



Western Gold Exploration Ltd.

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

**For the Three Months Ended
March 31, 2023**

(dated: May 18, 2023)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated May 18, 2023, 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 condensed interim consolidated financial statements for the three months ended March 31, 2023 and notes thereto (the "Financial Statements"). The Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34, Interim Financial Reporting ('IAS 34') and interpretations adopted by the International Accounting Standards Board ("IASB"). 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 uncertainties identified in the Cautionary Note Regarding Forward-Looking Statements section below and the Risk Factors section on page 15 of the document.

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.

CORPORATE PROFILE

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 Lagalochan Project ("Lagalochan") and the Knapdale Gold Project license ("Knapdale"). Lagalochan, which is approximately 90 km northwest of Glasgow, is considered a copper-gold molybdenum porphyry prospect. The Company filed a National Instrument 43-101 Technical Report on Lagalochan on November 29, 2022.

The Company's focus is to develop and expand Lagalochan and target surrounding areas with emphasis on exploring historic mines and gold occurrences.

Knapdale was an early exploration stage project prospective for orogenic quartz-gold-silver lodes that comprises the Allt Dearg prospect and the Gossan Burn prospect. Knapdale is in the parish of Knapdale South, which is approximately 70 km west of Glasgow. In December 2022, the Company completed its evaluation of Knapdale based on its exploration activities to date and determined that the poor results did not justify further investment. The Knapdale prospecting agreement was terminated in December 2022 and the Company recorded a related impairment charge as stated in the Financial Statements and discussed in this document.

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") (TSXV: WGLD) and the Company is a Tier 2 Mining issuer under the policies of the TSXV. 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.

HIGHLIGHTS

Lagalochan Copper Gold Porphyry Project, Argyll, Scotland

The Lagalochan porphyry complex is one of the few examples of porphyry copper mineralisation in the Appalachian/Dalradian terranes of eastern North America and Western Europe. On November 29, 2022, the Company filed the NI 43-101 Technical Report on the Lagalochan Property, Argyll, Scotland (the "Lagalochan Report"). The Lagalochan Report on the copper gold molybdenum porphyry prospect is compliant with National Instrument 43-101 - Standards of Disclosure for Mineral projects ("NI 43-101").

The exploration activities, as recommended by the Lagalochan Report, that have continued in 2023 included:

- Further analysis of the 384 Ionic Leach soil samples collected over an area at Lagalochan that has not previously been sampled.
- Further 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.
- Development of induced polarization (IP) geophysical testing plans to facilitate identification of drilling target areas.
- Development of prospective drill targets for more than 20 holes in seven distinct areas of the Lagalochan Property.

The Company continued to expand its access rights on Lagalochan by advancing and completing discussions

with a number of land owners in the area. The additional access agreements are expected to support the development of additional exploration targets.

OUTLOOK

Lagalochan Copper Gold Porphyry Project – The Lagalochan porphyry complex is one of the few examples of porphyry copper mineralisation in the Appalachian/Dalradian terranes of eastern North America and Western Europe. The Company plans to continue to advance its exploration activities in 2023, as recommended in the Lagalochan Report. Activities are expected to include:

- Completing the digitizing of historical data and data compilation.
- Exploring for extensions of the primary hypogene copper, gold, molybdenum stockwork mineralisation withing the host intrusion and the surrounding metasediments.
- Exploring for porphyry related mineralisation targets including intermediate sulphidation epithermal veins and proximal gold copper skarn mineralisation. Once all the data compilation is finished and the near-surface exploration included, the depth potential of the project should be tested.
- Developing a drilling campaign to be initiated by the fourth quarter of 2023.

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.

Cash Management – The Company will continue to closely manage its cash while optimizing its operating activities leading to a drilling campaign planned for later in the year. The Company plans to consider a potential financing transaction later in 2023 in order to fund future drilling and operating activities.

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.

COMPANY OVERVIEW

The Company is incorporated under the Business Corporations Act (Alberta) and is a TSX Venture Exchange (the “TSXV”) Tier 2 mining company. The Company’s common shares are listed on the TSXV and trade under the symbol WGLD.

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’s only assets were the Knapdale Gold Project license (“**Knapdale**”) and the Lagalochan license (“**Lagalochan**”).

Knapdale was an early exploration stage project prospective for orogenic quartz-gold-silver lodes and VMS copper mineralization. Knapdale. In December 2022, the Company’s evaluation of Knapdale concluded that the poor results to date, combined with the opportunity to develop its Lagalochan Property, did not justify any further investment in Knapdale. Consequently, the Company terminated its prospecting agreement regarding Knapdale and recorded an impairment charge of \$553,050 in December 2022.

