



Western Gold Exploration Ltd.

Management's Discussion and Analysis (in Canadian Dollars, unless otherwise stated)

**For the Three and Six Months Ended
June 30, 2022**

(dated: August 25, 2022)

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Western Gold Exploration Ltd.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2022

INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated August 24, 2022, relates to the financial condition and results of the consolidated operations of Western Gold Exploration Ltd. ("Western Gold" or the "Company"), and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021 and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2022, and notes thereto. The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IFRS" or "GAAP"). All results are presented in Canadian dollars ("CAD" or "\$"), unless otherwise stated. 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. Statements are subject to the risks and uncertainties identified in the Cautionary Note Regarding Forward-Looking Statements section of this document on page 14.

Overview of the Business

Western Gold is a mineral exploration company operating in Scotland through Western Gold Exploration (UK) Limited ("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's only assets were 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) and Besshi style VMS copper mineralization at the Gossan Burn prospect. Knapdale is in the parish of Knapdale South, which is approximately 70 km west of Glasgow. Lagalochan, which is approximately 90 km northwest of Glasgow, is considered a copper-gold porphyry prospect for future exploration. The Company's focus is to develop and expand its Scottish exploration targets, including Knapdale, Lagalochan and surrounding areas with emphasis on targeting historic mines and gold occurrences.

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.

The Company's common shares are listed on the TSX Venture Exchange (TSXV: WGLD) and the Company is a Tier 2 Mining issuer under the policies of the TSX Venture Exchange. Further information about Western Gold can be found in the Company's regulatory filings, including the Company's Management Information Circular, available on SEDAR at www.sedar.com, and on the Company's website at www.westerngoldexploration.com.

CORPORATE PROFILE

HIGHLIGHTS - 2022 to DATE

Knapdale Gold Copper Project, Argyll, Scotland (“Knapdale”)

Gossan Burn Copper Prospect – Drilling April to August 2022

- The Company announced, on April 21, 2022, its plan to initiate a drill program at Gossan Burn, which is a new outcropping copper discovery along a trend of old copper workings from the 1860's located south of the Stronchullin orogenic gold vein system, where Western Gold carried out exploration drilling in 2021.
- The Company has identified the potential for Volcanogenic Massive Sulphide (VMS) mineralization of the Besshi style epitomized by the giant Windy Craggy deposit in British Columbia, Canada.
- Priority Drilling, who conducted the drilling program at Stronchullin in 2021, was engaged to drill at Gossan Burn. Drilling commenced the week of May 30, 2022 and was completed in August 2022
- 5 diamond drill holes were completed for an aggregate of 1,038 metres.
- All assays are in process, with results expected over the next six weeks. Analysis of these results will be completed in in the fourth quarter of 2022.
- Exploration spending on Knapdale in July 2022 increased aggregate spending to over £1,500,000 by July 29, 2022, thereby exceeding the work commitment of £1.5 million by July 29, 2022 pursuant to its prospecting agreement and resulting in the appropriate notice being provided to the landowners.

Lagalochan Copper Gold Porphyry Project, Argyll, Scotland (“Lagalochan”)

Exploration work included:

- Completion of an Ionic Leach soil sampling programme, confirming and extending the results of historical deep overburden (DOB) sampling.
- Re-evaluation of historical drill results and exploration data, including the limited evaluation drilling completed in 2018-2019 by Lorne, prior to the Company acquiring such subsidiary.

\$1,150,000 Non-brokered Private Placement

- On August 25, 2022, the Company completed a non-brokered private placement for gross proceeds of \$1,150,000 through the issuance of 7,666,646 equity units at a price of \$0.15 per equity unit. Each equity 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 will entitle the holder to acquire one (1) common share of the Company for a period of 12 months from the date of issuance of the Warrant, at an exercise price of CAD\$0.25 per share.

Leadership Update

- Director, Mr. Willie McLucas sadly passed away at the beginning of July 2022.
- On August 16, 2022, Chelsea Hayes was appointed to the Board of Directors and joined the Company's Audit Committee.

OUTLOOK

Knapdale Gold Copper Project – Gossan Burn Drilling Program

- The Company plans to complete the drilling programme in August 2022, with assay results and analysis due in Q4 2022.

