

	Quarter Ended							
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
Comprehensive income (loss)	\$ (3,672,340)	(3,032,235)	(629,687)	(445,062)	(30,507)	(30,600)	(28,587)	55,520
Income (loss) per share	\$ (0.08)	(0.07)	(0.03)	(0.04)	(0.00)	(0.00)	(0.00)	0.01
Share capital	\$ 34,217,516	28,407,071	26,024,399	14,748,556	13,536,348	13,536,348	13,536,348	13,536,348
Common shares issued	48,813,710	44,871,188	35,421,190	21,050,190	11,050,192	11,050,192	11,050,192	11,050,192
Weighted average shares outstanding	47,513,316	41,246,244	24,081,057	12,061,121	11,050,192	11,050,192	11,050,192	5,526,794
Total Assets	\$ 18,267,295	13,859,292	13,391,246	1,784,535	383,784	403,638	422,706	451,467
Net Assets (liabilities)	\$ 17,020,662	13,533,947	13,227,553	1,769,675	335,529	366,036	396,636	425,223

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's activities have been primarily funded to date through the issuance of common shares. Please refer to the financial risk section in this MD&A.

As at September 30, 2021, the Company had a working capital of \$7,478,678 (December 31, 2020 – \$1,769,675) and cash of \$1,429,205 (December 31, 2020 – \$1,771,599). The Company has sufficient working capital to meet its obligations.

Effective November 24, 2020, the Company completed a private placement by issuing 9,999,998 units at \$0.15 per unit. Gross proceeds of \$1,500,000 were received by the Company; no finders' fees were incurred in connection with the placement. Each unit was comprised of one common share and one transferable warrant. Each warrant entitles the holder to purchase one common share at \$0.20 per share until the warrant expiry date of November 24, 2021. Using the residual value method, the Company recognized additions to share capital of \$1,225,000 and to reserves of \$275,000. The Company, in connection with the November 2020 placement, incurred share issuance costs of \$12,792.

Effective March 11, 2021, the company issued 4,900,000 common shares to Terrelium under the terms of the Joint Venture Agreement in exchange for a 90% interest in the Montana Project and technical services related to the exploration, development and, if applicable, production of the Montana Project.

Effective March 26, 2021, the Company completed a private placement by issuing 5,000,000 units at \$1 per unit. Gross proceeds of \$5,000,000 were received by the Company. The Company incurred share issuance costs of \$330,850 and issued 285,300 broker warrants. Each warrant entitles the holder to purchase one common share at \$1 per share until the warrant expiry date of March 26, 2022.

Effective July 9, 2021, the Company completed a private placement by issuing 2,400,000 units at \$1.70 per unit. Gross proceeds of \$4,080,000 were received by the Company. The Company incurred share issuance costs of \$90,202 and issued 40,878 broker warrants. Each warrant entitles the holder to purchase one common share at \$2 per share until the warrant expiry date of July 9, 2022.

Effective September 13, 2021, the Company completed a private placement by issuing 882,352 units at \$1.70 per unit. Gross proceeds of \$1,499,998 were received by the Company. The Company incurred share issuance costs of \$8,250.

CAPITAL EXPENDITURES

The Company incurred exploration and evaluation expenditures of \$4,626,664 (2020 - \$nil) and purchases of equipment of \$11,652 (2020 - \$nil) during the nine months ended September 30, 2021. The Company is committed to provide initial funding of \$50,000 per month over a six-month period for a total of \$300,000 pursuant to the Joint Venture Agreement. During the nine months ended September 30, 2021, the Company incurred the following exploration and evaluation expenditures:

	Montana Project	Knappen Project	Aden Project	Kicking Horse Project	Kevin Dome Project	Sweetgrass Project	Total
Expenditures during the							
Acquisition (cash costs)	\$ 111,340	\$ 202,391	\$ 326,381	\$ 440,443	\$ 666,447	\$ 2,698,992	\$4,445,994
Initial Funding	50,000	-	-	-	-	-	50,000
Consulting Fees	84,995	-	-	-	-	-	84,995
Exploration work	1,125	21,674	1,676	-	-	-	24,475
Other	9,060	-	-	-	-	12,140	21,200
	\$256,520	\$224,065	\$328,057	\$440,443	\$666,447	\$2,711,132	\$4,626,664

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key Management Personnel	Three months ended September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Salaries and short term benefits ⁽ⁱ⁾	\$ 332,937	\$ 4,500	\$ 536,485	\$ 13,500

⁽ⁱ⁾Salaries and short term benefits include \$64,696 and \$186,463 (2020 - \$4,500 and \$13,500) in Management fees, and \$268,241 and \$350,022 (2020 - \$nil and \$nil) in share-based compensation as recorded on the Statements of Loss and Comprehensive Loss for the three and nine months ended September 30, 2021 and 2020.

