



Western Gold Exploration Ltd.

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

For the Year Ended December 31, 2021

(dated: April 19, 2022)

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Western Gold Exploration Ltd. Management's Discussion and Analysis For the Year Ended December 31, 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 consolidated financial statements and notes thereto as at and for the years ended December 31, 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 April 19, 2022.

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.

CORPORATE PROFILE

HIGHLIGHTS

Knapdale Gold Copper Project

- Drilling Campaign - April to September 2021
 - Stronchullin gold vein system - within the 3,253 hectare Knapdale Property, in Argyllshire, Scotland, to evaluate the economic potential of the Stronchullin quartz-gold-silver-base metal veins in the vicinity of the historic gold mine.
 - 8 diamond drill holes - 150-200m depth each, for aggregate drilling of 1,360 metres.
 - Continuity of the high-grade lode structure – confirmed over a strike length of 100m and over a 100m vertical interval, in the immediate vicinity of the historic Stronchullin gold mine. Best results included 19.20 g/t gold + 1.19 g/t silver over 1.00m from 88.15m in SD20-13 and 12.20 g/t gold + 20.4 g/t silver accompanied by highly anomalous base metal values over 1.00m in SD20-14 from 56.90m.

- Knapdale Project Details - Additional exploration target details are included in the 'Overview of Projects' below and 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. This 2021 drilling program is a follow up to scout drilling completed in 2017-2018 and deep overburden (DOB) geochemical surveys undertaken in 2020.
- Overburden Geochemical Survey Analysis indicates potential for further veins at Stronchullin - The analysis, combined with the drilling program results, advanced the Company's understanding of the gold- arsenic-antimony anomalies, which were interpreted as reflecting additional zones of orogenic style quartz-gold-silver-base metal veins developed to the east of the main Stronchullin vein and along strike to the north and south of the known vein system.
- Overburden Sampling at Gossan Burn Copper Occurrence (within Knapdale Project) - At Gossan Burn, significant surface copper mineralisation has been sampled in outcrop some 1km to the southeast of the Stronchullin vein system. Channel samples previously taken over the zone yielded 10m @ 5% Cu incl. 2.5m @ 17.5% Cu of primarily supergene chalcocite mineralisation. The mineralisation style is interpreted as typical of Besshi type VMS deposits, one of the best known examples being the giant Windy Craggy deposit in BC Canada. Follow-up deep overburden (DOB) sampling demonstrated anomalous base metal mineralisation over a 1km strike with the anomaly open at both ends. The area was re-surveyed in 2021 using Ionic leach methods with 406 samples taken. The trial duplicated the more expensive DOB methods successfully and the grid will be expanded to try and close off the open copper anomalous zones.

OUTLOOK

Knapdale exploration – The focus is on defining drill targets for 2022 at the Gossan Burn copper showing and expanding the Ionic leach soil sampling grid.

Lagalochan exploration – 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 copper gold mineralisation encountered to date in drilling is being re-evaluated and the potential for higher grade mineralisation at depth on the North Hill Stock and in other parts of the intrusive complex is being assessed.

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.

COMPANY OVERVIEW

The Company has developed as a result of the October 29, 2020 reverse takeover by Western Gold Exploration Limited (“WGE UK”) of Cassowary Capital Corporation Limited (“Cassowary”). Cassowary was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on January 31, 2018 and 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 **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. 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’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 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 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 zinc 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 December 31, 2021, the Company has spent approximately £1,225,000 towards the work commitment of £1.5 million before July 29, 2022. The Company plans to manage its exploration budget and take any additional actions needed to fulfill its commitments and maintain its licenses.

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”) 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 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	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.

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.

The copper gold mineralisation encountered to date in drilling is being re-evaluated.

SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

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

The following table provides select financial information in CAD that should be read in conjunction with the condensed interim consolidated financial statements for the year ended December 31, 2021:

Financial Position – Select Items:	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Cash and cash equivalents	1,447,733	3,087,762	442
Working capital (deficit) ⁽¹⁾	1,687,112	3,122,915	(209,711)
Exploration and evaluation properties	4,158,389	3,132,343	2,682,026
Total assets	5,906,296	6,316,234	2,790,272
Total non-current liabilities	-	-	-
Shareholders' equity	5,845,501	6,255,258	2,472,315

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

Exploration & Evaluation Additions	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Consulting	341,015	51,667	127,796
Drilling & fieldwork	903,031	230,433	534,274
Fees & other costs	56,597	168,216	50,535
Tax credits	(275,025)		
Total additions in period	1,026,046	450,316	712,605

Quarterly Period Ended	Comprehensive Loss	Comprehensive Loss per Share ⁽¹⁾
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
June 30, 2020	92,734	0.02
March 31, 2020	78,030	0.01

(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 year ended December 31, 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 year ended December 31, 2021 was \$1,026,046, net of the UK research and development tax credit of \$275,025 (E&E year ended December 31, 2020 - \$450,317).

