

**Klondike Silver Corp.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Three Months Ended August 31, 2021**

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited financial statements of Klondike Silver Corp. (“Klondike Silver” or the “Company”) for the three month period ended August 31, 2021 which have been prepared in compliance with International Financial Reporting Standard 34, Interim Financial Reporting (“IAS 34”). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

The Company’s financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**This MD&A has been prepared as of October 28, 2021.** All amounts are expressed in Canadian dollars unless otherwise stated.

### **Forward Looking Information**

This MD&A includes some statements that may be considered “forward-looking statements”. All statements in this discussion that address the Company’s expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes or lack thereof, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

### **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company’s exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below.

The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

### **Financing**

The Company’s future financial success depends on the ability to raise additional capital from the issue of shares or the discovery of properties which could be economically justifiable to develop. Such development could take years to complete and resulting income, if any, is difficult to determine. The sales value of any mineralization potentially discovered by the Company is largely dependent upon factors beyond the Company’s control, such as the market value of the products produced.

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**General Resource Exploration Risks and Competitive Conditions**

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets, processing equipment, changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well as for the engagement of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

**Governmental Regulation**

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

**Company Overview**

Klondike Silver is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "KS".

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. Once a body of commercial ore is found, the Company may offer to a major mining company the opportunity to acquire an interest in a property in return for funding by the major mining company, of all or part of the exploration and development of the property. The Company currently has no revenues from mineral producing operations and holds properties in British Columbia and the Yukon.

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and also on the Company's website at [www.klondikesilver.com](http://www.klondikesilver.com).

**Overall Performance**

Exploration and evaluation spending during the three months ended August 31, 2021 was \$583,453 (May 31, 2021 - \$2,071,784). BC Mining Exploration Tax Credit of \$206,603 was received in the year ended May 2021. Major categories were geology and labour for \$476,392 and supplies and maintenance for \$42,589 on the Slocan and Sandon BC claims.

Since December 2019, the outbreak of corona virus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments on future operations.

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***Property Summaries and Exploration Updates***

***British Columbia Properties***

***Slocan Silver Camp***

The Slocan Silver Camp is centered around the historic mining town of Sandon, located 138 km north of the Trail B.C. smelter in south-eastern, British Columbia. Sandon is 14.5 kilometres east of New Denver and has year round access via an all-weather gravel road which branches off of paved Provincial Highway 31A, 8.5 km from New Denver.

Klondike Silver's claims in the Slocan Camp cover an area of approximately 116 square kilometers and include 68 of the historical past-producing silver-lead-zinc mines of the camp, including the Silvana Mine. The Slocan Camp includes an operational 90 tonne per day (100 ton per day) mill situated immediately downstream of the historic town of Sandon. The claims include legacy claims, crown-granted claims, and recently acquired MTO mineral claims. Not all of the ground within the Camp is held by Klondike Silver. The majority of Klondike Silver's claims are contiguous and in good standing with the province of British Columbia to July 31, 2029.

The central area of the Sandon camp, includes the second largest past producing mine in the region and has been the focus of Klondike Silver's underground exploration for the past several years.

**Silvana Mine**

The principal source of the Slocan Camp's historic silver-lead-zinc production comes from the Main Lode structure which is approximately 9 km long, extending from the town of Silverton on Slocan Lake to the historic town of Cody in the east. The Main Lode transects 'Silver Ridge' which separates two major drainage basins (Carpenter and Silverton Creeks) of the Selkirk Mountains. The Silvana production area covers approximately 1.3 km of the Main Lode. The Company claims extend approximately 1.5 km to the west of the Silvana's historic production zone. This region of the Main Lode has been named the "Silver Mile" by the Company. The western property boundary is 0.5 km from the Mammoth Mine, the next major mine to the west, along the Main Lode.

The Main Lode mines produced 1.8 million tonnes of ore with an average grade of 494 grams per tonne (g/t) (14.42 ounces per ton, oz/T) silver, 6.53 % lead and 5.29 % zinc (source BC MINFILE). Total production for all Main Lode mines was 888 tonnes (29 million oz) of silver, 117 million kg of lead and 97 million kg of zinc.

The mines within the Company's claims produced 965,000 tonnes of ore with an average grade of 596 g/t (17.38 oz/T) silver, 7.69 % lead and 4.19 % zinc. Total production of the Company's mines on the Main Lode was 575 tonnes (18 million oz) of silver, 74 million kg of lead and 40 million kg of zinc.

The Silvana Mine produced 511,000 tonnes of ore with an average grade of 476 g/t (13.87 oz/T) silver, 5.62 % lead and 5.15 % zinc. Total production of the Silvana Mine over 40 years was 243 tonnes (8 million ounces) of silver, 29 million kg of lead and 26 million kg of zinc. The Silvana mine's last production was in 2013.