During the three and nine months ended September 30, 2021, the Company entered into the following transactions with key management personnel and/or related entities:

Related party	Nature of transaction
Pacific Equity Management Corp. (“PEMC”)	Rental agreement with PEMC, a company controlled by two former officers of the Company for rent and shared office expenses commencing July 1, 2017.
Elbert Wong (“Wong”)	Consulting fees for the services of Former Interim CFO and Secretary. Agreement effective September 1, 2019 on a month to month basis. This agreement was terminated effective April 1, 2021.
Hatchette Holdings Ltd. (“Hatchette”)	Consulting fees for the services of Rob Gamley, President and a director of the Company. Agreement effective September 1, 2019 and amended agreement effective April 1, 2021 on a month to month basis.
Malaspina Consultants Inc. (“Malaspina”)	Consulting fees for the services of Natasha Tsai, CFO. Agreement effective April 1, 2021.

- a) Paid \$7,500 and \$22,500 (2020 – \$7,500 and \$22,500) and prepaid \$7,500 (2020 – \$nil) for rent and shared office expenses to PEMC. Under an Offices Services Agreement dated as of July 1, 2017, the Company is required to pay \$30,000 per annum, for three years for rent and office services. The agreement expired during the year ended December 31, 2020 and the Company is negotiating for an extension of the agreement.
- b) Paid \$nil and \$4,500 (2020 – \$1,500 and \$4,500) to Wong for management services provided.
- c) Paid \$45,000 and \$144,000 (2020 – \$3,000 and \$9,000) to Hatchette for management services provided and granted 445,000 options (2020 – nil) with a fair value of \$808,550 (2020 – \$nil) to Rob Gamley, of which \$268,241 and \$350,022 is disclosed in key management personnel compensation within salaries and short-term benefits for the three and nine months ended September 30, 2021. The remaining \$458,528 of fair value relates to options that have not yet vested.
- d) Paid \$19,696 and \$37,963 (2020 – \$nil and \$nil) to Malaspina for management services provided.

FINANCIAL INSTRUMENTS AND RISK

Fair value

The Company’s financial instruments consist of cash, investments, accounts payable and accrued liabilities. The carrying value of accounts payable and accrued liabilities approximate fair value due to their short terms to maturity. Cash and investments are measured at fair value using level 1 inputs.

Financial risk factors

The Company’s risk exposures and the impact on the Company’s financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company’s cash and investments are held at large Canadian financial institutions. As a result, the Company does not believe it is exposed to significant credit risk, however, the Company’s maximum exposure is equal to the carrying value of these balances.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2021, the Company had working capital of \$7,478,678. As at September 30, 2021, the Company has sufficient working capital to discharge its existing financial obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash and investments are maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash and investments is not considered significant, as the investments have fixed interest rates.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2021, a 10% fluctuation in the foreign exchange rate of the United States dollar against the Canadian dollar would affect the Company's loss and comprehensive loss for the period by approximately \$93,000.

c) Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and gas are impacted not only by the relationship between the Canadian dollar, Euro dollar and United States dollar, but also by world economic events that dictate the levels of supply and demand.

RISKS AND UNCERTAINTIES

Limited liquidity, additional financing and uncertainty of such financing

Current financial resources are able to fund the Company's operations. The Company will require additional financing, however, to conduct exploration programs on its properties and fund corporate costs that are beyond the current financial resources. There is no assurance that the Company will be successful in obtaining the required financing either through issuance of common shares, issuance of debt instruments, divestment of properties or partnerships. A lack of financing would cause the Company to postpone its exploration and development plans, reduce its technical staff, and could necessitate reducing mineral concessions and/or will cause going concern issues for the Company.

PFIC Tax Risk

U.S. persons who are potential holders of our common shares, warrants or options to purchase our common shares, should be aware that the Company could constitute a "passive foreign investment company" (or a "PFIC") for U.S. federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. The application of these factors depends upon our financial results for the year, which is beyond our ability to predict or control, and may be subject to legal and factual uncertainties. While the Company does not believe that we were a PFIC in 2020 and do not expect to be a PFIC in 2021, the Company cannot guarantee its PFIC status in 2019, 2020 or in later years. The Company undertakes no obligation to advise investors as to our PFIC status for any year.

If the Company is a PFIC for any year, any holder of our equity securities who is a U.S. person for U.S. federal income tax purposes, a "U.S. holder", and whose holding period for the equity securities includes any portion of a year in which the Company is a PFIC generally would be subject to a special adverse tax regime in respect of "excess distributions." Excess distributions would include certain distributions received with respect to our common shares. Gain recognized by a U.S. holder on a sale or other transfer of our equity securities also would be treated as an excess distribution. Under the PFIC rules, excess distributions would be allocated ratably to a U.S. holder's holding period. For this purpose, the holding period of common shares acquired through either an exercise of warrants or options includes the holder's holding period in those warrants or options.

The portion of any excess distributions (including gains treated as excess distributions) allocated to the current year would be includible as ordinary income in the current year. In contrast, the portion of any excess distributions allocated to prior years would be taxed at the highest marginal rate applicable to ordinary income for each year (regardless of the taxpayer's actual marginal rate for that year and without reduction by any losses or loss carryforwards) and would be subject to interest charges to reflect the value of the U.S. federal income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called "QEF" and "mark-to-market" elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect to warrants or options. The Company has not decided whether we will provide the U.S. Holders of our common shares with the annual information required to make a QEF election.

