Western Gold Exploration Ltd.

(formerly Cassowary Capital Corporation Limited)

Management's Discussion and Analysis

(in Canadian Dollars, unless otherwise stated)

For the Three Months and Year Ended December 31, 2020

(dated: April 22, 2021)

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INTRODUCTION

The following management's discussion and analysis ("MD&A") should be read in conjunction with Western Gold Exploration Ltd.'s (formerly Cassowary Capital Corporation Limited) (the "Company", "we" or "our") audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2020 (the "**Financial Statements**"). This MD&A was prepared by management of the Company, and was approved by the Board of Directors on April 22, 2021. Additional information relating to the Company, including the most recent Management Information Circular dated September 21, 2020, is available on SEDAR at www.sedar.com.

BASIS OF PRESENTATION

This MD&A and the Financial Statements have been prepared in Canadian dollars ("CAD" or "$"), unless otherwise indicated, and in accordance with International Financial Reporting Standards ("IFRS"). For the purposes of preparing our MD&A, we consider the materiality of information. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity. Information is considered material if: (i) it would significantly alter the total mix of information available to investors; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares.

This MD&A is intended to help the reader understand the Company, our operations, financial performance and present and future business environment. This MD&A of financial results is dated April 22, 2021 and should be read in conjunction with the Financial Statements. This MD&A and the accompanying Financial Statements have been reviewed and approved by the Company's Board of Directors.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this document constitute "forward-looking information". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking information. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward- looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

CORPORATE PROFILE

The Company was incorporated as Cassowary Capital Corporation Limited ("Cassowary") pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 31, 2018. The Company was a "Capital Pool Company ("**CPC**") as defined pursuant to Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange (the "**TSXV**") until its "Qualifying Transaction" under Policy 2.4, was completed on October 29, 2020. In accordance with IFRS, the Qualifying Transaction was accounted for as a Reverse Takeover of Cassowary by Western Gold Exploration Limited ("**WGE UK**") (the "RTO"). Consequently, the MD&A and the accompanying Financial Statements were prepared from the perspective of WGE UK acquiring Cassowary on October 29, 2020 and including the consolidated activities and financial position of Cassowary thereafter. The MD&A includes additional information regarding financing activities of Cassowary prior to the RTO. As a result of the Qualifying Transaction, the Company became a Tier 2 Mining issuer under the policies of the TSXV and changed its name to Western Gold Exploration Ltd. effective October 21, 2020. The Company maintains its head office at The Lighthouse, St. Abbs Suite, Heugh Road, North Berwick EH39 5PX Scotland and its registered office at 1600, 421 - 7th Avenue SW Calgary, Alberta T2P 4K9.

HIGHLIGHTS – 2020 & 2021 TO DATE

1. Reverse Takeover of Cassowary, including concurrent private placement and consolidation of shares.
2. Appointment of Directors and Officers upon completion of the RTO.
3. Exploration and evaluation advances in Scotland.
4. $1,300,000 non-brokered private placement completed on December 22, 2020.

1) <u>Reverse Takeover of Cassowary:</u>

On June 1, 2020, the Company entered into a binding letter of intent for the proposed business combination with **WGE UK** pursuant to which the Company agreed to acquire all of the outstanding shares of WGE UK, which constitutedthe **RTO**. WGE UK is a private company formed under the laws of England and Wales on December 5, 2016 under the name "Charles Thomas Holdings Limited", which was changed to Western Gold Exploration Limited on May 2, 2017 and changed again to Western Gold Exploration (UK) Limited on December 15, 2020. WGE UK's registered number is 10510465. WGE UK holds minerals rights in the county of Argyll in western Scotland. Upon completion of the RTO, the combined entity (the "**Resulting Issuer**") continued the business of WGE UK to explore and develop prospective mineral properties located in Scotland, with a focus on gold and copper exploration and development. The RTO represents the Company's "**Qualifying Transaction**" (as such term is defined in the policies of the TSXV).

