



**Management's Discussion and Analysis**

**For three and twelve months ended December 31, 2021 and 2020**

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This Management's Discussion and Analysis ("**MD&A**") of the financial position and results of operations for Foran Mining Corporation (the "**Company**" or "**Foran**") should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2021 and the related notes thereto, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). For further information on the Company, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.foranmining.com](http://www.foranmining.com).

This MD&A is prepared by management and approved by the Board of Directors as of April 4, 2022. The discussion covers the three ("**Q4 2021**" or the "**Quarter**") and twelve months ended December 31, 2021 and the subsequent period up to the date of issuance of this MD&A. All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A may contain forward-looking statements that reflect Management's current expectations with regards to future events. By their nature, these statements involve risk and uncertainties, many of which are beyond the Company's control. Actual results may differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **NATURE OF BUSINESS**

The Company was originally incorporated under the laws of British Columbia ("**BC**") on June 21, 1989. The Company is a reporting issuer in BC, Alberta, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador. The Company's common shares are traded on the TSX Venture Exchange under the symbol "FOM". The Company's principal business activity is the acquisition, exploration and development of mineral properties with the objective of discovering mineral reserves and the development of an operating mine. The Company's flagship property is its 100% owned McIlvenna Bay property in Saskatchewan, Canada, 65 kilometres ("**km**") west of Flin Flon, Manitoba.

To date the Company has not generated any revenues.

## **OUTLOOK**

Foran is presently in the pre-development stage after recently announcing the results from a Feasibility Study for the McIlvenna Bay project ("**McIlvenna Bay**"). McIlvenna Bay is a copper ("**Cu**") - zinc ("**Zn**") - gold ("**Au**") - silver ("**Ag**") rich volcanic hosted massive sulphide deposit intended to be the center of a new mining camp in a prolific district that has already been producing for 100 years.

Foran's goal is to build the first carbon neutral mining operation in Canada, that is part of a broader mission to create a blueprint for responsible mining that is upheld as leading practice globally. Foran is committed to creating value for all stakeholders, which includes working with and supporting local communities, providing safe employment, ensuring diversity and equality, enhancing biodiversity, and not contributing to climate change. To date all carbon emissions, from exploration have been offset.

## RECENT EVENTS AND DEVELOPMENTS

- On February 28, 2022, the Company announced the results from a Feasibility Study on its Mcllvenna Bay project. Highlights included an after-tax NPV<sup>(7%)</sup> of \$1.06 billion and IRR of 46%, at spot prices, based on Probable Mineral Reserves of 25.7 million tonnes (“Mt”) at 2.51% copper equivalent (“CuEq”), which represents a 66% reserve conversion rate from the existing 39.1Mt of Indicated resources and an initial 18-year reserve life.
- On February 15, 2022, the Company announced it had received initial permits for a proposed exploration decline as part of its pre-development program at its Mcllvenna Bay project.
- On January 31, 2022, the Company announced the appointment of Brad Wall to its Advisory Board. Mr. Wall served as the Premier of Saskatchewan from November 2007 to February 2018.
- On January 4, 2022, the Company announced the appointment of David K. Bernier as Chief Operating Officer. Mr. Bernier was previously the Canada Country Manager for Pan American Silver Corp. responsible for managing its multiple operations in the Timmins Region.
- From January 2021 to December 2021, the Company completed a drill program of over 35,000 metres at its Mcllvenna Bay, Balsam and Bigstone properties. The purpose of the program was to conduct infill and expansion drilling at the Mcllvenna Bay deposit in support of its ongoing Feasibility Study and significantly enhance the economic value of the project, along with exploration drilling to identify potential satellite resources and grow the Bigstone deposit. During 2021, the Company issued several news releases regarding results of the drill program, which can be found on [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.foranmining.com](http://www.foranmining.com).
- On October 14, 2021, the Company announced an updated mineral resource estimate for the Company’s 100%-owned Mcllvenna Bay deposit, including a 70% increase of indicated resources to 39.1 Mt at 1.20% Cu, 2.16% Zn, 0.41 g/t Au and 14 g/t Ag or (2.04% CuEq).
- On September 28, 2021, the Company announced the appointment of The Honorable Wayne G. Wouters to its Board of Directors. Mr. Wouters brings extensive experience, strategic insight and expertise to Foran, developed over his distinguished career in public service, including five years as Clerk of the Privy Council of Canada.
- On August 6, 2021, the Company completed a private placement with affiliates of Fairfax Financial Holdings Limited for gross proceeds of \$100 million. The private placement resulted in the issue of 27,777,778 common shares of the Company, 27,777,778 non-voting shares of the Company, and 16,000,000 common share purchase warrants.
- On June 23, 2021, the Company announced the appointment of James Steels as its Chief Financial Officer. Mr. Steels is a corporate finance and capital markets professional in the metals and mining sector and specializes in valuations, risk management, financings, strategic initiatives, transaction structuring and equity investments.
- On March 24, 2021, the Company announced the appointment of Dr. Jean Rogers to its Board of Directors. Dr. Rogers is the founder and former CEO of the Sustainability Accounting Standards Board (“SASB”).
- On February 2, 2021, the Company completed a brokered private placement of 30,665,000 common shares of the Company for gross proceeds of \$25 million.

