



# **Western Gold Exploration Ltd.**

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

**For the Three and Nine Months Ended September 30, 2021**

**(dated: November 18, 2021)**

INTRODUCTION	3
BASIS OF PRESENTATION	3
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION	3
CORPORATE PROFILE	4
HIGHLIGHTS – 2021 TO DATE	4
OUTLOOK	4
COMPANY OVERVIEW	5
OVERVIEW OF PROJECTS	6
LIQUIDITY AND CAPITAL RESOURCES	13
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS	13
SHARE CAPITAL AS AT NOVEMBER 18, 2021	14
CAPITAL MANAGEMENT	14
RISK FACTORS	14
SIGNIFICANT ACCOUNTING POLICIES	16
INTERNAL CONTROL OVER FINANCIAL REPORTING	16

**Western Gold Exploration Ltd.  
Management's Discussion and Analysis  
For the Three and Nine Months Ended September 30, 2021**

**INTRODUCTION**

The following management's discussion and analysis ("MD&A") is intended to help the reader understand Western Gold Exploration Ltd.'s (the "Company", "we" or "our"), operations, financial performance and present and future business environment. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto as at and for the three and nine months ended September 30, 2021 and 2020 (the "**Financial Statements**"). This MD&A was prepared by management of the Company and was reviewed by and approved by the Company's Board of Directors on November XX, 2021.

**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.

**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**

### **HIGHLIGHTS – 2021 TO DATE**

- **Drilling Campaign:** In April 2021, the Company commenced an exploration drilling campaign at the Stronchullin prospect within its 3,253 hectare Knapdale Project, located in Argyllshire, Scotland. The Company engaged Priority Drilling as drilling contractors to undertake the program. This 2021 drilling program is a follow up to scout drilling completed in 2017-2018 and deep overburden (DOB) geochemical surveys undertaken in 2020. The 2021 drilling program included eight diamond drill holes of 150-200m depth each, for aggregate drilling of 1,360 metres, which will be used to evaluate the economic potential of the Stronchullin quartz-gold-silver-base metal veins in the vicinity of the historic gold mine. The onsite activity was completed on July 2, 2021.

The core samples analysis was completed by ALS Limited's facility in Loughrea Galway, Ireland. The highlights of the drilling campaign were announced on September 10, 2021. Additional details are included in the 'Overview of Projects' below.

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. The results help support the Company's understanding of the Knapdale area. The Company now intends to review all the Stronchullin data from the current and previous campaigns, including from the recent geochemical surveys. Once this has been completed, it will update shareholders with future activities at its adjacent Gossan Burn prospects within the Knapdale Property.

Further details regarding the exploration target can be found in the Company's "NI 43-101 Technical Report, Geological Introduction to Knapdale Gold-Silver Project, Scotland" with an effective date of September 12, 2020, which can be found on the Company's website or under the Company's SEDAR profile.

- In conjunction with the 2021 drilling program and related core analysis, the Company completed its review of the deep overburden geochemical surveys. This analysis was initiated in September 2020 had been disrupted by COVID-19 related delays.

### **OUTLOOK**

- Following on from the completion of the recent Stronchullin drilling campaign the company is completing further analysis of those results.
- At the same time the company is carrying out further geochemical analysis of its Gossan Burn project to confirm drilling targets in preparation for an exploration campaign at the start of Q2 of 2022. The Gossan Burn prospect is characterized by a well-defined base of till (top of bedrock) anomaly with gold values between 63-134 ppb Au and up to 584 ppb Au. Copper mineralisation is evident in intensely hematite-silica-altered sericite schist host

rocks with chalcocite, chalcopyrite, malachite and rare azurite. Two rock grab samples yielded: 40% Cu and 18.8 g/t Ag; and 27.7% Cu, 14.4 g/t Ag. The deep overburden and IP surveys that were completed in 2021 have been interpreted and will be assessed with ongoing geochemical results to assist in targeting at Gossan Burn.

- The Company's copper porphyry project at Lagalochan is expected to be assessed to determine the strategy to recommence the next phase of exploration activities in 2022.
- Western Gold continues to be engaged in looking for and evaluating other prospective exploration targets throughout Scotland.

## Company Overview

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.

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, 2023 and £3 million in total 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.

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).

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	<b>1.00m</b>	<b>19.2</b>	1.19	60	721	152	104	25
SD20-14	56.90m	57.90m	<b>1.00m</b>	<b>12.2</b>	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.

### **Review by Qualified Person, Quality Assurance and Quality Control**

Mr. Patrick Waters, Consultant Professional Geologist is the Qualified Person as defined by National Instruction 43-101, responsible for the accuracy of scientific and technical information in this report.

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.