- The Company plans to evaluate the drilling programme analysis and determine the nature and extent of future work programmes in 2023.

Lagalochan Exploration

- The Company is planning an exploration program over the next three months. Work is commencing on extending the Ionic Leach soil grid to the south, as several multi-element anomalies remain open at the edge of the previous sampling grid. The historical VTEM and IP surveys are being re-processed and the results will be integrated into the extended soil grids and a new exploration plan will be developed.
- The Lagalochan porphyry complex, which is one of the few examples of porphyry copper mineralisation in the Appalachian/Dalradian terranes of eastern North America and Western Europe, remains an attractive exploration target with one sub-economic zone of porphyry mineralisation discovered to date and several promising targets for further porphyry type mineralisation, proximal copper gold skarn systems and intermediate sulphidation gold, silver, lead, zinc epithermal veins systems.

Additional exploration targets

- The Company plans to review and evaluate other prospective properties in areas nearby existing licenses, with the intent of expanding its land package.

Qualified Person

Mr. David Pym, Chartered Geologist, and consultant to the Company, is the Qualified Person, as defined in Canada by 43-101, responsible for the accuracy of scientific and technical information in this MD&A.

OVERVIEW OF PROJECTS

Knapdale Gold Copper Project

Knapdale is an early exploration stage project prospective for orogenic quartz-gold-silver lodes that comprises three contiguous sub-properties comprising the Stronchullin gold vein system and a separate copper project at Gossan Burn. 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 aggregate before July 29, 2024. 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.

Through June 30, 2022, the Company has spent over £1,350,000 towards the work commitment of £1.5 million before July 29, 2022. Continued spending in July 2022 on the Gossan Burn drilling campaign increased the aggregate spending to exceed the required work commitment of £1.5 million before July 29, 2022.

Annual option fee schedules to each of Ormsary and Stronchullin owners includes an annual access

fee of £5,000 index linked since 2018, rising to £10,000 index linked in 2023 and £15,000 index linked in 2028. If the Company decides to exercise its option to acquire the exploration leases, the access fees will be replaced by a lease rent to each landowner 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.

The Company plans to manage its exploration budget and take any additional actions needed to fulfill its commitments and maintain its licenses.

Knapdale is located within the Dalradian Supergroup (“Dalradian Belt”) an emerging gold district with several significant gold projects being defined including:

- Curraghinalt, Northern Ireland (3.06 Moz gold averaging 15.01 g/t Au in Measured and Indicated resources), where Dalradian Resources aim to operate a mine subject to planning being granted; and
- Tyndrum, Scotland (0.198 Moz averaging 11.1 g/t Au in 2P reserves), where Scotgold Resources operate the Cononish Gold mine.

The Company’s knowledge of Knapdale and its potential includes data obtained as follows:

- Acquisition by Lorne of the data from exploration activities from 2014 to 2018;
- Evaluation work conducted in 2017 and 2018;
- 2021 drilling campaign; and
- 2022 drilling campaign.

A summary of the data includes:

2022 Drilling Campaign:

The Company’ most recent drilling campaign commenced the week of May 30, 2022 and was completed in August 2022. Priority Drilling, who conducted the drilling program at Stronchullin in 2021, was engaged to drill at Gossan Burn area of Knapdale. 5 diamond drill holes were completed for an aggregate of 1,038 metres. All assays are in process, with results expected over the next six weeks. Analysis of these results will be completed in the fourth quarter of 2022.

2021 Drilling Campaign:

The highlights of the 1,360 metres drilling campaign, as announced on September 10, 2021, follow:

- Intersection in SD20-13 of 19.20 g/t gold + 1.19 g/t silver over 1.00m (true width ~0.80m) from 88.15m. The area extending north of SD20-13 for 250m towards hole SD20-12 is still regarded as a priority area for development of high-grade quartz-gold-base metal veins with the highest ranked DOB gold and base metal anomaly remaining untested.
- Extension of quartz-gold-base-metal vein mineralisation from hole SD17-6 to hole SD20-14 was confirmed with an intersection of 12.20 g/t gold + 20.4 g/t silver accompanied by highly anomalous base metal values over 1.00m (true width ~0.80m) from 56.90m. DOB sampling defined a subdued gold-bismuth anomaly which indicates a possible continuation of the vein system for 150-200m south of SD20-14. Combined with 2017-2018 drilling, 3 out of the 4 holes completed in the southern portion of Stronchullin, SD17-6, SD20-13 and SD20-14 intersected high grade (>10g/t) gold veins and the potential strike length of the inferred contiguous mineralized vein system south from hole SD20-12 is approximately 900m.
- Drilling to date in the immediate vicinity of the historic Stronchullin gold mine has confirmed continuity of the lode structure over a strike length of 100m and over a 100m vertical interval, however gold and base metal mineralization is erratically developed.

Significant assay results are presented in Table 1 below:

| Hole No | From | To | Interval | Au g/t | Ag g/t | Cu ppm | Pb ppm | Zn ppm | As ppm | Sb ppm |
|----------------|--------|--------|--------------|-------------|--------|--------|--------|--------|--------|--------|
| SD20-8 | 112.0m | 114.0m | 2.00m | 2.08 | 0.17 | 28 | 138 | 187 | 14 | 0.6 |
| | 138.45 | 139.7m | 1.25m | 4.63 | 14.3 | 1190 | 2910 | 188 | 73 | 161 |
| SD20-10 | 51.80m | 52.40m | 0.60m | 1.50 | 1.32 | 9 | 3930 | 3160 | 79 | 958 |
| | 61.65m | 62.15m | 0.50m | 1.20 | 1.61 | 167 | 1960 | 2750 | 61 | 269 |
| SD20-11 | 103.0m | 104.5m | 1.50m | 1.21 | 1.49 | 19 | 2040 | 463 | 100 | 321 |
| | | | | | | | | | | |
| SD20-12 | 31.60m | 32.40m | 0.80m | 2.85 | 0.48 | 13 | 54 | 14 | 288 | 21 |
| | 81.00m | 82.00m | 1.00m | 4.06 | 7.61 | 2030 | 15450 | 4750 | 15 | 3.5 |
| SD20-13 | 88.15m | 89.15m | 1.00m | 19.2 | 1.19 | 60 | 721 | 152 | 104 | 25 |
| | | | | | | | | | | |
| SD20-14 | 56.90m | 57.90m | 1.00m | 12.2 | 20.4 | 485 | 13000 | 1740 | 53 | 412 |
| | 91.00m | 92.40m | 1.40m | 1.59 | 7.64 | 41 | 1460 | 47 | 55 | 614 |

Table 2: Drill Hole Coordinates

| Hole ID | Easting | Northing | Elevation | Azimuth | Dip | Depth (m) |
|---------|---------|----------|-----------|---------|-----|-----------|
| SD20-7 | 184371 | 678977 | 70 | 110 | -50 | 89.50 |
| SD20-8 | 184295 | 678965 | 78 | 100 | -45 | 146.10 |
| SD20-9 | 184432 | 679097 | 47 | 100 | -54 | 158.50 |
| SD20-10 | 184415 | 679130 | 44 | 90 | -52 | 200.00 |
| SD20-11 | 184396 | 679191 | 42 | 90 | -50 | 202.95 |
| SD20-12 | 184314 | 678931 | 81 | 110 | -45 | 185.45 |
| SD20-13 | 184215 | 678700 | 86 | 90 | -50 | 203.05 |
| SD20-14 | 184052 | 678250 | 117 | 100 | -45 | 169.00 |

NOTE: Coordinates are Ordnance Survey of Great Britain OSGB36 Datum and British National Grid Projection.

Drilling concentrated over a 500m strike extension of the main lode structure in the vicinity of the historic Stronchullin gold mine. Holes SD20-9, 10 and 11 intersected the main lode and footwall structures at their predicted positions although gold and base metal values were a magnitude lower than those previously intersected in holes SD17-2 and SD17-3. There is a direct relationship between base metal content and elevated gold values at the Stronchullin mine. The northern extension of the

Stronchullin lode structure to the north of Stronchullin Burn as indicated by the DOB geochemical survey was also confirmed by hole SD20-11.

