

# **ATHA ENERGY CORP. (formerly Inglenook Ventures Ltd.)**

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

### **FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

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**Dated: November 29, 2022**

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This interim management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Atha Energy Corp. (formerly Inglenook Ventures Ltd.) for the nine months ended September 30, 2022 and is prepared as at November 29, 2022. Throughout this MD&A, unless otherwise specified, "Atha", "Company", "we", "us" and "our" refer to Atha Energy Corp. This MD&A should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited condensed interim financial statements as at and for the nine months ended September 30, 2022 and for the period from incorporation on January 14, 2021 to September 30, 2021 which were prepared in accordance with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

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

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith, and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward looking statements include but are not limited to statements concerning:

- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities

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- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions, and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward looking statements. Due to the risks, uncertainties, and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

## **CORPORATE OVERVIEW AND OUTLOOK**

Atha was incorporated under the British Columbia Business Corporations Act on January 14, 2021. The Company's head office and its registered and records office is located at 1250 – 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1. On May 30, 2022, the Company changed its name from Inglenook Ventures Ltd. to Atha Energy Corp.

On March 22, 2021, ECC Diversified Inc. ("ECCD") completed a strategic reorganization of its assets in which it spun out Atha. The transaction was carried out by way of a plan of arrangement (the "Arrangement") pursuant to the Business Corporations Act (British Columbia). Under the terms of the Arrangement, shareholders of ECCD received one common share of the Company for every common share of ECCD they held as of March 22, 2021; as a result, 14,359,083 common shares of the Company were issued.

On March 8, 2022 the Company completed a consolidation of its issued and outstanding common shares on a 1.388:1 basis. All share and per share information in the Financial Statements and this MD&A have been retroactively adjusted to reflect the consolidation.

The Company is principally engaged in the acquisition, exploration, and evaluation of mineral resources, currently focusing on projects in the Sudbury Mining District, located in Ontario, Canada, and in the Athabasca Basin located in Saskatchewan, Canada. At this time, the Company does not own any operating mines and has no operating income from mineral production. Funding for exploration and operations will be raised primarily through share offerings.

Subsequent to the period end the Company completed 2 non-brokered private placements totaling 33,725,000 subscription receipts of the Company at a price of \$1.00 per subscription receipt for aggregate proceeds of \$33,725,000.

See Share Capital section for details of all share transactions.

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**EXPLORATION AND EVALUATION ASSETS**

<b>September 30, 2022</b>	<b>Golden Rose Property</b>
<b>Acquisition costs:</b>	
Balance, beginning of period	\$ -
Additions	110,000
Balance, end of period	<u>110,000</u>
<b>Total costs</b>	<b>\$ 110,000</b>

**Golden Rose Property**

Pursuant to a property option agreement dated July 19, 2022 between the Company and Conquest Resources Limited (“Conquest”), the Company has secured the sole and exclusive right and option (the “Option”) to acquire up to a 100% undivided interest in certain mineral leases, known as the Golden Rose Gold Property, located in the Sudbury Mining District, Ontario.

To fully exercise the Option, the Company must pay Conquest an aggregate of \$1,000,000 (\$100,000 paid on July 19, 2022) and issue Conquest an aggregate of 1,500,000 common shares of the Company over a period of 36 months, as follows:

- \$100,000 plus the cost of obtaining a technical report on the effective date (paid);
- 200,000 common shares of the Company upon obtaining a public listing on a recognized Canadian stock exchange;
- \$200,000 and 300,000 common shares of the Company on the first anniversary of the effective date of the Option;
- \$200,000 and 300,000 common shares of the Company on the second anniversary of the effective date of the Option; and
- \$500,000 and 700,000 common shares of the Company on the third anniversary of the effective date of the Option.

The Company has also agreed to grant Conquest a 1.0% net smelter return on the Golden Rose Property, which can be purchased by the Company for \$1,000,000.

**New Saskatchewan Syndicate Properties (“NSS”)**

On September 20, 2022, the Company entered into an agreement (the “Purchase Agreement”) to acquire a diversified portfolio of mineral exploration assets and carried interests in the Athabasca Basin (the “Acquired Assets”) from The New Saskatchewan Syndicate (the “Vendors”) (the “Acquisition”). The Acquired Assets are situated primarily in northern Saskatchewan, and include approximately 3.2 million acres within the Athabasca Basin as well as a 10% carried interest on 250,540 acres of land owned and operated by NexGen Energy Ltd. and IsoEnergy Ltd.