On October 29, 2020, the Company completed the RTO whereby the Company acquired all of the issued and outstanding shares of WGE UK in exchange for 32,666,883 common shares of the Company (on a pre-Consolidation basis (as defined below)). This share exchange was based on shareholders of the Company (prior to the RTO) and WGE UK shareholders holding 30% and 70% of the outstanding common shares of the Company upon completion of the Transaction (before the Concurrent Financing (as defined below)), respectively.

The Company, in connection with the RTO, changed its name from "Cassowary Capital Corporation Limited" to "Western Gold Exploration Ltd.". Concurrent with the completion of the RTO, the common shares of the Resulting Issuer were consolidated on the basis of one (1) post-consolidation share for each two and one-half (2.5) pre-consolidation shares (the

"**Consolidation**"). A special resolution for the approval of the name change and Consolidation was approved by the Company's shareholders at the October 20, 2020 shareholder meeting.

On August 19, 2020 the Company completed a non-brokered private placement of Subscription Receipts of the Company representing an aggregate of 11,333,331 Subscription Receipts for gross proceeds of $1,700,000. Each Subscription Receipt was issued at a price of $0.15 (pre-Consolidation) (the "**Concurrent Financing**"). Each Subscription Receipt, upon satisfaction of certain escrow release conditions including the completion of the RTO, automatically converted into one (1) common share of the Company and, immediately thereafter, upon completion of the RTO, were subject to the Consolidation. With the completion of the RTO, the escrow release conditions associated with the Concurrent Financing were satisfied.

Effective October 29, 2020, the TSXV final approval of the Qualifying Transaction resulted in the Company becoming a Tier 2 mining issuer under the policies of the TSXV. The Company now holds, through its wholly-owned subsidiary, WGE UK, interests in two mineral properties in Scotland, the Knapdale property and the Lagalochan property.

In connection with the RTO, the Consolidation was completed on a 2.5 to 1 basis, such that immediately following the RTO, Concurrent Financing and Consolidation, the Company had an aggregate of 23,354,705 common shares issued and outstanding.

2) <u>Appointment of Directors and Officers upon completion of the RTO</u>

Upon completion of the Qualifying Transaction, the Board of Directors of the Company was as follows: Harry Dobson, Ross McLellan, Willie McLucas and Stuart Olley. Mr. McLellan is the Chief Executive Officer and Mr. Jim O'Neill is the Chief Financial Officer and Corporate Secretary.

3) <u>Exploration and evaluation advances in Scotland</u>

The Company updated its assessments of the potential of its two exploration properties: Knapdale (described below) and Lagalochan (described below). The Company determined its near-term exploration and related financing activities would focus on its Knapdale Project.

Pursuant to the conditions of the Qualifying Transaction, the Company engaged Apex Geoscience Ltd. and Lakehead Geological Services Inc. of Canada to prepare a Technical Report in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"). The intent of the Technical Report was to provide: 1) a geological introduction to Knapdale; 2) sufficient evidence of no less than $200,000 of exploration expenditures on Knapdale; and recommendations for future exploration work programs. The Technical Report was completed June 12, 2020.

WGE UK originally had exploration spending commitments for Knapdale of £1,500,000 ($2,640,000) by January 29, 2021 and an aggregate of £3,000,000 ($5,280,000) by January 29, 2023. WGE UK reached an agreement with the licence holders to extend each of these spending commitment dates by eighteen months to July 29, 2022 and July 29, 2024, respectively.

4) $1,300,000 non-brokered private placement on December 22, 2020.

The Company, on December 23, 2020, completed a non-brokered private placement for aggregate gross proceeds of $1,300,000 (the "**Private Placement**"). In connection with the Private Placement, 3,250,000 equity units of the Company ("Units") were issued at a price of $0.40 per Unit.

Each Unit is comprised of one (1) common share of the Company and one-half of one (1/2) common share purchase warrant of the Company (a "Warrant"). Each whole Warrant entitles the holder to acquire one (1) common share of the Company for a period of 18 months from the date of issuance of the Warrant (the "Time of Expiry"), at an exercise price of $0.75 per share. The Warrants contain an acceleration right in favor of the Company that allows the Company to accelerate the Time of Expiry to a date that is at least twenty (20) days following the delivery of the acceleration notice to the holders of the Warrants, if at any time following the issuance of the Warrants and provided that all statutory hold periods on the Warrants have expired, the common shares of the Company trade on the TSXV at a price equal to or greater than $1.10 for a period of fourteen (14) consecutive trading days. The securities issued in connection with the Private Placement are subject to a four-month hold period, in accordance with applicable securities laws.