The Company’s focus is to develop and expand its Scottish exploration targets, Lagalochan and surrounding areas with emphasis on targeting historic mines and gold occurrences.

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

Lagalochan Property

Lagalochan is an early-stage exploration stage copper-gold porphyry prospect located in Kilmelford, Scotland.

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 WGE UK and its subsidiary Lorne 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.

On July 28, 2022, the Company announced the results of recent exploration work at Lagalochan that 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 a subsidiary of the Company (Lorne), prior to the Company acquiring such subsidiary.

As a result of such exploration works, the Company notes:

- Several new exploration targets have been generated which it intends to follow-up on with further work. These exploration targets are shown in Figure 3 of the Company's July 28, 2022 press release.
- The drilling undertaken by its subsidiary (Lorne) at Lagalochan in 2018-2019 confirmed historical

grades of the main quartz stockwork zone within the red feldspar porphyry achieved by other companies that drilled Lagalochan in 1984-1985. For example, the Lorne holes LD18-4 intersected 530.5m @ 0.17% Cu, 0.11 g/t Au, 2.7 g/t Ag, 68 ppm Mo from 3m downhole and LD13-1a which intersected 537m @ 0.18% Cu, 0.10 g/t Au, 2.6 g/t Ag, 73 ppm Mo from 2m downhole confirmed and extended results from LD84-15, the best hole from the previous programme which intersected 292.47m @ 0.20% Cu, 0.12 g/t Au, 3.7 g/t Ag, 47 ppm Mo from 1.9m downhole and ended in mineralisation. Tabulated historical results for Lagalochan are presented in Table 1 below.

- The quartz stockwork zone at Lagalochan exhibits a strong phyllic overprint of original potassic alteration and indicates that the current bedrock surface is at a shallow erosional level just below the inferred lithocap that has subsequently been eroded away. It is believed that mineralisation in the stockwork zone is open to depth and is interpreted to lie above the inferred progenitor porphyry, which has not been intersected in historical drilling.
- The presence of not only porphyry copper gold mineralisation, but also gold copper skarn and intermediate sulphidation gold silver epithermal type mineralisation in outcrop in various locations proximal to the main stockwork zone.

Table 1 - Significant Intersections from Historical Drilling⁽¹⁾

Hole ID	From	To	Interval Length	Au g/t	Ag g/t	Cu ppm	Mo ppm	Cu% metres
LD13-1	5.00	211.00	206.00	0.11	3.53	1,680	98	34.6%
LD13-1A	2.00	539.00	537.00	0.10	2.58	1,775	73	95.3%
LD13-2	17.00	98.80	81.80	0.11	2.14	1,100	31	9.0%
LD13-2	219.55	447.00	227.45	0.14	2.33	1,669	24	38.0%
LD13-3	65.70	82.05	16.35	0.58	3.22	1,229	11	2.0%
LD13-3	132.00	275.10	143.10	0.08	2.59	1,314	41	18.8%
LD13-3	383.20	426.60	43.40	0.09	1.35	1,204	59	5.2%
LD18-4	3.00	533.50	530.50	0.11	2.67	1,676	68	88.9%
LD18-4	620.25	638.25	18.00	0.03	1.20	1,593	26	2.9%
LD18-6	186.20	241.50	55.30	0.10	4.10	1,236	55	6.8%
LD84-1	38.54	144.77	106.23	0.23	3.93	1,016	5	10.8%
LD84-1	146.77	241.41	94.64	0.16	2.98	1,576	11	14.9%
LD84-3	-	155.69	155.69	0.22	3.90	1,417	37	22.1%
LD84-8	2.00	105.30	103.30	0.18	3.85	1,769	23	18.3%
LD84-9	1.34	130.05	128.71	0.10	2.01	1,494	49	19.2%
LD84-15	1.88	294.35	292.47	0.12	3.62	1,961	47	57.4%
LD84-20	177.55	223.30	45.75	0.14	4.19	1,039	11	4.8%
LD84-22	115.00	198.20	83.20	0.10	2.28	1,211	45	10.1%
LD84-34	107.00	176.00	69.00	0.37	3.61	1,478	-	10.2%

(1) Intersections are downhole intersections. Using a 0.1% Cu cutoff and 10% internal dilution. Estimated true widths vary from 20-60% of downhole intersect length. Cu % metres is calculated as copper grade x interval thickness, only intersections with a Cu% metre value >= 2 are displayed here. Drillhole collar locations are listed in Table 2 in the July 28, 2022 press release of the Company.