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In accordance with the terms of the Purchase Agreement, and as consideration for the Acquired Assets the Company has agreed, among other things, to pay the Vendors the following:

- \$2,000,000 cash to be paid as follows:
  - \$200,000 non refundable deposit upon execution of the term sheet signed between the parties on January 11, 2022 (paid);
  - \$800,000 non refundable deposit upon execution of the Purchase Agreement (paid); and
  - \$1,000,000 upon Listing (as defined in the Share Capital section).
- Issuance of common shares representing not less than 30% of the shares of the Company, on a fully diluted basis, upon Listing; and
- \$3,000,000 to be made available to the Vendors for the purpose of acquiring additional prospective uranium exploration properties on behalf of, and for the benefit of, the Company.

The Vendors will retain a 10% interest in any additional prospective mineral exploration properties acquired. The Company has also agreed to grant the Vendors a 2% net smelter returns royalty and a 10% carried interest in and to the Acquired Assets. Closing of the Acquisition is conditional upon completion of the Listing.

**SELECTED ANNUAL INFORMATION<sup>1</sup>**

	<b>Period From Incorporation on January 14, 2021 to December 31, 2021</b>
Loss and comprehensive loss:	
(i) total for the period	\$(210,706)
(ii) per share-basic and fully diluted	\$(0.01)
Total assets	\$23,561
Total current liabilities	\$109,178
Total long-term financial liabilities	\$nil

<sup>1</sup> Audited financial information prepared in accordance with International Financial Reporting Standards ("IFRS").

**SUMMARY OF QUARTERLY RESULTS<sup>1</sup>**

	<b>3<sup>rd</sup> Quarter Ended September 30, 2022</b>	<b>2<sup>nd</sup> Quarter Ended June 30, 2022</b>	<b>1<sup>st</sup> Quarter Ended March 31, 2022</b>	<b>4<sup>th</sup> Quarter Ended December 31, 2021</b>
Loss and comprehensive loss	\$(649,791)	\$(81,127)	\$(38,207)	\$(38,235)
Loss per share <sup>2</sup> (basic and diluted)	\$(0.02)	\$(0.00)	\$(0.00)	\$(0.00)
	<b>3<sup>rd</sup> Quarter Ended September 30, 2021</b>	<b>2<sup>nd</sup> Quarter Ended June 30, 2021</b>	<b>For the Period from Incorporation on January 14, 2021 to March 31, 2021</b>	
Loss and comprehensive loss	\$(33,284)	\$(33,602)	\$(105,585)	
Loss per share <sup>2</sup> (basic and diluted)	\$(0.00)	\$(0.00)	\$(0.01)	

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<sup>1</sup> Unaudited financial information prepared in accordance with IFRS.

<sup>2</sup> On March 8, 2022, the Company completed a consolidation of its issued and outstanding common shares on a 1.388:1 basis. All share and per share information has been retroactively adjusted to reflect the share consolidation.

## RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND FOR THE COMPARATIVE PERIOD OF THREE MONTHS ENDED SEPTEMBER 30, 2021 AND FROM INCORPORATION ON JANUARY 14, 2021 TO SEPTEMBER 30, 2021

**Administration and bank charges** for the three and nine months ended September 30, 2022 were \$6,201, and \$12,219, respectively, and for the three months ended September 30, 2021, and the period from incorporation on January 14, 2021 to September 30, 2021 were \$3,019 and \$6,049, respectively. These charges were for administration of the Company's office, maintenance of the Company's bank account and for rent.

**Management fees** for the three and nine months ended September 30, 2022 were \$30,000 and \$90,000, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 were \$30,000 and \$65,000, respectively. This expense was for management of the Company and for ongoing accounting and administrative services.

**Professional fees** for the three and nine months ended September 30, 2022 were \$32,847 and \$82,452, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 were \$265 and \$265, respectively. These fees were incurred for accounting, consulting and legal services. Increased professional fees in the current period relate to legal, audit and property investigation services incurred in connection with property option agreements, and the Company's plans to apply for a listing on a recognized Canadian stock exchange.