OUTLOOK

Completion of the RTO with the Concurrent Financing and the Private Placement provide funding for:

- Further evaluation of the Knapdale Property including a drilling campaign (details below); and
- Detailed assessment of alternative exploration prospects. Focus will be placed on historic gold adits from the early 1900s (where there are known local gold occurrences) and forestry developments in the region where management of the forest may also enable early stage exploratory work to be undertaken.

The drilling campaign, scheduled to commence in Q2 2021 is expected to include:

- The completion of the deep overburden survey over the interpreted 1,800-metre strike length of the Stronchullin (Knapdale) vein system, which was commenced in September 2020;
- An initial phase of diamond drilling based on the results of exploration and geological surveys, with the subsequent planned phases subject to further modifications based on the initial phase results; and
- Further investigation of Gossan Burn at Knapdale, already identified as a prospect for copper.

Following the completion of the drilling campaign, the Company plans to develop further exploration programs for Knapdale, Lagalochan, and other exploration targets in the region. Potential prospects include Lagalochan, where mineral rights are already held, neighbouring sites to the Stronchullin site and other sites across the Dalradian belt being considered by the Company.

Qualified Person

Mr. Roy Eccles of Apex Geosciences. Mr. Eccles, P. Geo. is the Qualified Person as defined in Canada by 43-101, Responsible for the accuracy of scientific and technical information in this MD&A.

COMPANY OVERVIEW

The Company is a mineral exploration company primarily operating in Scotland through WGE UK and its wholly-owned subsidiary Lorne Resources Ltd. ("**Lorne**") a Scottish registered company (registered no. SC419439) with its office in North Berwick, East Lothian, Scotland. At the time of the acquisition of Lorne in March 2018, Lorne was a dormant company with its only assets being the Knapdale Gold Project license ("**Knapdale**") and the Lagalochan license ("**Lagalochan**"). Knapdale is an early exploration stage project prospective for orogenic quartz-gold-silver lodes that comprises three contiguous sub-properties (Stronchullin prospect; Ormsary North and Ormsary South collectively the Allt Dearg prospect). Knapdale is in the parish of Knapdale South, which is approximately 70 km west of Glasgow. The Company's focus is to conduct an exploration program targeting historic mines and gold occurrences to develop an initial resource estimate. Lagalochan, which is approximately 90 km northwest of Glasgow, is considered a copper-gold porphyry prospect for future exploration.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development will require significant capital. Given the current economic climate, the ability to raise funds may prove difficult. Refer to the "Liquidity and Capital Resources" and "Risk Factors" in the sections below for additional information.

None of the Company's projects have commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, and the Company's ability to finance development and exploration of its projects through debt or equity financing for its funding. Changes in future conditions could require a material write-down of carrying values and the ability to pay its obligations as they fall due.

OVERVIEW OF PROJECTS

Knapdale Gold Project

Knapdale is an early exploration stage project prospective for orogenic quartz-gold-silver lodes that comprises three contiguous sub-properties (Stronchullin prospect; Ormsary North and Ormsary South collectively the Allt Dearg prospect). The minerals rights extend to base metal exploration rights over 3,253 hectares, with right to lease, and gold exploration rights over 1,574 hectares, with conditional rights to lease. Prospecting Agreements to work on these sub-properties were originally acquired by Lorne and include a Crown Charter 1907 rights to gold and silver at Stronchullin and Ormsary North sub-properties. The Prospecting Agreements include options to lease, which if exercised, give rights to mine and surface access. The Ormsary South sub-property Prospecting Agreements include surface access rights and base metal mining rights agreements. Mining rights to gold and silver are owned by the Crown.

