

# **KINGSMEN RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

This discussion and analysis of financial position and results of operation is prepared as at November 25, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2022 of Kingsmen Resources Ltd. (the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### **Forward-Looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### **COVID-19**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

### **Company Overview**

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "KNG" and on the OTCQB under the symbol "KNGRF". The Company is a junior mineral exploration company primarily engaged in the acquisition and exploration of precious metals on mineral properties. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. On April 21, 2020 the Company completed the sale of an initial 49% interest (the "Initial Interest") in the La Trini Property to GoGold Resources Inc. ("GoGold"), an arm's length purchaser, for \$316,305 (US \$225,000). On January 19, 2022 GoGold notified the Company of its election to exercise its option (the "Option") to acquire the Company's remaining 51% in the La Trini Project for US \$210,000. Effective February 1, 2022, the Company closed on the disposition and holds a 1% net smelter return royalty on the La Trina Project. As at the date of this MD&A the Company holds no mineral property interests. In September 2022 the Company entered into two

non-binding letters of intent to acquire a 100% interest in the Los Colorados Gold-Silver-Copper-Lead-Zinc Project in Chihuahua, Mexico. See “Proposed Exploration Project”.

### **Proposed Exploration Project**

The Company has been actively identifying and reviewing prospective mineral exploration properties in Mexico. In September 2022 the Company entered into two non-binding letters of intent (collectively the “LOI”) with Minera Sierra Almolya, S.A.DE C.V, Luz Adriana Ramos Garcia and Fermin Eduardo Ramos Garcia to acquire a 100% interest in the Los Colorados Project in Chihuahua, Mexico. The project area includes the Los Colorados mine and surrounding claims. The LOI calls for the Company to make payments cash totalling US \$2,140,000 over a seven year period and will be subject to a 2.5% NSR. The Company is now working towards a definitive agreement after which it will make a submission to the TSXV for approval. No payments have been made as of the date of this MD&A.

The project area is located approximately 30 kilometres southeast of the city of Hidalgo de Parral and 40 kilometers east of the mid-Tertiary polymetallic quartz sulfide vein deposits of the San Francisco del Oro and Santa Barbara mining districts which are amongst the largest Pb-Zn-Cu-Ag deposits in Mexico <sup>(1)(2)</sup>. In 1988 these districts were estimated to have produced, since 1650, over 13 billion g (440 million oz) of silver<sup>(1)</sup>.

Historic mining by the American Smelting and Refining Company (ASARCO) in the project area was conducted between 1906 - 1952 with production from the La Soledad, Santo Niño, Eva and Rosario veins. There are no records of production. The project area has recently been consolidated and is located within a well-established mining district, with the local communities fully supportive of mineral exploration.

The Las Coloradas Project is an epithermal, high-grade, narrow-vein, silver-gold copper-lead-zinc project within the Carbonate Replacement Deposits belt of Chihuahua state, Mexico. Outcropping mineralization is hosted by the Mezcalera Lower Cretaceous Formation. The Mezcalera Formation is of similar age and composition to the Parral Formation that hosts the mineralization in the San Francisco del Oro and Santa Barbara districts<sup>(3)</sup>.

Historic mining and recent, limited, diamond drilling (7703.45m - 10 holes) have intersected three distinct styles of mineralization on the property – vein, porphyry and skarn<sup>(4)</sup>. These remain the targets for future drilling. No significant deep drilling has taken place on the project. More than twenty veins are known with most past production having come from the NW-trending Soledad vein system. There are numerous old mining works visible (pits, shafts, and superficial stopes) with depths of 10 m to 140m on the main shafts.

The transaction will constitute a Fundamental Acquisition for Kingsmen and will be an arm’s length transaction, further details of which will be announced upon signing of the Definitive Agreement, which will be subject to TSXV approval.

- (1) Grant G.J. and Ruiz J. (1988) The Pb-Zn-Cu-Ag deposits of the Granadena Mine, San Francisco del Oro-Santa Barbara District, Chihuahua. *Economic Geology* (1988) Vol. 83 pp. 1683–1702.
- (2) Megaw, P.K., Ruiz, J. and Tittley, S.R. (1988) High-temperature, carbonate-hosted Ag-Pb-Zn(Cu) deposits of northern Mexico. *Economic Geology* (1988) Vol. 83 pp. 1856-1885
- (3) Texidor Carlsson, J.M. and Wilson, V. (2020) NI 43-101 Technical Report on the Parral project, State of Chihuahua, Mexico.
- (4) Luna, M. (2020) Las Coloradas Project, Minera Argentita Exploracion Confidential Internal Report.

### **Qualified Person**

The scientific and technical disclosure in this MD&A has been reviewed and approved by Kieran Downes, Ph.D., P. Geo., a Qualified Person as defined by National Instrument 43-101. Dr. Downes is a consultant to Kingsmen.

## Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

Three Months Ended	Fiscal 2022			Fiscal 2021			Fiscal 2020	
	Sep. 30 2022 \$	Jun. 30 2022 \$	Mar. 31 2022 \$	Dec. 31 2021 \$	Sep. 30 2021 \$	Jun. 30 2021 \$	Mar. 31 2021 \$	Dec. 31 2020 \$
<b>Operations:</b>								
Revenues	Nil							
Expenses	(50,382)	(72,961)	(74,974)	(43,699)	(47,240)	(40,214)	(59,339)	(52,147)
Other items	23,482	16,277	261,081	(7,702)	9,847	(120)	(498)	(1,722)
Net income (loss) and comprehensive income (loss)	(26,900)	(56,684)	186,107	(51,401)	(37,393)	(40,334)	(59,837)	(53,869)
Basic and diluted income (loss) per share	(0.00)	(0.00)	0.01	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
Dividends per share	Nil							
<b>Statement of Financial Position:</b>								
Working capital	1,003,616	1,030,516	1,087,200	901,092	900,436	703,918	744,252	804,089
Total assets	1,016,619	1,052,137	1,107,772	908,831	920,281	716,107	768,607	817,973
Total long-term liabilities	Nil							

## Results of Operations

### *Three Months Ended September 30, 2022 Compared to Three Months Ended June 30, 2022*

During the three months ended September 30, 2022 (“Q3”) the Company reported net loss of \$26,900 compared to a net loss of \$56,684 for the three months ended June 30, 2022 (“Q2”) a decrease in loss of \$29,784. The decrease was due to a \$9,782 fluctuation in foreign exchange, from a gain of \$9,674 in Q2 to a gain of \$19,456 in Q3 which was partially offset by a \$22,579 decrease in general and administrative expenses from \$72,961 during Q2 to \$50,382 during Q3.

### *Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021*

During the nine months ended September 30, 2022 (the “2022 period”) the Company reported a net income of \$102,523 compared to net loss of \$137,564 for the nine months ended September 30, 2021 (the “2021 period”), an increase in income of \$240,087. The increase in the 2022 period was attributable to the disposition of the Company’s remaining 51% interest in the La Trini Property for \$267,036 (US \$210,000), recognizing a gain of \$267,035 in the 2022 period and a \$15,948 fluctuation in foreign exchange, from a gain of \$5,460 during the 2021 period to a gain of \$21,408 during the 2022 period. The increase in income was partially offset by a \$51,524 increase in general and administrative expenses, from \$146,793 during the 2021 period to \$198,317 during the 2022 period.

Specific fluctuations in expenses are as follows:

- (i) during the 2022 period the Company incurred legal expenses of \$15,545 (2021 - \$4,062) for services provided on the sale and transfer of the 51% in TMXI;
- (ii) during the 2022 period the Company incurred \$16,300 (2021 - \$12,500) for accounting and administrative services provided by Chase Management Ltd., a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare;
- (iii) during the 2022 period the Company incurred professional fees of \$29,400 compared to \$18,000 for the 2021 period. During the 2022 period the Company engaged consultants for due diligence on prospective business opportunities; and
- (iv) during the 2022 period the Company incurred \$3,675 for due diligence costs and \$17,516 for travel expenses to review business opportunities for the Company. No due diligence costs were paid nor was travel conducted during the 2021 period.

## ***Financings***

No financings were conducted during the 2022 or 2021 periods.

## **Financial Condition / Capital Resources**

As at September 30, 2022 the Company had working capital in the amount of \$1,003,616. Management believes that the Company has adequate resources to maintain its current levels of overhead and ongoing corporate expenses for the next 12 months. The Company continues to conduct reviews and due diligence on prospective acquisitions and business opportunities. Completion of any acquisition may require the Company to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. See also “COVID-19”.

## **Contractual Commitments**

The Company has no contractual commitments.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Proposed Transactions**

The Company has no proposed transactions.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity 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 revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of the Company’s critical accounting estimates and sources of estimation is included in Note 3 to the December 31, 2021 audited annual consolidated financial statements.

## **Changes in Accounting Principles**

There were no changes in accounting policies.

A detailed summary of the Company’s significant accounting policies is included in Note 3 to the December 31, 2021 audited annual consolidated financial statements.

## **Related Party Disclosures**

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 consists of the CEO and CFO of the Company.

### **(a) *Key Management Personnel Disclosures***

During the 2022 and 2021 periods the following amounts were incurred with respect to Mr. Scott Emerson, the CEO and Mr. Nick DeMare, the CFO of the Company:

	2022 \$	2021 \$
Management fees - Mr. Emerson	72,000	72,000
Professional fees - Mr. DeMare	4,500	4,500
	<u>76,500</u>	<u>76,500</u>

(b) *Other Related Party Disclosures*

- (i) During the 2022 and 2021 periods the following amounts were incurred with respect to non-management directors of the Company (Messrs. David Henstridge and Rod Johnston) and the corporate secretary (Mr. Harvey Lim) as follows:

	2022 \$	2021 \$
Professional fees - Mr. Henstridge	4,500	4,500
Professional fees - Mr. Johnston	4,500	4,500
Professional fees - Mr. Lim	4,500	4,500
	<u>13,500</u>	<u>13,500</u>

As at September 30, 2022 \$1,500 (December 31, 2021- \$nil) remained unpaid.

- (ii) During the 2022 period the Company incurred a total of \$16,300 (2021 - \$12,500) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at September 30, 2022 \$2,600 (December 31, 2021 -\$1,700) remained unpaid.

**Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 25, 2022 there were 28,032,825 common shares issued and outstanding.