**Share-based compensation expense** for the three and nine months ended September 30, 2022 was \$567,307 and \$567,307, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 was \$nil and \$437, respectively. This is a non-cash expense used to value stock options granted to directors and consultants of the Company.

**Transfer agent and filing fees** for the three and nine months ended September 30, 2022 were \$13,436 and \$17,147, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 were \$nil and \$1,067, respectively. The fees related to transfer agent, SEDAR, and listing application costs.

**Transaction costs** for the three and nine months ended September 30, 2022 were \$nil and \$nil, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 were \$nil and \$99,653, respectively. The cost in the prior period was a non-cash value associated with the 14,359,083 common shares of the Company issued pursuant to the Arrangement.

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#### **Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a loss and comprehensive loss for the three and nine months ended September 30, 2022 of \$649,791 and \$769,125, respectively, and for the three months ended September 30, 2021 and the period from incorporation on January 14, 2021 to September 30, 2021 of \$33,284 and \$172,471, respectively.

#### **PLAN OF ARRANGEMENT**

On March 22, 2021, ECCD completed a strategic reorganization of its assets in which it spun out Atha. The transaction was carried out by way of the Arrangement. Under the terms of the Arrangement, shareholders of ECCD received one common share of the Company for every common share of ECCD they held as of March 22, 2021; as a result, 14,359,083 common shares of the Company were issued.

#### **SHARE CAPITAL**

##### **Authorized**

Unlimited number of common and preferred shares without par value.

##### **Issued and outstanding**

As at September 30, 2022 and the date of this MD&A the Company had 51,341,388 common shares issued and outstanding.

On January 14, 2021, the Company received \$25,000 through the issuance of 3,602,305 common shares at \$0.007 per share.

On March 22, 2021, ECCD completed a strategic reorganization of its assets in which it spun out Atha. The transaction was carried out by way of the Arrangement. Under the terms of the Arrangement, shareholders of ECCD received one common share of the Company for every common share of ECCD they held as of March 22, 2021; as a result, 14,359,083 common shares of the Company were issued.

The value associated with these shares is \$0.007 per share for a total of \$99,652 recorded to transaction costs.

On March 8, 2022 the Company completed a consolidation of its issued and outstanding common shares on a 1.388:1 basis and settled \$138,600 of outstanding indebtedness with certain creditors through the issuance of 6,930,000 post consolidated common shares of the Company with a fair value of \$0.02 per share. All share and per share information in the Financial Statements and this MD&A have been retroactively adjusted to reflect the consolidation.

On July 21, 2022, the Company received \$1,005,000, and settled \$200,000 in loans made to the Company, in aggregate consideration of the issuance of 12,050,000 common shares of the Company at \$0.10 per common share. The Company incurred \$12,563 in costs in connection with the financing.

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On August 22, 2022, the Company received \$7,200,000 in consideration of the issuance of 14,400,000 common shares of the Company at \$0.50 per common share. The Company incurred \$24,444 in costs in connection with the financing.

Subsequent to September 30, 2022, on October 28, 2022 and November 8, 2022, the Company completed two tranches of a non-brokered private placement of an aggregate of 33,725,000 subscription receipts (the "Subscription Receipts") of the Company at a price of \$1.00 per Subscription Receipt, for aggregate proceeds of \$33,725,000.

The proceeds from the Subscription Receipts financings are being held in escrow, pending the listing of the Company's common shares on a recognized Canadian stock exchange (the "Listing"). Upon completion of the Listing, each Subscription Receipt will be automatically exchanged, for no further consideration and with no further action on the part of the holder, for 1 common share of the Company. In the event that the Listing is not completed on or prior to January 31, 2023, each Subscription Receipt will be cancelled, and the subscription funds will be returned to the subscribers.

Completion of the Listing is subject to a number of conditions, and there can be no assurance that the Listing will be completed at all.