The landowners have granted exclusive surface access to Lorne for up to 15 years from 2018, with work commitments of £1.5 million before July 29, 2022 and £3 million in total before July 29, 2024. In 2020, the landowners agreed to extend the initial work commitment period from July 29, 2022 to July 29, 2023. The Prospecting Agreements may be terminated by the landowners if the work commitment is not met. The option period for the Prospecting Agreements expires on January 28, 2033.

Annual option fee schedules to each of Ormsary and Stronchullin owners is currently £5,000 index linked since 2018, rising to £10,000 index linked in 2023 and £15,000 index linked in 2028. If leases are acquired, each landowner is paid rent of £40,000 per annum, index linked and a royalty of 2% net realisable value on all base metals and 1.5% net realisable value of gold and silver, plus a share of any saving in royalty payable to the Crown for gold and silver. Royalty is payable to the Crown on all gold and silver extracted. This is likely to be 4% of net realisable value.

Knapdale is located within the Dalradian Supergroup ("Dalradian Belt"). Other significant sites in the Dalradian Belt include:

- Curraghinalt, Northern Ireland, where Dalradian Resources aim to operate a mine subject to planning being granted; and
- Tyndrum, Scotland, where Scotgold Resources operate the Cononish Gold mine.

The Company acquired the rights to all data associated with Lorne's 2014-2018 exploration programs at Knapdale. The exploration work and database detail multiple deep till/soil, stream-sediment, panned concentrate, rock grab and trench rock sample surveys (n=1,059 total samples), a water monitoring program and a 2017-2018 drill program that drilled 10 drill holes. Collectively, the drill program intersected and cored a total of 1,216.0 m that include 751.5 m at the Stronchullin and 464.5 m at the Ormsary North sub-properties (Stronchullin and Allt Dearg prospects, respectively).

Lagalochan Project

Lagalochan is an early stage exploration stage copper-gold porphyry prospect located in Kilmelford, Scotland. The mineral rights extend to base metal exploration rights over 612.5 hectares, with right to lease gold exploration rights over 118 km^2, with conditional right to lease. The Company conducted a drilling exploration program beginning in the second-half of 2018 and finishing in early 2019. The Company compared the results of the Lagalochan exploration program and other related factors with Knapdale, and determined that the near-term exploration prospects for Knapdale would improve the Company's growth and financing opportunities. Consequently, Lagalochan will be maintained as a future exploration prospect, while the Company advances Knapdale. The Lagalochan license requires annual payments related to access agreements and rights of £24,000 each September; £8,000 each October and £5,000 each July, or an aggregate of £37,000 or $65,120 per annum. There is no work commitment included in these agreements. No exploration work on the site is presently planned while the Company focusses on Knapdale.

SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The Company, in accordance with TSXV policy 2.4, is a Tier 2 mining issuer effective upon completion of the Qualifying Transaction. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its exploration and evaluation expenditures and administrative expenses.

The following table provides select financial information in CAD that should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020:

Financial Position – Select Items:	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	3,087,762	442	12,115
Working capital (deficit)(1)	3,122,915	(209,711)	33,363
Exploration and evaluation properties	3,132,343	2,682,026	1,983,496
Total assets	6,316,234	2,790,272	2,039,801
Total non-current liabilities	-	-	-
Shareholders' equity	6,255,257	2,472,315	2,016,859

(1) Working capital is a non-GAAP measure equal to current assets less current liabilities.

Exploration & Evaluation Additions	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Acquisition costs	-	-	1,106,100
Consulting	51,667	127,796	264,931
Drilling & fieldwork	230,433	534,274	170,342
Fees & other costs	168,216	50,535	67,580
Total additions in period	450,316	712,605	1,608,952

Quarterly Period Ended	Net and Comprehensive Loss	Net and Comprehensive Loss per Share(1)
December 31, 2020	3,646,065	$0.48
September 30, 2020	416,082	-
June 30, 2020	92,734	-
March 31, 2020	78,030	-
December 31, 2019	(70,475)	-
September 30, 2019	65,131	-
June 30, 2019	30,521	-
March 31, 2019	65,631	-

(1) The weighted average shares outstanding in the fourth quarter ending December 31, 2020 (Q4 2020) were 9,181,146, which represents the post consolidation shares.