Holes SD20-7, 8, 12, 13 and 14 were drilled along an 800m strike extension southward from the historic mining area, testing strong coincident gold-bismuth-lead DOB anomalies to confirm continuity along strike from the high-grade intercept previously reported in hole SD17-3. Significant intercepts were reported in hole SD20-14 (1.00m @ 12.20 g/t Au + 20.4 g/t Ag from 56.90m) and hole SD20-13 (1.00m @ 19.20 g/t Au + 1.19 g/t Ag from 88.15m).

The stratigraphy in the mine area southward to hole SD20-14 is now well defined and the sub-surface geometry of the Upper Erins Quartzite Formation and the black graphitic phyllite member of the Stronchullin Phyllite Formation are reasonably well constrained which will enable deeper drilling to more accurately target auriferous quartz veins within preferred host rocks.

2014 to 2018 Activity

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).

Knapdale - Quality Assurance and Quality Control

Drill cores were geologically and geotechnically logged, photographed, split by core saw and sampled under the supervision of the Company's geologists. Half core of mineralised intersections was submitted to ALS Geochemistry's laboratory at Loughrea in Ireland for analysis of gold, base metals and a suite of trace elements. All assays were conducted on intervals of split core, on average 1m in length. Quality control was monitored by incorporation of assay standards and duplicates.

All analytical work has been completed at the ALS Geochemistry laboratory facility in Loughrea, Ireland. ALS Geochemistry is an internationally accredited lab and are ISO compliant (ISO 9001:2008, ISO/IEC17025:2005). All drill core is prepared using the PREP 31B method and analyzed for gold using the Au-AA23 procedure (30gm fire assay with AAS finish: Lower Detection Limit 0.005ppm gold; Upper Detection Limit 10ppm gold). Any samples that returned over-limit values (>10ppm gold) were analyzed by the Au-AA25 Fire Assay procedure (0.01-100ppm gold). All drill core samples are analyzed for silver, base metals and a comprehensive trace element suite using the ME-MS61L method following a four- acid digest.

Commercially available OREAS Certified Reference Materials and Blanks are routinely inserted into sample dispatches approximately every 25 samples. ALS Geochemistry also has its own QA/QC protocol using standards, blanks and duplicates.

Lagalochan Project

Lagalochan is an early-stage exploration stage copper-gold porphyry prospect located in Kilmelford, Scotland. Lagalochan is one of the few examples of porphyry copper mineralisation in the Appalachian/Dalradian terranes of eastern North America and Western Europe. The mineral rights extend to base metal exploration rights over 612.5 hectares, with right to lease gold exploration rights over 118 km², 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 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.

Lagalochan is a Silurian aged high potassium calc alkaline type porphyry similar to Red Chris in British Columbia, Canada and Bingham Canyon in the USA. It is one of the few known examples of porphyry mineralisation in the Appalachian/Caledonide belt, an important mineral belt extending from Georgia in the USA through Newfoundland in Canada, into Ireland and Scotland and finally Greenland and Norway. The belt is known for its base metal production from Volcanogenic Massive Sulphide (VMS) deposits such as the Bathurst and Buchans district in Canada and is also an emerging gold district with new discoveries in Newfoundland in Canada and Northern Ireland. The only significant porphyry production being restricted to the Gaspé porphyry deposit in Quebec Canada.

Lagalochan was discovered in the 1980's by BP minerals. The Company acquired its interest in Lagalochan, along with the Knapdale property which includes the Stronchullin orogenic gold occurrence and the Gossan Burn copper gold occurrence, when the Company completed its acquisition of UK company Western Gold Exploration Limited and its subsidiary Lorne Resources Ltd. in October 2020. Surface dimensions of the 0.1% grade contour for the stockwork zone are 450x 250m oval body steeply plunging to NE to a depth of at least 500 vertical metres. The stockwork zone is transected by a NE trending intensely phyllic carbonate altered porphyry breccia zone which is locally associated with higher gold grades and is destructive of primary copper mineralisation.