	Number of Shares	Amount
		\$
<b>Balance, December 31, 2021</b>	<b>17,961,388</b>	<b>124,652</b>
March 8, 2022 – debt settlement	6,930,000	138,600
July 21, 2022 – private placement and loan settlement	12,050,000	1,205,000
August 22, 2022 – private placement	14,400,000	7,200,000
Share issuance costs	-	(37,007)
<b>Balance, September 30, 2022, and the date of this MD&amp;A</b>	<b>51,341,388</b>	<b>8,631,245</b>

**Stock options**

On January 14, 2021, the Company adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company's common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued and outstanding common shares, if the individual is a director or officer, or 2% of the issued and outstanding common shares, if the individual is a consultant or engaged in providing investor relations

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services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On March 22, 2021, the Company granted a total of 1,404,899 incentive stock options to a director and consultants to the Company, which vested immediately, having an exercise price of \$0.1388 per share. The fair value of the options granted was determined to be \$437 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 0.23%; expected life – 2 and 2.57 years; expected volatility – 100% and expected dividends – nil.

On July 8, 2022 all then current option holders agreed to the cancellation of the stock options they held in the Company. As a result, the Company cancelled an aggregate of 1,404,899 stock options exercisable at \$0.1388 per share.

On July 21, 2022, the Company granted a total of 500,000 stock options to a consultant to the Company, which vested immediately, having an exercise price of \$0.10 per share. The fair value of the options granted was determined to be \$36,898 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 0.23%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

On August 29, 2022, the Company granted a total of 1,437,500 stock options to a consultant and to directors of the Company, which vested immediately, having an exercise price of \$0.50 per share. The fair value of the options granted was determined to be \$530,409 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 0.23%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, December 31, 2021</b>	<b>1,404,899</b>	<b>\$0.1388</b>
Cancelled	(1,404,899)	\$(0.1388)
Granted	1,937,500	\$0.40
<b>Balance, September 30, 2022 and the date of this MD&amp;A</b>	<b>1,937,500</b>	<b>\$0.40</b>

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As at September 30, 2022 and the date of this MD&A, outstanding options were as follows:

<b>Grant Date</b>	<b>Number of Options Outstanding and Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining Contractual Life (Years)</b>
July 21, 2022	500,000	\$0.10	July 21, 2027	4.81
August 29, 2022	1,437,500	\$0.50	August 29, 2027	4.92
<b>Fully vested and exercisable, September 30, 2022 and the date of this MD&amp;A</b>	<b>1,937,500</b>	<b>\$0.40</b>		

**LIQUIDITY AND CAPITAL RESOURCES**

The Company defines capital as consisting of shareholder's equity (deficiency) (comprised of issued share capital, share-based payment reserve, and deficit). Management's objective is to provide investment management services to shareholders which includes investing in marketable securities for the purpose of returns in the form of investment income and capital appreciation, as well as the ability to meet its on-going operational obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at September 30, 2022 the Company is not subject to any externally imposed capital requirements or debt covenants.

A summary of the Company's cash flows during the nine months ended September 30, 2022 compared to the period from incorporation on January 14, 2021 to September 30, 2021 is as follows:

	<b>For the nine months ended September 30, 2022</b>	For the period from incorporation on January 14, 2021 to September 30, 2021
Cash flows used in operating activities	\$ (78,093)	\$ (6,643)
Cash flows used in investing activities	(1,110,000)	-
Cash flows provided by financing activities	8,391,837	25,000
Change in cash for the period	7,203,744	18,357
Cash, beginning of the period	18,339	-
Cash, end of the period	\$ 7,222,083	\$ 18,357

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**Cash flows used in operating activities** were \$78,093 during the nine months ended September 30, 2022 as compared to \$6,643 for the period from incorporation on January 14, 2021 to September 30, 2021. The cash was used to pay for administrative expenditures.

**Cash flows used in investing activities** were \$1,110,000 during the nine months ended September 30, 2022 compared to \$nil for the period from incorporation on January 14, 2021 to September 30, 2021. \$110,000 of the cash was used to acquire the option on the Golden Rose Property, and \$1,000,000 was used to pay the non refundable deposit on the NSS Properties, both of which are included in the Company's exploration and evaluation assets.

**Cash flows provided by financing activities** were \$8,391,837 for the nine months ended September 30, 2022. \$8,405,000 (less \$13,163 in share issuance costs) was provided through the issuance of 26,450,000 common shares. An additional \$23,844 in share issuance costs related to the financing activities was included in accounts payable at the end of the period. During the comparative period, \$25,000 was provided through the issuance of 3,602,305 common shares.