Discussion of Operations

During the year ended December 31, 2020 the Company continued its exploration and evaluation of its mineral properties (Knapdale and Lagalochan) in Scotland ("E&E") and negotiated additional financing, which included the RTO, resulting in a net loss and comprehensive loss of $4,232,911 (2019 –$90,809). The fiscal year 2020 loss primarily related to RTO financing costs of $2,987,761 professional fees and share-based compensation incurred in the last three months of 2020. The 2019 gain resulted from the foreign currency (CAD/GBP) gain related to net assets based in the UK, offset by compensation, professional fees and other administrative expenses.

Further information regarding the E&E is in the most recent Management Information Circular of the Company dated September 21, 2020 filed on SEDAR (www.sedar.com).

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 31, 2020 totalled $3,087,762 (December 31, 2019 - $442). At December 31, 2020, the Company had working capital (non-GAAP measure equal to current assets less current liabilities) of $3,122,915 (December 31, 2019 – deficit of $209,711). The improvement in the cash position and working capital is primarily attributable to the proceeds from the $1,700,000 Concurrent Financing in October 2020 and the $1,300,000 Private Placement in December 2020.

During the year ended December 31, 2020, cash used in operating activities of $779,425 primarily related to compensation and professional fees (2019 – $162,928).

Prior to the RTO, Cassowary was classified as a CPC, which was subject to externally imposed capital requirements until it completed its Qualifying Transaction as outlined in TSXV Policy 2.4. Following the RTO, the Company became Tier 2 mining issuer.

MARKET TRENDS

The Company's future financial performance is dependent on many external factors including the markets of certain precious and base metals. The markets for these commodities are volatile and difficult to predict as they are impacted by many factors including international political, social and economic conditions and the COVID-19 pandemic. These conditions, combined with volatility in the capital markets, could materially affect the future financial performance of the Company.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The Company does not have any off-balance sheet arrangements that are likely to have or are reasonably likely to have a material current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in the Financial Statements.

The Prospecting Agreements with the Knapdale landowners granted exclusive surface access to Lorne for up to 15 years from 2018, subject to various conditions including work commitments. These work commitments require spending of £1,500,000 ($2,640,000) before July 29, 2022, and £3,000,000 ($5,280,000) in aggregate before July 29, 2024. The Prospecting Agreements may be terminated by landowners if the work commitment is not met. The option period under the Prospecting Agreements expires on January 28, 2033.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments as of December 31, 2020, consist of cash and trade and other payables denominated in CAD and GBP.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, which is held in financial institutions in Canada and in the United Kingdom and VAT recoverable and research and development tax credits recoverable. The Company has no significant concentration of credit risk arising from operations. The Company's policy includes holding cash and periodically investing excess cash in fixed interest investment-grade short-term deposit certificates and overnight deposits in either Canada or the UK. Management believes the risk of loss to be minimal given the apparent financial strength of the financial institutions with whom the Company transacts.

Value added taxes recoverable and research and development tax credits recoverable from government authorities in the UK. Management believes that the credit risk concentration with respect to other receivables is minimal.

Interest rate risk is generally associated with the Company's cash balances, which, in the future, may be invested in fixed interest investment-grade short-term deposit certificates and overnight deposits. Future net cash flows from interest income on cash will be affected by interest rate fluctuations. The Company monitors prevailing interest rates and will take appropriate mitigating actions should interest rate risk become material.

Foreign currency risk is generally associated with financial instruments and transactions denominated in non-CAD currencies, such as GBP and EUR. The Company is presently exposed to some foreign exchange risk as it holds its assets and liabilities primarily in CAD and GBP. Since activities may result in future expenditures denominated in GBP and other currencies, the Company will monitor the applicable exchange rates and take the appropriate foreign currency risk mitigation measures.

SHARE CAPITAL AS AT APRIL 22, 2021

At December 31, 2020 and April 22, 2021, the Company had issued and outstanding common shares without par value of 26,604,705 common shares.