The comprehensive loss for the year ended December 31, 2021 was \$409,757 (2020 – \$4,232,911). Investor relations expenses increased to \$62,239 in 2021 (2020 - \$22,753) which include public company regulatory fees in Canada and community relations activities in Scotland related to the Company’s 2021 drilling campaign. Office and sundry expenses of \$86,448 were higher in 2021 (2020 - \$35,280) primarily due to rent expense for the site office not applicable in 2020 and higher insurance costs. Compensation expenses of \$93,960 were lower in 2021 (2020 - \$139,050) due to the change in focus on the 2021 drilling program, resulting in more consulting fees being capitalized to E&E. Professional fees of \$145,532 in 2021 relate to ongoing legal, audit, tax and other consulting fees, which were significantly lower than the \$444,934 incurred in 2020, which related to activities leading up to and resulting in the RTO transaction completed in October 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash at December 31, 2021 totalled \$1,447,733 (December 31, 2020 - \$3,087,762). At December 31, 2021, the Company had working capital (non-GAAP measure equal to current assets less current liabilities) of \$1,687,112 (December 31, 2020 – \$3,122,915). The reduction in cash and working capital in 2021 is directly attributed to the investment in E&E and general and administrative expenses. Accounts payable and accrued liabilities of \$60,795 (December 31, 2020 - \$60,976) is very comparable from year-to-year.

During the year ended December 31, 2021, the Company invested \$1,026,046 in capitalized exploration and evaluation costs and incurred operating expenses of \$419,204 (year ended December 31, 2021 – E&E \$450,316; operating expenses, excluding share-based compensation, of \$642,017).

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 December 31, 2021 was \$2,120,000 (£1,225,000). The Prospecting Agreements may be terminated by landowners if the work commitment is not met. The option period under the Prospecting Agreements expires on January 28, 2033.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments as of December 31, 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 APRIL 19, 2022

At April 19, 2022 and at December 31, 2021, the Company had issued and outstanding common shares without par value of 26,604,705 common shares.

CAPITAL MANAGEMENT

The Company manages capital through its financial and operational forecasting processes. 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, Lagalochan and other prospective licenses.

RISK FACTORS

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

The Company's risk factors are consistent with those disclosed and referred to in the Company's consolidated financial statements for the year ended December 31, 2021.

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

- *The Impact of the Coronavirus (COVID-19) Pandemic on the Company:* The COVID-19 global health pandemic has had a significant impact on the global economy and commodity and financial markets since March 2020. To date, a number of mining projects' operations have been adversely affected by COVID-19 and related governments actions and policies. The Company experienced some delays affecting its planning and execution of the 2021 drilling program. However, easing of government restrictions in the UK facilitated the commencement and execution of the drilling program in Q2 2021. Government restrictions have eased further in early 2022, which suggests fewer COVID-19 related delays or issues should impact the Company's operations. However, if the Company is unable to obtain the services required to advance the project, due to a resurgence of COVID-19, the Company may have a material adverse impact on the Company's results of operations, financing activities and financial condition.
- *Nature of Activities:* The exploration for and development of mineral projects involves significant risks which even a combination of careful evaluation, experience and knowledge may not mitigate. Few properties that are explored are ultimately developed into producing mines. Knapdale is at the early exploration stage, but it is impossible to provide any assurance that the project and any exploration further planned by the Company will result in a profitable commercial mining operation.
- *Exploration and Evaluation Costs:* Actual exploration, development or other costs and economic returns may differ significantly from those the Company has anticipated and there are no assurances that any future activities will result in profitable mining operations. The Company has limited operating history and there can be no assurance of its ability to operate its projects profitably.
- *Commodity Prices:* Changes in the market price for mineral production, which have fluctuated widely in the past, will affect the future profitability of the Company's operations and financial condition.
- *Financing and Dilution:* The Company's historical capital needs have been met primarily by the issuance of shares and, from demand loans provided by shareholders. The Company's planned activities include the drilling and other exploration activities. The Company will require additional funds to further explore and develop its properties. The Company has limited financial resources and no current source of recurring revenue. The junior resource market where the Company raises funds is extremely volatile, companies are subject to high level of competition for the same pool of investment dollars, and there is no guarantee that the Company will be able to raise adequate funds in a timely manner to conduct its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.
- *Trading Price:* Market prices of shares of development stage companies are often volatile. Factors such as announcement of mineral discoveries and financial results have a significant

effect on the price of the Company's shares. The limited trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares. The Company has no dividend payment policy and does not intend to pay any dividends in the foreseeable future.