The Silvana Mine was originally operated as a joint venture between Kam-Kotia and Burkham as the Silmonac Mine. The operation was re-name the Silvana Mine when Kam-Kotia and other mining companies amalgamated under Dickenson Mines Limited. In 1991 Treminco Resources Corp. acquired the property from Dickenson Mining Limited. In 1999 Klondike Gold acquired the property from Treminco and was later spun out as Klondike Silver Corp.

The Silvana mine is the only mine in the Slocan Mining Camp that was discovered from underground diamond drilling (i.e. a blind deposit). The old Ruth 5 level (Silvana 4000 Level) was extended westward from the New Ruth and Silversmith deposits and long up-hole diamond drill holes intersected substantial lead and zinc mineralization in 1968. Funds were raised for a higher elevation portal and Cross-cut Drift (Silvana 4625 Level) to intersect this mineralization. Production from the Silvana mine started in 1970 utilizing the refurbished 1952 Carnegie Mill,

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immediately downstream of the town of Sandon. Three side-hill tailings ponds have been constructed since production started (Tailings Management Facility – TMF), downstream of the mill. Pond #3 is the only active pond. There are several tracked drifts to access mined areas (stopes) above the 4625 Level. Rubber-tired scooptrams utilized two declines to access stopes below 4625. There are three escapeways (Mascot portal, 4625 portal and 4000 portal) that provide natural ventilation year-round. Mining continued east and west of the 4625 Cross-cut Drift during the 1970s. In the west end the Main Lode structure changed its orientation and mineralization ceased. After continued exploration drifting and drilling on the structure in this area and with no mineralization intersected, mining ceased and continued only to the east and down the dip of the structure until 2010 when the operation mined out all visible mineralization.

It is now believed that the structure that was drifted and drilled in the west end was a post mineral fault that off-set the Main Lode by several hundred meters. The off-set was initially picked up by the last 3 drill holes completed in 2010. These three holes mark the eastern edge of the “Silver Mile”.

*The Silver Mile*

The central underexplored “Silver Mile” portion of the Main Lode transects the steep-sided Silver Ridge at an elevation of 2140 meters. Several adits were developed between 1893 to 1923 by Carnation Silver Lead Mines Limited. Additional drifting in the Carnation Basin occurred in 1945 to 1952 by Kelowna Exploration Company. Although there are extensive workings in this area, limited production was recorded. This was due to economic and management conditions and the lack of underground diamond drilling, at that time.. The Main Lode surface expression was again explored in the 1960s initially by Silmonac, Kam-Kotia and then Dickenson Mines Ltd. Several strong soil geochemical anomalies were identified in 1983 to 1985 which lead to several short surface diamond drill programs that intersect significant mineralization in some of the holes in 1985. Since 1989, little surface exploration work has been done in this area due to the high altitude, rugged and steep terrain.

A 3D model has been developed over the last few years of the Company’s portion of the Main Lode from historical diamond drill records, plans and sections and has been converted to Universal Transverse Mercator (UTM) coordinates utilizing a LIDAR topographical survey and several total station surface and underground surveys. The 3D model has identified the Main Lode off-set and the post-mineral fault. Using this model, an Application to Amend the Silvana active mine permit M-65 was initiated in 2018. The application included an extension of the 4625 West Lateral Drift of approximately 160 meters to the west, installation of two diamond drill stations and 26 diamond drill holes totaling 2,060 meters. Drifting of the first 80 + meters of drifting started in October 2018 and was finished December 2018 which included the first drill station. In 2019, the initial 4 diamond drill holes were completed at a bearing of 180 Az (due south). The next 3 drill holes were drilled at a bearing of 220 Az (southwest). The last drill hole in 2019 was drilled at a bearing of 130 Az (southeast). There was a total of 986 meters drilled in the 8 holes. Each hole intersected minor zinc and trace galena within the Main Lode vein system, as interpreted by the 3D model.

In 2020, 2 additional diamond drill holes were completed for 193 meters, at a bearing go 130 Az. The last drill hole from drill station #1 (K-1133) intersected 56.77 Ag/t over 0.8 meters, within the Main Lode. By the time the split core assay results were received, the diamond drill machine had been dismantled and drifting had commenced toward drill station #2. Additional drilling around K-1133, will be done in the future to explore additional mineralization.

Drifting was suspended in April 2020 due to COVID-19 restrictions. The Company is not currently working underground. The drift will need to be completed when Klondike Silver returns underground. When complete Drill Station #2 will need to be established, then a series of underground diamond drill holes will be drilled in a fan-type drill pattern to intersect the widest coverage area of the Main Lode vein system, at this location. The Main Lode vein system contains 8 of the largest mines in the Slocan Mining Camp.