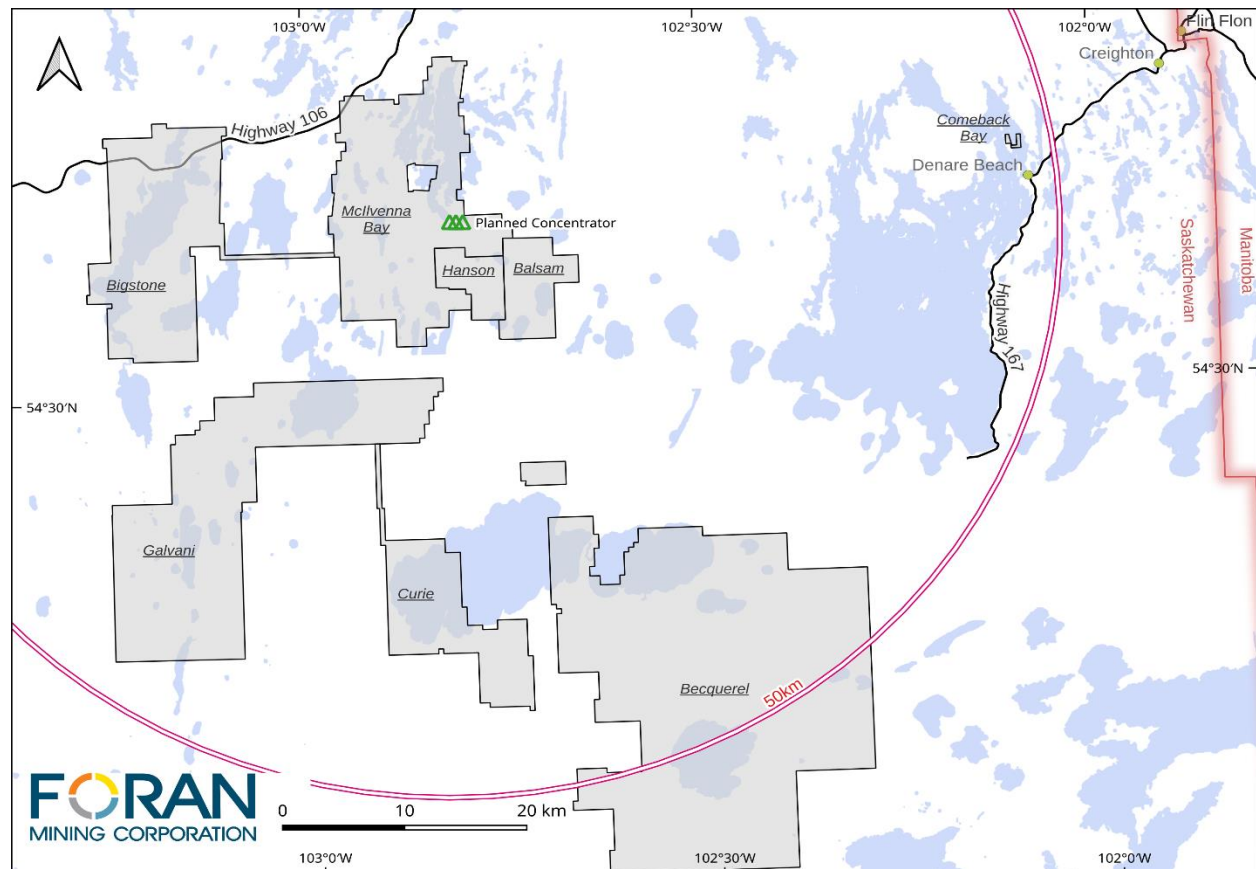
## MINERAL PROPERTIES

As of the date of this MD&A, the Company has eight properties in Saskatchewan comprising a total of 96 mining claims covering approximately 147,184 hectares (“ha”), located between 15 and 102km west of Flin Flon, Manitoba. All tenements are within 63km of the McIlvenna Bay deposit where a processing facility is proposed.