At September 30, 2022, the Company has no sources of revenue and has a cash balance of \$7,222,083 to settle current liabilities of \$129,560. On October 28, 2022 and November 8, 2022, the Company completed non-brokered private placements totalling 33,725,000 Subscription Receipts for aggregate gross proceeds of \$33,725,000; the proceeds from these Subscription Receipts are being held in escrow, pending the listing of the Company's common shares on a recognized Canadian stock exchange. Upon completion of the Listing, each Subscription Receipt will automatically be exchanged for no further consideration and with no further action on the part of the holder, for 1 common share of the Company. In the event that the Listing is not completed on or prior to January 31, 2023, each Subscription Receipt will be cancelled, and the subscription funds will be returned to the subscribers.

Since inception the Company has relied solely on private placements to fund its operations. Management believes these financings will fund the Company's exploration work on its resource projects, as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

The Financial Statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. The accompanying Financial Statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and/or liabilities and the reported expenses in these financial statements. Such adjustments could be material.

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## **RELATED PARTY TRANSACTIONS**

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

As of September 30, 2022, \$nil was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the period ended September 30, 2022, \$161,429 (2021 - \$179) in share-based payments was recorded related to stock options granted to directors of the Company.

## **RISKS AND UNCERTAINTIES**

### **Strategic Risk**

At present, the Company has very limited sources of funding from which to repay its existing obligations and fund on-going operating costs. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company's operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case its ability to continue as a going concern may be adversely affected.

There is also no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets, or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

### **Exploration and Development**

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production. All the mineral claims in which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before

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its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

#### **Operating Hazards and Risks**

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. During exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding, and earthquakes, may occur. Operations in which the Company has a direct or indirect interest are subject to all the hazards and risks normally incidental to exploration, development, and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage, and possible legal liability for any or all damage. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

#### **Supplies and Infrastructure**

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labor, fuel, and power at an economic cost cannot be assured. These are integral requirements for exploration, production, and development facilities on mineral properties. Power may need to be generated onsite.

#### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced, even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production, and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that it can be mined at a profit.

#### **Title Risks**

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements, transfers or native claims, and title may be affected by undetected defects.

#### **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labor standards, occupational health, waste disposal, safety, and other matters. Environmental legislation provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of

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operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations. The current operations of the Company require permits from various Canadian authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms, a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

#### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future. The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party, and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

#### **Economic Conditions**

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income, or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

#### **Properties held under option**

One of the Company's mineral exploration properties is currently held under option. The Company has no ownership interest in its properties until all required property expenditures and cash payments have been made. If the Company is unable to fulfill the requirements of the option agreement, it is likely that the Company would be considered in default of the agreement and the option agreement could terminate resulting in the complete loss of all expenditures and option payments made on the property to that date.

#### **Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

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#### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

#### **Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

## **FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2022, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

##### **(iii) Price rate risk**

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

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#### **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 credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible. The Company's maximum exposure to credit risk is equal to the carrying amount of cash, and GST receivable.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2022, the Company has no sources of revenue and has a cash balance of \$7,222,083 to settle current liabilities of \$129,560. Subsequent to the period end, the Company completed a non-brokered private placement of 33,725,000 Subscription Receipts for aggregate gross proceeds of \$33,725,000. See Share Capital section for details.

Since inception the Company has relied solely on private placements to fund its operations. Management believes these financings will fund the Company's exploration work on its resource projects, as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

As at September 30, 2022, the Company was exposed to a low level of liquidity risk.

#### **Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

As of September 30, 2022 the Company's financial instruments consist of cash, GST receivable, and accounts payable and accrued liabilities. These financial instruments are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

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**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

**Deferred tax assets and liabilities**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

**Stock options**

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

**Exploration and evaluation assets**

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves.

Additionally, there are numerous geological, economic, environmental, and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

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**Provision for environmental rehabilitation**

Liabilities for environmental provisions are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future reclamation. The provision for environmental rehabilitation represents management's best estimate of the present value of the future cash outflows required to settle the liability.

Factors that affect the final cost of remediation include estimates of the extent and costs of rehabilitation activities, the expected timing, technological changes, cost increases and changes in discount rates. Changes in the above factors can result in a change to the asset retirement obligation. This liability is reassessed and re-measured at each reporting date.

**CRITICAL ACCOUNTING JUDGEMENT**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

**Going Concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1 of the Financial Statements.

**OFF-BALANCE SHEET ARRANGEMENT**

The Company currently has no off-balance sheet arrangement.