CAPITAL MANAGEMENT

The Company manages capital through its financial and operational forecasting processes. WGE UK's capital management objectives, policies and processes remained unchanged from the year ended December 31, 2019, through to the RTO in October 2020. As a result of the RTO, the Company became a Tier 2 mining issuer on the TSXV, which facilitated the shift in the Company's processes to manage and obtain additional capital to meet its funding requirements to support the exploration and evaluation activities related to the Knapdale, Lagalochan and other prospective licenses.

RISK FACTORS

The Company's principal activity of mineral exploration and development is considered to be very high risk and the mining industry in general is intensely competitive in all its phases. Companies involved in this industry are subject to many and varied types of risks, including but not limited to, environmental, commodity prices, political and economic. Additional capital will be required to fund continuing operations and advance the exploration and development activities at Knapdale and for other prospective licences.

The Company's risk factors are consistent with those disclosed and referred to in the Company's consolidated financial statements for the year ended December 31, 2020 and in the Management Information Circular dated September 21, 2020 (Appendices G and H regarding WGE UK financial statements and MD&A) filed on SEDAR at www.sedar.com.

There have been no changes in the risk management or in any of the risk management policies and risk factors since December 31, 2019, except with regard to the potential impact of COVID-19 as noted below.

- *The Impact of the Current Coronavirus (COVID-19) Pandemic May Significantly Impact the Company and the Resulting Issuer:* The current COVID-19 global health pandemic is significantly impacting the global economy and commodity and financial markets. As efforts are undertaken to slow the spread of COVID-19, the operation and development of mining projects may be impacted. To date, a number of mining projects have been suspended as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. Specifically, the Company experienced delays in obtaining regulatory approvals and the vendor commitments to initiate its drilling campaign, resulting in the planned drilling to start in Q2 2021, rather than in Q1 2021. If the operation or development of one or more of the properties in which the Company holds an interest is unable to obtain the services required to advance the project, it may have a material adverse impact on the Company's results of operations, financing activities and financial condition.

- *Nature of Activities:* The exploration for and development of mineral projects involves significant risks which even a combination of careful evaluation, experience and knowledge may not mitigate. Few properties that are explored are ultimately developed into producing mines. Knapdale is at the early exploration stage, but it is impossible to provide any assurance that the project and any exploration further planned by the Company will result in a profitable commercial mining operation.

- *Exploration and Evaluation Costs:* Actual exploration, development or other costs and economic returns may differ significantly from those the Company has anticipated and there are no assurances that any future activities will result in profitable mining operations. The Company has limited operating history and there can be no assurance of its ability to operate its projects profitably.

- *Commodity Prices:* Changes in the market price for mineral production, which have fluctuated widely in the past, will affect the future profitability of the Company's operations and financial condition.

- *Financing and Dilution*: The Company's historical capital needs have been met primarily by the issuance of shares and, from demand loans provided by shareholders. The Company's planned activities include the drilling and other exploration activities. The Company will require additional funds to further explore and develop its properties. The Company has limited financial resources and no current source of recurring revenue. The junior resource market where the Company raises funds is extremely volatile, companies are subject to high level of competition for the same pool of investment dollars, and there is no guarantee that the

Company will be able to raise adequate funds in a timely manner to conduct its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

- *Trading Price*: Market prices of shares of development stage companies are often volatile. Factors such as announcement of mineral discoveries and financial results have a significant effect on the price of the Company's shares. The limited trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares. The Company has no dividend payment policy and does not intend to pay any dividends in the foreseeable future.

- *Title:* Although the Company has taken steps to verify title to its mineral property interests, including obtaining legal opinions as part of the RTO due diligence process, there is no guarantee that the mineral properties will not be subject to title disputes or undetected defects.

- *Land Access*: The Company owns the mineral rights to the Knapdale and Lagalochan. Further negotiations with landowners will be required to efficiently manage the existing access rights and advance the exploration activities.