### **Lagallochan Project**

Lagallochan 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<sup>2</sup>, 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 Lagallochan 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, Lagallochan will be maintained as a future exploration prospect, while the Company advances Knapdale. The Lagallochan 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, was classed as 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 condensed interim consolidated financial statements for the nine months ended September 30, 2021:

<b>Financial Position – Select Items:</b>	<b>As at September 30, 2021</b>	<b>As at December 31, 2020</b>	<b>As at December 31, 2019</b>
Cash and cash equivalents	1,559,334	3,087,762	442
Working capital (deficit) <sup>(1)</sup>	1,678,920	3,122,915	(209,711)
Exploration and evaluation properties	4,295,446	3,132,343	2,682,026
Total assets	6,025,829	6,316,234	2,790,272
Total non-current liabilities	-	-	-
Shareholders' equity	5,964,366	6,255,257	2,472,315

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

<b>Exploration &amp; Evaluation Additions</b>	<b>9 Months ended September 30, 2021</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Consulting	264,564	51,667	127,796
Drilling & fieldwork	854,995	230,433	534,274
Fees & other costs	43,544	168,216	50,535
Total additions in period	1,163,103	450,316	712,605

<b>Quarterly Period Ended</b>	<b>Net Loss and Comprehensive Loss</b>	<b>Net Loss and Comprehensive Loss per Share<sup>(1)</sup></b>
September 30, 2021	125,096	\$ 0.01
June 30, 2021	83,510	\$ 0.00
March 31, 2021	82,284	\$ 0.00
December 31, 2020	3,646,065	\$ 0.40
September 30, 2020	416,082	\$ 0.07
September 30, 2020	92,734	\$ 0.02
March 31, 2020	78,030	\$ 0.01
December 31, 2019	(70,475)	-

- (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 nine months ended September 30, 2021, the Company continued the process to advance its exploration and evaluation of its mineral properties in Scotland (“E&E”). The drilling program approval process was more time consuming in 2020 and early 2021 due to the impact of COVID-19 restrictions and repercussions from the cyber attack on Scotland’s Environment Protection Agency (‘SEPA’). As a result, the Company’s delayed drilling campaign was initiated in April 2021, with the drilling and assay analysis being completed in early July and September, respectively. E&E spending in the three-months ended and nine months ended September 30, 2021 of \$224,894 and \$1,163,103, respectively (year ended December 31, 2020 - \$450,317).

The comprehensive losses for the three-months and nine-months ended September 30, 2021 were \$125,096 and \$290,892, respectively (three-months and nine-months ended September 30, 2020 – \$205,256 and \$373,824 respectively). Community and investor relations costs increased to \$34,435 in 2021 (2020 - \$16,375) primarily to support the Company’s 2021 drilling campaign and its shareholder meeting and news releases. Office and sundry expenses of \$122,198 were higher in 2021 (2020 - \$38,079) primarily due to TSXV and regulatory fees not applicable in 2020 and higher insurance costs. General compensation expenses of \$60,536 were lower in 2021 (2020 - \$104,586) due to the change in focus on the 2021 drilling program, resulting in more consulting fees being capitalized to E&E. Professional fees were higher in the prior year primarily due to legal expenses related to the RTO negotiations.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash at September 30, 2021 totalled \$1,559,334 (December 31, 2020 - \$3,087,762). At September 30, 2021, the Company had working capital (non-GAAP measure equal to current assets less current liabilities) of \$1,678,920 (December 31, 2020 – \$3,122,915). The reduction in cash and working capital 2021 is directly attributed to the investment in E&E and general and administrative expenses. Accounts payable and accrued liabilities of \$61,463 (December 31, 2020 - \$60,976) were similar to the prior year, which reflects the prompt payments by the Company regarding the drilling and assay expenditures incurred in the period.

During the nine months ended September 30, 2021, the Company invested \$1,153,103 in capitalized exploration and evaluation costs and incurred operating expenses of \$290,983 (nine months ended September 30, 202 – E&E \$450,316; operating expenses \$358,554).

## **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 September 30, 2021, 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 NOVEMBER 18, 2021**

At November 18, 2021 and at December 31, 2020, 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. The Company's capital management objectives, policies and processes remained unchanged from the year ended December 31, 2020. As a result of the RTO, the Company became a Tier 2 mining issuer on the TSXV, which improved 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, Lagalochoan 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 and MD&A for the year ended December 31, 2020 and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

There have been no changes in the risk management or in any of the risk management policies and risk factors since the April 22, 2021 date of the MD&A for the year ended December 31, 2020, 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 COVID-19 global health pandemic has had a significant impact on the global economy and commodity and financial markets. 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. 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. However, easing of government restrictions in the UK facilitated the commencement and execution of the drilling program in Q2 2021.

## **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 nine months ended September 30, 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 September 30, 2021.