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Klondike's goal is to discover substantial mineralization in the drill holes. If Klondike is successful in discovering substantial mineralization, an application to re-start the mill and TMF would be made to Ministry of Energy, Mines and Low Carbon Innovation and Ministry of Environment. To reduce the government application timeframe, the Company initiated a baseline water quality monitoring program and benthic invertebrate study of the Carpenter Creek drainage basin and mine portals in late 2018. An acid rock drainage, metal leaching (ARD/ML) sampling program was started in 2017.

### **Project Update**

At present Klondike's focus is to satisfy the Ministry of Energy, Mines and Low Carbon Innovation (EMLI) identified issues primarily concerning Klondike Silver's Tailing Management Facility (TMF). The Company is working with engineering firm Tetra Tech to address the geotechnical and hydrotechnical issues with respect to the TMF. Significant progress is being made towards satisfying the outstanding issues.

The Annual Reclamation Reports, the TMF Operations, Maintenance and Surveillance Manual, the TMF and underground Emergency Response Plans and Effluent Discharge Reports and several Environmental Management Plans are all up to date.

The Company's Slocan Silver Camp mineral claims are in good standing with the province of British Columbia to July 31, 2029.

### **Ontario Property**

The Company holds mineral claims in the Horwood township of the Porcupine mining division, Ontario. The claims are subject to a pre-existing 3% NSR. Current claim expiry dates are: November 25, 2021 and September 20, 2022.

### **Yukon Property**

Klondike Silver's Stump claims in the Yukon are in good standing to February 4, 2022

### **Results of Operations, three months ended August 31, 2021**

For the three months ended August 31, 2021 the Company had a net loss of \$179,790 (August 31, 2020 - \$210,891). The significant differences between the two periods include:

- A decrease in accretion to \$8,938 (August 31, 2020 - \$27,857) due to the partial conversion of convertible debenture in the prior year.
- A decrease in compensation and consulting to \$72,319 (August 31, 2020 - \$90,563) mainly due to payments to two independent business consultants in the prior year.
- A decrease in interest and bank charges to \$37,017 (August 31, 2020 - \$49,649) mainly due to the reduction in interest accrued on the convertible debenture due to the partial conversion in the prior year.

#### Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

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Quarter Ending	Other Income/ (Expense)	Net Loss	Net Loss per Share
August 31, 2021	\$ Nil	\$ 179,790	\$ 0.00
May 31, 2021	Nil	300,771	0.00
February 28, 2021	Nil	1,636,584	0.01
November 30, 2020	Nil	278,420	0.00
August 31, 2020	Nil	210,891	0.00
May 31, 2020	Nil	28,068	0.00
February 29, 2020	Nil	236,915	0.00
November 30, 2019	Nil	217,753	0.00

**Off Balance Sheet Arrangements**

As at August 31, 2021, the Company did not have any off balance sheet arrangements to disclose.

**Liquidity and Capital Resources**

The Company has financed its operations primarily by the issue of share capital and loans from related parties.

The continued operations of the Company are dependent on its ability to complete sufficient public equity financing, or generate profitable operations in the future.

The Company had working capital of \$562,013 at August 31, 2021 (May 31 2021 - \$972,213). The Company has sufficient working capital to meet its obligations for the next twelve months.

The Company's capital needs in the current and previous years have been met by the following equity financings:

Period ended August 31, 2021:

In July 2021, the Company issued 200,000 common shares at a price of \$0.06 for the exercise of options by a Director.

Year ended May 31, 2021:

In July 2020, the Company issued 1,000,000 common shares at a price of \$0.05 for the exercise of warrants.

In August 2020, the Company issued 2,430,000 common shares at a price of \$0.05 for the exercise of warrants.

On September 14, 2020, the Company closed a private placement for total proceeds of \$516,000. The terms were: 10,320,000 units at a price of \$0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of \$0.10 per share. Commissions paid total \$3,250. A director purchased 180,000 units.

On September 25, 2020, the Company closed a private placement for total proceeds of \$415,000. The terms were: 8,300,000 units at a price of \$0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common

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share for 30 months at a price of \$0.10 per share. Commissions paid total \$41,750. A shareholder owing more than 10% of the common shares purchased 800,000 units.

In September 2020, the Company issued 13,180,000 common shares at a price of \$0.05 for the exercise of warrants. 150,000 common shares at a price of \$0.055 were issued for the exercise of options.