The Company is planning an exploration program over the next three months. Work is commencing on extending the Ionic Leach soil grid to the south, as several multi-element anomalies remain open at the edge of the previous sampling grid. The historical VTEM and IP surveys are being re-processed and the results will be integrated into the extended soil grids and a new exploration plan will be developed.

SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The Company, in accordance with TSXV policy 2.4, is a Tier 2 mining issuer. 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 condensed interim consolidated financial statements for the year ended December 31, 2021:

| Financial Position –Select Items: | As at June 30, 2022 | As at December 31, 2021 | As at December 31, 2020 |
|--|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | \$ 849,879 | \$ 1,447,733 | \$ 3,087,762 |
| Working capital ⁽¹⁾ | \$ 899,179 | \$ 1,687,112 | \$ 3,122,915 |
| Exploration and evaluation properties | \$ 4,790,610 | \$ 4,158,389 | \$ 3,132,343 |
| Total assets | \$ 5,930,826 | \$ 5,906,296 | \$ 6,316,234 |
| Total non-current liabilities | - | - | - |
| Shareholders' equity | \$ 5,689,789 | \$ 5,845,501 | \$ 6,255,258 |

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

| Exploration & Evaluation Properties | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|--|--|--------------------------------------|--------------------------------------|
| Balance at the beginning of the | \$4,342,983 | \$3,318,197 | \$4,158,389 | \$4,158,389 |
| Costs capitalized in the period | | | | |
| Consulting | 81,404 | 69,634 | 206,415 | 188,126 |
| Drilling | 321,728 | 682,771 | 345,604 | 725,250 |
| Lease rentals & other | 44,495 | - | 80,202 | 24,883 |
| Total exploration costs capitalised in the period | 447,627 | 752,405 | 632,221 | 938,259 |
| Balance at the end of the period | \$ 4,790,610 | \$ 4,070,602 | \$ 4,790,610 | \$ 4,070,602 |

| Quarterly Period Ended | Comprehensive Loss | Comprehensive Loss per Share ⁽¹⁾ |
|------------------------|--------------------|---|
| June 30, 2022 | \$ 88,132 | \$ 0.003 |
| March 31, 2022 | 67,581 | 0.003 |
| December 31, 2021 | 118,867 | 0.004 |
| September 30, 2021 | 125,096 | 0.005 |
| June 30, 2021 | 83,510 | 0.003 |
| March 31, 2021 | 82,284 | 0.003 |
| December 31, 2020 | 3,646,065 | 0.40 |
| September 30, 2020 | 416,082 | 0.07 |

(1) EPS for Q4 2020 is based on the weighted average shares outstanding for the year ending December 31, 2020 of 9,181,146, which represents the post consolidation shares. EPS for Q1, Q2 and Q3 2020 are based on weighted average shares outstanding of 5,600,040.

Discussion of Operations

During the three and six months ended June 30, 2022 (“Q2 2022” and “YTD 2022”, respectively), the Company continued the process to advance its exploration and evaluation of its mineral properties in Scotland (“E&E”). In May 2022, the Company initiated its drilling campaign at the Gossan Burn copper prospect within its Knapdale Project. The plan was for six diamond drill holes of 180 metres to 200 metres depth each, for aggregate drilling of up to 1,200 metres, which will be used to evaluate the economic potential of the area. Five diamond drill holes were completed for aggregate drilling of 1,038 metres. E&E spending in Q2 2022 and YTD 2022 was \$447,627 and \$632,221, respectively. In the three months ended June 30, 2021 (“Q2 2021”), the Company invested \$752,405 into E&E, primarily in a drilling campaign at the Stronchullin Prospect within its Knapdale Project. During the six months ended June 30, 2021 (“YTD 2021”) the aggregate E&E spending was \$938,259.

The comprehensive loss for Q2 2022 was \$88,132 (Q2 2021 – \$83,510). The increased loss in Q2 2022 is attributed primarily to foreign exchange losses related to the weaker British pound sterling. Compensation expenses increased in Q2 2022 compared to Q2 2021 by approximately \$20,000, including non-recoverable HST. Increased compensation expenses were partially offset by lower professional fees.