Lagalochan NI 43-101 Technical Report

On November 29, 2022, the Company issued the Lagalochan NI 43-101 Technical Report (available www.westerngoldexploration.com and on www.SEDAR.com).

The Lagalochan property is centred at 56.25°North, 5.42°West and lies 3 km east of the village of Kilmelford in Argyll (Argyllshire), Scotland, United Kingdom. Oban is the nearest larger town and lies 18 km to the north. Glasgow is the nearest city and lies 85 km to the south east. The Lagalochan Property (which is within the larger Lagalochan Project defined above) in this Technical Report refers to the 6.1 km² area that is covered by all three of:

- Crown Minerals Option (Mines Royal Option) covering precious metals
- Mineral rights option associated with the freehold
- Surface rights option agreement with landowners.

The Lagalochan property is held by the Company through Lorne. The precious metal rights are optioned from the Crown Estate Scotland in exchange for a 4% Net Smelter Return (NSR) applying to gold and silver only. The option annual fees are currently an index linked £5,000 pa but from 1st August 2023 will be an index linked £7,500 pa. The option terminates on 31st July 2027. The non-precious metal mineral rights are held by private individuals, and the option agreement is for the right to purchase or “lease to work” all or part of the Lagalochan property. These rights are granted in exchange for an annual fee of £10,000 pa. If the lease option is exercised the lease lasts for a further 21 years from the exercised date and entitles the mineral rights holder to a 1% NSR. The option agreement with the Company commenced on 31st May 2012 and expires in 2028. The surface rights option agreement covers a 6.1 km² area which covers the entirety of the known copper gold stockwork mineralisation at Lagalochan. The option gives the right to take up a 50-year lease entitling the Company to establish a mine and associated infrastructure subject to appropriate planning and environmental permits. The option fee is currently a £20,000 index linked annual fee. If the option is exercised the surface rights holder is entitled to a 1% NSR on minerals mined, a 0.25% wayleave NSR on material mined outside the Lagalochan property passing through the Lagalochan property and a £125 per hectare fee on areas within the lease. The option agreement is valid until 25th July 2027. The area is sparsely populated, and the local economy is dependent on tourism, forestry, fish farming and upland sheep farming. A narrow, sealed road traverses the Lagalochan property giving year-round access and dirt forestry tracks provide poor to good quality access to much of the rest of the Lagalochan property.

The Lagalochan property comprises steep hills transected by numerous streams. The highest local point to the Lagalochan Property is Cárn Duchara with a peak of 491m, though elevations within the Lagalochan property are commonly between 150-250m of sea level. Several freshwater lochs occur throughout the area at elevations between 150-300m often at the headwaters of the various burns that drain the area. The Lagalochan property is covered by pine forests, grass, heather and bracken, and the terrain is commonly boggy, with outcrops occupying <10% of the area.

The conclusions in the Lagalochan NI 43-101 Technical Report included:

The porphyry mineralisation at Lagalochan discovered to date is an exceptionally well preserved and rare example of an undeformed, breccia dominated, high-K calc-alkaline, Silurian aged, telescoped porphyry system. Erosion levels are shallow with current land surface estimated to being less than 1km below the palaeo-surface at time of formation some +400 million years ago. Known hypogene Cu, Au, Ag, Mo mineralisation outcrops and forms a roughly 300m diameter circular potassic altered central stockwork cylinder that extends to > 550 m depth. A larger phyllic alteration zone overprints and surrounds the potassic core which is pervasive to a depth of 200m vertical and is present along faults down to at least 400m. The host RFP is not significantly mineralised outside of the “B” vein zones, unless in zones of late carbonate veining, where sphalerite and galena can be present.

Proximal skarn and intermediate sulphidation epithermal vein systems represent minor parts of the known mineralisation.