- *Regulatory:* Many of the mineral rights and interests of the Company are subject to government approvals, licences and permits. Such approvals, licences and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. There is a risk that additional time for approvals may result in additional overhead and other costs that may be incurred during the additional time that may be required for approvals. The Scottish Environment Protection Agency (SEPA) was subject to a serious and complex cyber-attack which has significantly impacted its contact centre, internal systems, processes, and communications. SEPA, while working to correct its systems issues, implemented revised operating procedures for the first six months of 2021. The planning and approval process regarding the Company's drilling program and ether exploration activities were adversely affected resulting in the delay, from Q1 to Q2 2020, of the drilling program.

- *Environmental:* The Company is subject to laws and regulations related to environmental matters, including provisions for reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental legislation and is not aware of any existing environmental problems related to its mineral property interests that may be the cause of material liability to the Company. In addition, the Company has periodically engaged experts to assist the Company in modifying its processes and documentation to facilitate compliance with international standards.

- *Insurance:* Mining is a heavy industry activity and requires high standards of safety in construction and operations. The Company expects to continue to evolve its health and safety policies and practices ensure they meet the high standards required for managing the risks of each phase of developing and operating its projects. Sometimes hazards result from conditions or elements beyond the Company's control, which could have a material adverse effect on the Company's business. The Company's insurance coverage does not cover all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.

- *Personnel:* The Company may experience difficulty in attracting and retaining qualified management to meet the needs of its anticipated growth, and the failure to manage the Company's growth effectively could have a material adverse effect on its business and financial condition. Insofar as certain directors and officers of the Company hold similar positions with other mineral resource companies, conflicts may arise between the obligations of these directors and officers to the Company and to such other mineral resource companies.

- *Tax:* Changes in taxation legislation or regulations in the countries in which the Company operates could have a material adverse effect on the Company's business and financial condition. The United Kingdom's exit from the European Union and the pro-independence movement in Scotland could lead to future tax regulation changes that could adversely affect the Company.

- *The Company Depends on Two Mineral Projects:* Any adverse development affecting Knapdale and Lagalochan will have a material adverse effect on the Company's business, prospects, profitability, financial performance and results of the operations. These developments include, but are not limited to, the inability to obtain financing to explore and advance its projects, unusual and unexpected geologic formations, seismic activity, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, property, and which could hinder the development of the projects.

- *Global Economic Issues:* Global financial and economic conditions have been characterized by extreme volatility in recent years, including commodity-price fluctuations and the cost of debt and equity securities and the impact of COVID-19,. Access to public and private debt and equity financing has been negatively impacted during this time. If such conditions persist or worsen, they could negatively impact the ability of the Company to obtain debt or equity financing in the future and, if obtained, on terms favourable to the Company. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Changes in global economic conditions may also lead to significant changes in commodity prices. If these conditions and volatility persist or worsen, the Company's business, results of operations and financial condition could be adversely impacted and the value and price of the Company's shares could be adversely affected.

- *Conflicts of Interest:* Directors of the Company are or may become directors or officers of other mineral resource companies or have significant shareholdings in such other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, its directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation.

- *The Company has a Limited Operating History and No History of Earnings, Positive Cash Flow or Dividend Payments:* An investment in the Company's shares should be considered highly speculative due to the nature of the Company's business. *The Company* has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has not commenced commercial production and it has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

- *The Company Faces Significant Competition for Attractive Mineral Properties:* Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. *The Company's* ability to acquire properties in the future will depend not only on its ability to develop its present property, but also on its ability to select and acquire properties or prospects for mineral exploration. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

- *Community Relations:* The Company's relationship with the communities in which it operates is critical to the successful development, construction and operation of its properties. The Company is committed to operating in a socially responsible manner. However, there is no guarantee that its projects will be accepted by the communities in which they are located.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 – Accounting Policies in the Company's Consolidated Financial Statements for the year ended December 31, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for designing internal controls over financial reporting, or supervising their design, in order to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for reporting purposes in accordance with IFRS.

There was no change in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The control framework has been designed by management with assistance from accounting consultants. Based on a review of its internal control procedures at the end of the period covered by this MD&A, the conclusion of management is that the internal control over financial reporting is appropriately designed and operating effectively as of December 31, 2020.