On October 14, 2020, the Company closed a private placement for total proceeds of \$503,000. The terms were: 10,060,000 units at a price of \$0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of \$0.10 per share. Commissions paid total \$33,000.

In October 2020, the Company issued 7,510,000 common shares at a price of \$0.05 for the exercise of warrants. 50,000 common shares at a price of \$0.05 were issued for the exercise of options.

In November 2020, the Company issued 100,000 common shares at a price of \$0.05 for the exercise of warrants. 100,000 common shares at a price of \$0.06 were issued for the exercise of options.

In December 2020, the Company issued 2,950,000 common shares at a price of \$0.05 for the exercise of warrants. 1,300,000 common shares at a price of \$0.05 and 700,000 common shares at a price of \$0.06 were issued for the exercise of options.

In January 2021, the Company issued 2,040,000 common shares at a price of \$0.05, 400,000 common shares at a price of \$0.055 and 100,000 shares at a price of \$0.10 for the exercise of warrants. 1,600,000 common shares at a price of \$0.05 and 170,000 common shares at a price of \$0.06 were issued for the exercise of options. 14,000,000 common shares at a price of \$0.05 were issued for the partial conversion of the convertible debenture.

In February 2021, the Company issued 50,000 common shares at a price of \$0.05, 100,000 common shares at a price of \$0.055 and 800,000 common shares at a price of \$0.10 for the exercise of warrants. 100,000 common shares at a price of \$0.055 were issued for the exercise of options.

On March 1, 2021, the Company closed a private placement for total proceeds of \$1,120,600. The terms were: 8,620,000 common shares at a price of \$0.13 per common share. Commissions paid total \$168,090.

In May 2021, the Company issued 400,000 common shares at a price of \$0.05 for the exercise of options.

**Transactions with Related Parties**

Due to Related parties balances consisted of the following\*:

	<b>August 31 2021</b>	<b>May 31 2021</b>
Due to Directors and Officers*	\$ 14,000	\$ 1,000
Due to Company controlled by a Director*	190	190
	<b>\$ 14,190</b>	<b>\$ 1,190</b>
Convertible Debenture due to a major shareholder**		
Convertible debenture cash value	\$ 1,339,476	\$ 1,306,274
Equity adjustment	(220,722)	(225,043)
Convertible debenture statement value	<b>\$ 1,118,754</b>	<b>\$ 1,081,231</b>

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\* Unsecured, non-interest bearing, with no fixed terms of repayment.

The Company entered into the following transactions with related parties. All related party transactions were measured at the amount of consideration established and agreed to by the related parties.

- a) The Company was charged \$30,000 (August 31, 2020 - \$30,000) by an officer for services to the Company.
- b) The Company was charged \$9,000 (August 31, 2020 - \$9,000) by an officer for rent.
- c) The Company was charged \$Nil in professional fees (August 31, 2020 - \$2,247) by a company controlled by a director.
- d) The Company accrued \$33,203 in interest on the convertible debenture (August 31, 2020 - \$46,667) to a company controlled by a major shareholder.

### **Provisions, Contingent Liabilities and Contingent Assets**

Under IFRS, restoration provisions are measured at the inflation adjusted present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability.

### **Financial Instruments and Other Instruments**

Financial instruments are exposed to commodity price risk, liquidity and market risks.

#### Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

#### Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year. During the past years the Company has been able to maintain its liquidity through private placements.

### **Outstanding Share Data as of the date of this report:**

The authorized share capital consists of an unlimited number of common shares.

**Common shares** – 245,364,035 common shares were issued and outstanding.

**Warrants** - The Company has the following warrants outstanding at the date of this report:

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TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
10,200,000	\$ 0.05	January 31, 2022
5,600,000	\$ 0.055	January 31, 2022
10,000,000	\$ 0.05	December 1, 2022
4,450,000	\$ 0.05	January 24, 2023
4,760,000	\$ 0.10	March 15, 2023
4,150,000	\$ 0.10	March 26, 2023
4,530,000	\$ 0.10	April 15, 2023
4,965,000	\$ 0.05	September 6, 2023
2,975,000	\$ 0.05	December 10, 2023
1,885,000	\$ 0.05	April 25, 2024
14,000,000	\$ 0.05	December 31, 2024
1,000,000	\$ 0.05	April 15, 2025
68,515,000		

**Options** – The Company has the following options outstanding at the date of this report:

TOTAL NUMBER OF OPTIONS	EXERCISE PRICES	EXPIRY DATES
5,800,000	\$ 0.06	January 13, 2023
7,550,000	\$ 0.15	July 28, 2023
13,350,000		

### Investor Relations

Directors and Officers are always available to discuss the status of the company with investors.

### Disclosure Controls and Procedures

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS. The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.