If the Lagalochan property was in a proven porphyry terrain such as in the Americas or the Pacific, it would likely have received much more attention in recent years. While the bulk of the known mineralisation is sub-economic, (some of the bigger intersections into the stockwork average out over a +500m intersection of drill core, to 0.18% Cu and 0.1 g/t Au (see Table 7 & Table 9 of the Lagalochan NI 43-101 Technical Report), they are not far beyond the lower exploitable limit of some of the North American porphyry systems. Highland Valley Copper Mine operated by Teck Resources in British Columbia ("BC"), Canada in 2015 had a M&I resource of 1,008Mt @ 0.26% Cu, 0.01% Mo with no significant gold credits (Vancouver Mineral Development Office, 2015). The Gibraltar Mine in BC, Canada operated by Taseko Mines, has 2P (Proven + Probable) reserves of 706 Mt @ 0.25% Cu, 0.008% Mo with no significant gold credits (Weymark, 2022). Schaft Creek in BC, Canada, a JV with Teck Resources and Fox Copper, has a positive preliminary economic assessment (PEA) with M&I resources of 1,345.5 Mt @ 0.26% Cu, 0.16 g/t Au (Ghaffari et al., 2021). Lagalochan with < 10,000m of drilling to date, the majority from the 1980's, is still not well explored either to depth or laterally for main-stage porphyry mineralisation. Additional target types such as porphyry related skarn and intermediate sulphidation epithermal vein systems have seen even less systematic exploration.

Knapdale Gold Copper Project

Knapdale was 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 extended 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.

The landowners 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 Company announced on December 30, 2022, that its evaluation of Knapdale had concluded that the poor results to date, combined with the opportunity to develop its Lagalochan Property, did not justify any further investment in Knapdale. Consequently, the Company terminated its prospecting agreements for Knapdale.

The Company's termination of its prospecting agreement regarding Knapdale resulted in the write-off of \$2,639,711 in acquisition costs and cumulative exploration expenditures. The retrospective change in accounting policy for exploration and evaluation expenditures, resulted in an impairment charge on its exploration and evaluation properties of approximately \$553,050 in December 2022 and the recognition that \$2,086,661 in cumulative exploration expenses (including \$716,217 in expenses recorded in 2022) were related to the terminated Knapdale project.

SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The Company, in accordance with TSXV policy 2.4, is a Tier 2 mining issuer. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its exploration and evaluation expenditures and administrative expenses. The accounting policy related to exploration and evaluation properties and expenses was changed in the year ended December 31, 2022. The retrospective change in accounting policy for the years ended December 31, 2020 and 2021 reduced the carrying value of exploration and evaluation properties and increased related expenses and losses.

The following table provides select financial information in CAD, after the retrospective change in accounting policy, that should be read in conjunction with the Financial Statements:

	For Quarters ended:	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
		\$	\$	\$	\$
Results of Operations:					
Net loss		231,443	1,142,030	656,068	527,082
Comprehensive loss		208,339	1,110,662	666,952	535,758
Basic and diluted loss per share ⁽²⁾		0.006	0.032	0.022	0.020
Financial Position – Select					
Cash		515,814	781,511	1,071,311	849,879
Working capital ⁽¹⁾		516,973	719,084	1,299,561	899,179
Exploration and evaluation properties		553,050	553,050	1,106,100	1,106,100
Total assets		1,135,768	1,395,296	2,481,618	2,246,317
Shareholders' equity		1,086,659	1,294,998	2,405,662	2,005,280

	For Quarters ended:	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
		\$	\$	\$	\$
Results of Operations:					
Net loss		237,905	1,165	342,048	833,163
Comprehensive (gain) loss		252,174	(8,192)	339,939	835,915
Basic and diluted loss per		0.009	0.00	0.01	0.03
Financial Position – Select					
Cash		1,231,619	1,447,733	1,559,334	2,639,552
Working capital ⁽¹⁾		1,434,937	1,687,111	1,678,921	2,018,860
Exploration and evaluation properties		1,106,100	1,106,100	1,106,100	1,106,100
Total assets		2,626,900	2,854,007	3,270,654	4,067,301
Shareholders' equity		2,541,037	2,793,212	2,785,021	3,960,876

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

Discussion of Operations

In the three months ended March 31, 2023 ('Q1 FY23'), the Company incurred a net loss of \$231,443 compared to a loss of \$237,906 in the same period in the prior year ('Q1 FY22'). The reduction in expenses is primarily attributed to lower office costs and professional fees and a small foreign exchange gain.

During the fiscal year ended December 31, 2022 ("FY2022"), the Company incurred a comprehensive loss of \$2,565,545, or an increase of \$1,089,742 over the \$1,435,803 comprehensive loss for the fiscal year ended December 31, 2021 ("FY2021"). The increased loss is primarily attributed to the \$553,050 E&E property impairment charge related to the termination of the Knapdale project, and a \$580,651 increase in E&E expenses to \$1,606,698 in FY2022 compared to \$1,026,047 in E&E expenses in FY2021. The aggregate of other operating expenses was \$15,866 lower in FY2022 than in FY2021.