Additional special adverse rules could apply to our equity securities if the Company is a PFIC and has a non-U.S. subsidiary that is also a PFIC. Finally, special adverse rules that impact certain estate planning goals could apply to our equity securities if the Company is a PFIC.

Dilution

Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

Market condition and liquidity crisis

The global liquidity crisis of 2008-2009 resulted in extreme volatility in equity and commodity markets and negatively impacted common share prices of junior exploration companies. Although global economies have improved, equity capital market conditions continue to be troublesome. The valuation of the Company and other junior exploration companies have suffered, and the environment for raising additional financing continues to be difficult.

Share price subject to volatility

The market price of the securities of a publicly traded issuer, in particular a junior resource issuer, is affected by many variables not directly related to exploration success, including the market for junior resource securities, economic performance, market liquidity, commodity prices, availability of alternative investments and the breadth of the public market for the securities.

Hydrocarbon prices subject to volatility

The Company is primarily targeting oil and gas. These commodities are traded on exchanges and their prices have been volatile and are affected by, among other things, forecast global economic conditions, and current supply and demand. While the Company is not currently producing or selling a large dollar value of products, the value of its projects are impacted by current and future expected prices of the commodities that it is seeking.

No history of earnings

To date, the Company has only earned revenue from production at its oil and gas properties, for a brief interval within its history. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on management

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the business.

Exploration and development activities are inherently risky

The business of exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. These factors can all affect the timing, cost and success of exploration programs and any future development. Although the Company carries liability insurance with respect to its exploration operations, the Company may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure.

Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in

which case, any indemnities and exemptions from liability may be ineffective, and the Company may be responsible for the costs of reclamation.

If any of the Company's properties move to a development stage, the Company would be subject to additional risks respecting any development and production activities.

Potential conflicts of interest

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Political investment risk; Political instability in developing countries

Some of the Company's interests are in countries that may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labour unrest, fluctuations in currency exchange rates, rates of inflation, terrorism, hostage taking and expropriation.

The Company's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. The Company cannot predict the government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations entail governmental, economic, social, medical and other risk factors common to all developing countries. See "Economic Uncertainty in Developing Countries". The status of developing countries may make it more difficult for the Company to obtain any required financing because of the associated investment risks.

Economic uncertainty in developing countries

The Company's operations may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Any such changes could have a material adverse effect on the Company's results of operations and financial condition.

Risks relating to statutory and regulatory compliance

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Title risks

The acquisition of title to resource properties or interests therein is a detailed process. Title to the area of resource concessions may be disputed. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its properties and consequently the boundaries of the properties may be disputed.

Foreign currency fluctuations

The Company's activities in Italy will render it subject to foreign currency fluctuations. While the Company expects to minimize the risks associated with foreign currency fluctuations by holding its cash and short-term investments in U.S. and Canadian dollars rather than the local currencies, to the extent that its operations in those countries are carried out using the local currency, any appreciation of such local currency relative to the U.S. and Canadian dollar could have an adverse impact on the financial position of the Company. Since the Company's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange rate fluctuations between the Canadian dollar, U.S. dollar and Euro dollar.

Insurance risk

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its exploration operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Legal proceedings

Substantially all of the Company's assets are located outside of Canada, which may create difficulties in enforcing in Canadian courts any judgments obtained by the Company in foreign jurisdictions. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of securities legislation. The Company may be subject to legal proceedings and judgments in foreign jurisdictions.

Dividends unlikely

The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

The Company is required to make certain estimates, judgments and assumptions. Please refer to Note 2 in the annual financial statements for more details.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements for the nine months ended September 30, 2021 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

OUTSTANDING SHARES, STOCK OPTIONS AND WARRANTS

As at November 26, 2021:

- a) Authorized: unlimited common shares without par value.
- b) Issued and outstanding: 49,563,710 common shares.
- c) Outstanding stock options:

Number of options	Exercise price	Expiry date
1,350,000	\$0.30	November 30, 2025
1,395,000	\$1.45	March 11, 2026
450,000	\$2.70	May 31, 2026
150,000	\$2.45	July 12, 2026
1,250,000	\$1.64	August 23, 2026
150,000	\$1.64	November 6, 2026
4,745,000		

- d) Outstanding warrants:

Number of warrants	Exercise price	Expiry date
370,000	\$ 0.60	November 23, 2022 ⁽¹⁾
60,000	\$ 0.60	December 7, 2022 ⁽¹⁾
215,130	\$ 1.00	March 26, 2022
40,878	\$ 2.00	July 9, 2022
686,008		

⁽¹⁾ In certain circumstances, the expiry of these warrants may be accelerated.

EVENTS SUBSEQUENT TO SEPTEMBER 30, 2021

- a) Warrants to acquire 750,000 common shares at \$0.20 per share were exercised.
- b) On November 6, 2021, the Company granted 150,000 stock options to consultants of the Company. The options are exercisable at a price of \$1.64, have a term of five years and vest in four equal installments every three months following the grant date.

OTHER MD&A REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.