Four properties are higher priority, the McIlvenna Bay Property, which contains the McIlvenna Bay deposit, and three adjacent properties Hanson, Balsam and Bigstone, all of which occur at the western limit of the Flin Flon Greenstone Belt. All four properties are underlain by prospective felsic volcanic stratigraphy that hosts variably significant volcanic-hosted massive sulphide (“**VHMS**”) styles of alteration and mineralization. The Comeback Bay property, also located in Saskatchewan, is of lower priority but has both precious and base metal VHMS potential within the western limit of the Flin Flon Arc Assemblage (Birch Lake Belt).

In June 2021, Foran acquired two additional properties (Galvani and Curie) through staking, which are located to the south of McIlvenna Bay and Bigstone. These prospective properties are both believed to be underlain by similar Flin Flon Greenstone Belt geology to that which underlies the existing properties to the north.

In October 2021 the Galvani and Curie properties were expanded and an eighth property, Becquerel, was added to Foran's ground holding, all by staking.



Further details on the Company's significant properties are as follows:

### 1) Mcllvenna Bay Property

The Company has a 100% interest in the Mcllvenna Bay Property in east central Saskatchewan. The Mcllvenna Bay Property consists of 38 claims covering a total of 20,907 ha. The Mcllvenna Bay deposit is located on the Mcllvenna Bay Property, approximately one km south of Hanson Lake, Saskatchewan, 375km northeast of Saskatoon, Saskatchewan and 65km west south-west of Flin Flon, Manitoba. The Mcllvenna Bay deposit is linked to Flin Flon, Manitoba by 85km of highway followed by 18km of unsealed secondary road.

The Mcllvenna Bay deposit was discovered in 1988 and includes two distinct styles of VHMS mineralization which include massive to semi-massive sulphides and copper stockwork. Since 2011, the Company has been working to advance the Mcllvenna Bay deposit through continued exploration, resource definition and environmental and engineering studies.

Some of the claims that make up the Mcllvenna Bay Property are subject to a Net Tonnage Royalty of \$0.75 per tonne of ore extracted, with the Company holding a right of first refusal if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation and BHP Billiton collectively hold a 1% Net Smelter Return royalty interest on Mcllvenna Bay, which can be repurchased by the Company at any time for \$1 million.

The claims that comprise the Mcllvenna Bay Property are in good standing for periods between 8 and 20 years.

#### 2022 Activity

##### *Feasibility Study*

On February 28, 2022, the Company announced results from a Feasibility Study (the "2022 Feasibility Study"). Highlight financial metrics from the 2022 Feasibility Study included the following:

- Pre-tax NPV of \$1.49 billion and IRR of 46% with an after-tax payback period of 2.2 years, at spot prices.
- Life-of-mine EBITDA of \$4.0 billion and a Free Cash Flow of \$2.3 billion, at spot prices.

#### Pre-Tax NPV Sensitivity Analysis

	Zinc Price		Copper Price (US\$/lb)				
	(US\$/lb)	\$3.00	Base Case <sup>1</sup>	\$4.00	Current <sup>2</sup>	\$5.00	\$6.00
	\$1.00	\$347	\$550	\$753	\$1,078	\$1,159	\$1,565
	Base Case <sup>1</sup>	\$475	<b>\$678</b>	\$881	\$1,208	\$1,287	\$1,694
Pre-Tax NPV <sub>7%</sub>	\$1.40	\$603	\$806	\$1,010	\$1,338	\$1,416	\$1,822
(C\$M) <sup>3</sup>	\$1.60	\$732	\$935	\$1,138	\$1,467	\$1,544	\$1,950
	Current <sup>2</sup>	\$865	\$1,070	\$1,276	<b>\$1,493</b>	\$1,686	\$2,096
	\$1.80	\$860	\$1,063	\$1,266	\$1,597	\$1,672	\$2,079

<sup>1</sup> Base case copper and zinc prices are US\$3.50/lb copper and US\$1.20/lb zinc.