Amortization expense in Q1 FY23 was \$2,228, which relates to the acquisition of a used vehicle and computer software in Q4 FY23. No such expense was incurred prior to Q4 FY23.

The compensation cost of \$42,693 in Q1 FY23 increased from the same period last year by approximately \$22,300, due to primarily due to a reduction in staff costs allocated to exploration and evaluation and additional payroll expenses for a new hire compared to the equivalent consulting fees.

Exploration and evaluation ('E&E') expenses decreased to \$159,571 in Q1 FY23, or by approximately \$25,000 compared to the prior year. The decrease is primarily attributed to a reduction in consulting fees, which included approximately \$19,000 in consulting fees from a former director and additional analytical work and planning for drilling in the prior year. Drilling and fieldwork expenses in Q1 FY23 was focussed on fieldwork at Lagalochan administration.

E&E expenses were incurred for the Knapdale and Lagalochan projects as indicated in the table below:

Exploration and Evaluation Expenses	Knapdale	Lagalochan	Total
Cumulative Expenses - December 31, 2021	1,370,044	1,682,245	3,052,289
Consulting	60,000	65,011	125,011
Drilling and fieldwork	18,006	5,870	23,876
Lease rentals and other	15,105	20,602	35,707
Changes in the period	93,111	91,438	184,594
Cumulative Expenses - March 31, 2022	1,463,155	1,773,728	3,236,883
Consulting	82,830	186,220	269,050
Drilling and fieldwork	341,837	423,038	764,876
Lease rentals and other	55,629	75,786	131,414
Research and development tax credits	143,210	113,554	256,764
Changes in period	623,506	798,598	1,422,104
Changes in 2022	716,617	890,081	1,606,698
Cumulative Expenses before property termination - December 31, 2022	2,086,661	2,572,327	4,658,987
Property exploration terminated	(2,086,661)	-	(2,086,661)
Cumulative expenses – December 31, 2022	-	2,572,327	2,572,327

Exploration and Evaluation Expenses	Knapdale	Lagalochoan	Total
Cumulative expenses – December 31, 2022	-	2,572,327	2,572,327
Consulting	-	64,467	64,467
Drilling and fieldwork	-	95,103	95,103
Lease rentals and other	-	-	-
Changes in the period	-	159,571	159,571
Cumulative expenses – March 31, 2023	-	2,731,898	2,731,898

In December 2022, the Company Knapdale property exploration was terminated, resulting in the write-off of \$2,086,661 in cumulative expenses, as indicated in the table above, and the exploration and evaluation property impairment charge of \$553,050.

Office and sundry expenses decreased in Q1 FY22 by \$2,285 compared to the prior year, primarily due to lower insurance costs.

Professional fees of \$5,037 in Q1 FY23 were approximately \$2,000 lower than in the prior year primarily due to lower accounting and legal fees in the UK.

Regulatory and investor relations expenditures were \$12,667 in Q1 FY23, or slightly higher than the \$12,417 incurred in the same period last year, due to similar activity levels.

LIQUIDITY AND CAPITAL RESOURCES

Cash at March 31, 2023 was \$515,884 (December 31, 2022 - \$781,511) and working capital (non-GAAP measure equal to current assets less current liabilities) of \$512,973 (December 31, 2022 – \$719,084). The reduction in cash and working capital in 2023 is directly attributed to E&E and general and administrative expenses, as planned when the Company was funded by the August 2022 non-brokered private placement for gross proceeds of \$1,149,997.

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.

The Prospecting Agreements with the Knapdale landowners, which were in place for most of 2022, were terminated in December 2022 due to poor exploration results.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments as of March 31, 2023 and December 31, 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) collectible from government authorities in the UK. 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 MAY 18, 2023

At May 18, 2023, the Company had issued and outstanding common shares without par value of 34,271,351 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, 2022. As a Tier 2 mining issuer on the TSXV, the Company has access to additional capital, subject to capital market conditions and acceptable terms, to meet its funding requirements to support the exploration and evaluation activities related to the Lagalochan project and other prospective licenses in Scotland.

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 three months ended March 31, 2023 and for the year ended December 31, 2022.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 – Basis of Preparation in the Company's Financial Statements for the three months ended March 31, 2023 and for the year ended December 31, 2022. The Company changed its accounting policy related to exploration and evaluation properties and expenses in December 2022 and applied the change

prospectively.

Refer to Note 3 – Accounting Policies in the Company’s Financial Statements for the three months ended March 31, 2023 and for the year ended December 31, 2022.

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 three months ended March 31, 2023 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, 2023.