- *Title:* Although the Company has taken steps to verify title to its mineral property interests, including obtaining legal opinions as part of the RTO due diligence process, there is no guarantee that the mineral properties will not be subject to title disputes or undetected defects.
- *Land Access:* The Company owns the mineral rights to the Knapdale and Lagalochan. Further negotiations with landowners will be required to efficiently manage the existing access rights and advance the exploration activities.
- *Regulatory:* Many of the mineral rights and interests of the Company are subject to government approvals, licences and permits. Such approvals, licences and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. There is a risk that additional time for approvals may result in additional overhead and other costs that may be incurred during the additional time that may be required for approvals. The Scottish Environment Protection Agency (SEPA) was subject to a serious and complex cyber-attack which has significantly impacted its contact centre, internal systems, processes, and communications. SEPA, while working to correct its systems issues, implemented revised operating procedures for the first six months of 2021. The planning and approval process regarding the Company's drilling program and other exploration activities were adversely affected resulting in the delay, from Q1 to Q2 2020, of the drilling program.
- *Environmental:* The Company is subject to laws and regulations related to environmental matters, including provisions for reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental legislation and is not aware of any existing environmental problems related to its mineral property interests that may be the cause of material liability to the Company. In addition, the Company has periodically engaged experts to assist the Company in modifying its processes and documentation to facilitate compliance with international standards.
- *Insurance:* Mining is a heavy industry activity and requires high standards of safety in construction and operations. The Company expects to continue to evolve its health and safety policies and practices ensure they meet the high standards required for managing the risks of each phase of developing and operating its projects. Sometimes hazards result from conditions or elements beyond the Company's control, which could have a material adverse effect on the Company's business. The Company's insurance coverage does not cover all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.
- *Personnel:* The Company may experience difficulty in attracting and retaining qualified management to meet the needs of its anticipated growth, and the failure to manage the Company's growth effectively could have a material adverse effect on its business and financial condition. Insofar as certain directors and officers of the Company hold similar positions with other mineral resource companies, conflicts may arise between the obligations of these directors and officers to the Company and to such other mineral resource companies.
- *Tax:* Changes in taxation legislation or regulations in the countries in which the Company operates could have a material adverse effect on the Company's business and financial

condition. The United Kingdom's exit from the European Union and the pro-independence movement in Scotland could lead to future tax regulation changes that could adversely affect the Company.

- *The Company Depends on Two Mineral Projects:* Any adverse development affecting Knapdale and Lagaloachan will have a material adverse effect on the Company's business, prospects, profitability, financial performance and results of the operations. These developments include, but are not limited to, the inability to obtain financing to explore and advance its projects, unusual and unexpected geologic formations, seismic activity, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, property, and which could hinder the development of the projects.
- *Global Economic Issues:* Global financial and economic conditions have been characterized by extreme volatility in recent years, including commodity-price fluctuations and the cost of debt and equity securities and the impact of COVID-19. Access to public and private debt and equity financing has been negatively impacted during this time. If such conditions persist or worsen, they could negatively impact the ability of the Company to obtain debt or equity financing in the future and, if obtained, on terms favourable to the Company. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Changes in global economic conditions may also lead to significant changes in commodity prices. If these conditions and volatility persist or worsen, the Company's business, results of operations and financial condition could be adversely impacted and the value and price of the Company's shares could be adversely affected.
- *Conflicts of Interest:* Directors of the Company are or may become directors or officers of other mineral resource companies or have significant shareholdings in such other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, its directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation.
- *The Company has a Limited Operating History and No History of Earnings, Positive Cash Flow or Dividend Payments:* An investment in the Company's shares should be considered highly speculative due to the nature of the Company's business. *The Company* has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has not commenced commercial production and it has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of its properties profitably or that its activities will generate positive cash flow.
- *The Company Faces Significant Competition for Attractive Mineral Properties:* Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. *The Company's* ability to acquire properties in the future will depend not only on its ability to develop its present property, but also on its ability to select and acquire properties or prospects for mineral exploration. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

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

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.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 3 – Accounting Policies in the Company's 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 during 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 December 31, 2021.

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.