<sup>2</sup> Current copper and zinc prices are US\$4.53/lb copper and US\$1.64/lb zinc. Under these scenarios US\$1,936/oz gold, US\$24.52/oz silver, and 1.27 USD/CAD is used. Current prices are based on February 23, 2022, closing values.

<sup>3</sup> Excluding current price scenarios, US\$1,600/oz gold, US\$22.50/oz silver, and 1.26 USD/CAD is used.

## IRR, Payback and Free Cash Flow Sensitivity Analysis

	Base Case <sup>1</sup>	Current <sup>2</sup>	Copper Price (US\$/lb)			
			\$3.00	\$4.00	\$5.00	\$6.00
Pre-Tax IRR	26%	<b>46%</b>	21%	31%	40%	48%
After-Tax IRR	22%	<b>38%</b>	18%	26%	33%	40%
After-Tax Payback (yrs)	4.5	<b>2.2</b>	5.6	3.7	2.9	2.3
LOM EBITDA (C\$M)	\$2,483	<b>\$4,012</b>	\$2,097	\$2,870	\$3,643	\$4,415
LOM Free Cash Flow (C\$M)	\$1,179	<b>\$2,280</b>	\$906	\$1,460	\$2,015	\$2,565

<sup>1</sup> Base case prices are US\$3.50/lb copper, US\$1.20/lb zinc, US\$1,600/oz gold, US\$22.50/oz silver, and 1.26 USD/CAD.

<sup>2</sup> Current prices are US\$4.53/lb copper, US\$1.64/lb zinc, US\$1,936/oz gold, US\$24.52/oz silver, and 1.27 USD/CAD. Current prices are based on February 23, 2022, closing values.

<sup>3</sup> Excluding the current price scenario, US\$1.20/lb zinc, US\$1,600/oz gold, US\$22.50/oz silver, and 1.26 USD/CAD is used.

Probable Mineral Reserves totaled 25.7 Mt at 2.51% CuEq, a 66% reserve conversion rate from the existing 39.1 Mt of Indicated resources. The 2022 Feasibility Study outlined an 18.4 year mine life, based on a 4,200 throughput rate and an average annual production of 72.8 Mlbs CuEq over the first 15 years of mine life.

### *Surface Prep & Exploration Decline*

In February 2022, the Company received initial permits from the Environmental Protection Branch of the Ministry of Environment of Saskatchewan to support a bulk sample program to enable de-risking of any future development of the project.

Surface works associated with the program include construction of a lined rock storage pad, roadways and water containment pond. The underground development associated with the exploration decline is planned to be 1,475 metres in length and is expected to reach the mineralized zone in H2/22. Upon completion of the exploration decline, Foran plans to extract a 4,400 tonne bulk sample for additional metallurgical testing.

The construction of the exploration decline, surface preparation and purchase of various equipment and infrastructure items would also be used in future production once the project is fully approved. The surface preparation associated with the program commenced in Q4/21.

### 2021 Activity

On October 14, 2021, the Company announced an updated mineral resource estimate (“2021 Resource Estimate”), outlining a 70% increase in indicated resources to 39.1 Mt with inferred resources totaling 5.0 Mt. The updated resource estimate incorporates over 25,000 metres of infill and expansion drilling in 36 holes which were completed since the previous resource estimate was published in 2019.



The 2021 Resource Estimate is summarized as below (US\$60/t NSR cut-off)<sup>1-5</sup>:

Zone	Tonnage (Mt)	NSR (\$US)	Cu (%)	Zn (%)	Pb (%)	Au (g/t)	Ag (g/t)	CuEq (%)
<b>INDICATED</b>								
<b>Main Lens</b> Massive Sulphide	10.8	199	1.01	6.17	0.41	0.53	27	3.13
<b>Lens 3</b>	2.6	113	0.82	3.07	0.14	0.25	15	1.80
<b>Stringer Zone</b>	1.2	119	1.26	0.52	0.07	0.31	13	1.53
<b>Copper Stockwork Zone</b>	22.7	127	1.31	0.38	0.02	0.37	9	1.60
<b>Copper Stockwork Footwall Zone</b>	1.8	141	1.42	0.59	0.04	0.45	9	1.79
<b>TOTAL INDICATED</b>	<b>39.1</b>	<b>146</b>	<b>1.20</b>	<b>2.16</b>	<b>0.14</b>	<b>0.41</b>	<b>14</b>	<b>2.04</b>
<b>INFERRED</b>								
<b>Main Lens</b> Massive Sulphide	1.6	163	0.65	6.51	0.46	0.29	28	2.66
<b>Copper Stockwork Zone</b>	3.5	106	1.08	0.79	0.03	0.25	11	1.37
<b>TOTAL INFERRED</b>	<b>5.0</b>	<b>123</b>	<b>0.94</b>	<b>2.56</b>	<b>0.17</b>	<b>0.27</b>	<b>16</b>	<b>1.77</b>

<sup>1</sup> Effective date September 6, 2021; CIM definitions were followed for Mineral Resources; CuEq = copper equivalent; NSR = Net Smelter Return. Totals may not add due to rounding.

<sup>2</sup> The base case mineral resource is estimated based on 240 diamond drill holes and a NSR cut-off value of US\$60/t. NSR value was calculated using Cu, Zn, Au, Ag and high-grade caps were applied and include provisions for metallurgical recovery and estimates of current shipping terms and smelter rates for similar concentrates. Metal prices used are US\$4.25/lb. Cu, US\$1.35/lb. Zn, US\$1,800/oz. Au, and US\$25.00/oz. Ag, versus US\$3.30/lb. Cu, US\$1.25/lb. Zn, US\$1,310/oz. Au and US\$16.20/oz. Ag, used for the previous resource estimate in 2019. Specific gravity was interpolated for each block based on measurements taken from core specimens, with an average value of 3.59 for the main Massive Sulphide ("MS") lens and 2.87 for the Copper Stockwork Zone

<sup>3</sup> Mr. William J. Lewis, P.Geo., of Micon, has reviewed and verified this mineral resource estimate. Mr. Lewis is independent of Foran and is a "Qualified Person" within the meaning of NI 43-101.

<sup>4</sup> Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing or other issues. Due to the uncertainty which may attach to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

<sup>5</sup> CuEq values were calculated from the NSR values for each zone using both concentrate and recovery curves that were developed during Pre-Feasibility level metallurgical studies.

## 2) Bigstone

The Company has a 100% interest in the Bigstone Property, which is comprised of 13 claims totaling 16,117 hectares, oriented north-south to cover roughly 20km of prospective volcanic stratigraphy. Some of the claims that comprise the Bigstone Property are subject to a 2% NSR Royalty. The claims are in good standing for a period of between 7 and 20 years.

On December 7, 2020, the Company announced an initial NI 43-101 compliant resource at Bigstone. This represents the second NI 43-101 compliant resource defined by Foran within the Hanson Lake District and could be an important contributor to a long-life mining camp that could be developed in the region. Indicated resources are estimated at 1.98Mt grading 2.22% CuEq and inferred resources are estimated at 1.88Mt grading 2.14% CuEq. On January 21, 2021, the Company filed the independent NI 43-101 technical report titled "*Technical Report on the Bigstone Project, East Central Saskatchewan*,



Canada” and is available on the Company’s website [www.foranmining.com](http://www.foranmining.com) or under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## OVERALL PERFORMANCE

### SELECTED FINANCIAL INFORMATION

<i>Expressed in thousands of Canadian dollars</i>	December 31, 2021	December 31, 2020	December 31, 2019
Cash and cash equivalents	83,996	1,050	392
Exploration and evaluation assets	87,654	40,824	39,826
Total assets	174,894	42,175	40,897
Accounts payable and accrued liabilities	9,619	276	265
Deferred share units	3,330	710	684
Total non-current liabilities	812	-	54
Total liabilities	14,539	1,040	1,103

The Company’s total assets as at December 31, 2021 were \$174.9 million compared to \$42.2 million as at December 31, 2020, an increase of \$132.7 million. The increase in assets as explained below:

- **Cash and cash equivalents:** The increase from December 31, 2020 relates to the two private placements during 2021, consisting of \$25.0 million in February and \$100.0 million in August. The net proceeds of these private placements were partially offset by exploration and evaluation expenditures.
- **Exploration and evaluation assets:** The increase from December 31, 2020 was as a result of the Company’s 2021 exploration program on its McIlvenna Bay property. The most significant costs were surface prep and exploration decline costs of \$19.1 million, drilling costs of \$9.5 million and feasibility costs of \$5.6 million