The comprehensive loss for YTD 2022 was \$155,712 (YTD 2021 – \$165,796). Compensation costs increased by \$24,000 over the YTD 2021 due to unrecoverable HST and increased activity in Q2 2022. Increased compensation expenses were partially offset by lower professional fees. Office and sundry expenses decreased in 2022 by \$39,000 compared to the prior year, primarily due to lower property costs and better utilization of the exploration site building.

The foreign exchange loss in 2022 is attributed to the impact of the lower CAD/GBP exchange rates on activities and funds held in Scotland. The exchange rate for CAD/GBP changed from \$1.7132 at December 31, 2021 to \$1.5668 at June 30, 2022, or down by 8.5%. The prior year comparisons are \$1.7219 at December 31, 2020 to \$1.7126 at June 30, 2021, or down by 0.5%

LIQUIDITY AND CAPITAL RESOURCES

Cash at June 30, 2022 totalled \$849,879 (December 31, 2021 - \$1,447,733). At June 30, 2022, the Company had working capital (non-GAAP measure equal to current assets less current liabilities) of \$899,179 (December 31, 2021 – \$1,687,112). The reduction in cash and working capital in the six months ending June 30, 2022 is directly attributed to the investment in E&E and general and administrative expenses. Accounts payable and accrued liabilities at June 30, 2022 of \$241,037 (December 31, 2021- \$60,795) increased primarily due to the drilling campaign expenditures.

During the six-months ended June 30, 2022, the Company invested \$632,221 in capitalized exploration and evaluation costs and incurred operating expenses of \$132,767 (YTD 2021 – E&E \$938,259; operating expenses \$163,730).

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 before July 29, 2022, and £3,000,000 in aggregate before July 29, 2024. The Knapdale work commitment spent to June 30, 2022, was £1,378,000 (to December 31, 2021 - £1,225,000). An additional £192,000 in exploration expenses were incurred in July 2022, which increased the aggregate spending to exceed the £1,500,000 work commitment condition. 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 June 30, 2022, consist of cash and accounts payable and accrued liabilities 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 the value added taxes (includes VAT in UK and HST in Canada) recoverable and research and development tax credits recoverable are collectible from government authorities in the UK and Canada. 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.

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 AUGUST 25, 2022

On August 25, 2022, the Company completed a non-brokered private placement for gross proceeds of \$1,150,000 through the issuance of 7,666,646 equity units at a price of \$0.15 per equity unit. Each Unit is comprised of one (1) common share of the Company and one-half of one (1/2) common Warrant. Each whole Warrant entitles the holder to acquire one (1) common share of the Company for a period of 12 months from the date of issuance of the Warrant, at an exercise price of \$0.25 per share.

Following the completion of the above noted private placement, at August 25, 2022, the Company had issued and outstanding common shares without par value of 34,271,351 common shares (at June 30, 2022 - 26,604,705 common shares).

CAPITAL MANAGEMENT

The Company manages capital through its financial and operational forecasting processes. The Company's capital management objectives, policies and processes remained unchanged from the year ended December 31, 2021. The Company is a Tier 2 mining issuer on the TSXV, which facilitates 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 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.

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.

The Company's risk factors are disclosed and referred to in the Company's consolidated financial statements for the year ended December 31, 2021. There have been no changes in the risk management or in any of the risk management policies and risk factors since December 31, 2021.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 3 – Accounting Policies in the Company's consolidated financial statements for the year ended December 31, 2021.

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 since the year ended December 31, 2021 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 March 31, 2022.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains or incorporates by reference "forward-looking statements" and "forward-looking information" as defined under applicable Canadian securities legislation *Forward looking statements include, but are not limited to, statements with respect to those that address potential quantity and/or grade of minerals, potential for minerals and/or mineral resources, timing and plans for any exploratory drilling and statements regarding the plans, intentions, beliefs, and current expectations of the Company with respect to the future business activities and operating performance of the Company that may be described herein. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. Such information can generally be identified by the use of forwarding-looking wording such as "may", "expect", "estimate", "anticipate", "intend",*

“believe” and “continue” or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, estimates, forecasts, projections and other forward-looking statements will not occur. The forward-looking statements contained in this document are made as of the document’s date. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.