The Company’s total liabilities as at December 31, 2021 were \$14.5 million compared to \$1.0 million as at December 31, 2020, an increase of \$13.5 million. The increase in liabilities as explained below:

- **Accounts payable and accrued liabilities:** The increase from December 31, 2020 was as a result of the Company’s increased level of exploration activity at the McIlvenna Bay property.
- **Deferred share units liability:** The increase from December 31, 2020 was primarily due to the appreciation of the Company’s share price during 2021. Deferred share units (“**DSUs**”) are related to the Company’s Long-Term Performance Incentive Plan (“**LTIP**”), which includes DSUs as one type of award that is issuable under the LTIP. Awards are initially recognized using the market value of the Company’s common shares, with the corresponding liability recorded upon recognition. At each period end, the liability is subsequently revalued using the market value of the Company’s common shares, while the corresponding increase or decrease associated with the revaluation is recorded in profit or loss. Participants can, at their election, receive either the equivalent number of common shares in the Company, or the cash equivalent of the fair market value of the DSUs based on a 5-day volume weighted average closing price of the Company’s common shares.

In order to maximize ongoing exploration efforts, the Company has not and does not currently intend to pay dividends.

## RESULTS OF OPERATIONS

<i>Expressed in thousands of Canadian dollars</i>	Three months ended December 31,		Twelve months ended December 31,		
	2021	2020	2021	2020	2019
Consulting	\$ 329	\$ 92	\$ 921	\$ 153	\$ -
Depreciation	(82)	34	98	142	152
Directors' fees	21	10	61	48	63
Investor relations	185	9	484	48	229
Office and administration	194	33	448	93	205
Professional fees	114	51	883	101	198
Salaries and benefits	283	55	1,285	351	594
Stock option expense	229	140	2,182	266	388
Total general and administration	\$ 1,273	\$ 424	\$ 6,362	\$ 1,202	\$ 1,829
Interest and miscellaneous	\$ (86)	\$ 15	\$ (133)	\$ 3	\$ (41)
Flow-through share premium	(759)	-	(5,068)	-	-
Revaluation of deferred share units	523	1,033	2,529	847	(117)
Total other (income) expenses	\$ (322)	\$ 1,048	\$ (2,672)	\$ 850	\$ (158)

### Three months ended December 31, 2021:

Details of the expenses and other items are as follows:

- **Consulting fees:** The increase in consulting fees were primarily related to fees paid to the Company's executive director for advisory services.
- **Investor relations:** The increase in investor relation costs were primarily related to increased third party advisory services.
- **Office and administration:** The increase in office and administration costs were primarily related to greater employee support costs associated with the greater level of exploration activity and project advancement.
- **Professional fees:** The increase in professional fees were primarily related to increased legal and audit fees.
- **Salaries and benefits:** The increase in salaries and benefit costs were primarily related to the additional employees hired to support the greater level of exploration activity and project advancement.
- **Stock option expense:** The Company applies the fair value method of accounting for all awards of stock options by using the Black-Scholes Option Pricing Model. Variations in share-based payment expense are expected and are based on a number of factors including, but not limited to, the size and occurrence of grants during a particular period, the Company's share price at the time of an

option grant and the timing of recording share-based payment expense based on vesting schedules. During the three months ended December 31, 2021, the Company granted 125,000 stock options (2020: 6,000,000) with a weighted average exercise price of \$2.43 (2020: \$0.20).

- Flow through share premium recovery: Qualifying flow-through expenditures of \$3.4 million during the three months ended December 31, 2021, reduced the flow-through share premium liability by \$0.8 million to nil, which was recorded in the consolidated statement of loss.

Under IFRS, when a Company issues flow-through shares, the Company allocates the proceeds from the flow-through share issuance to i) share capital, and ii) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes the corresponding amount in other income. At the end of a period, the flow-through share premium liability consists of the portion of the original premium on flow-through shares related to the portion of qualifying exploration expenditures that have not yet been incurred.

In relation to the Company's private placement on February 2, 2021, the Company issued 19,126,000 flow-through shares at \$0.915 per share and 11,539,000 non-flow-through shares at \$0.65 per share. A flow-through share premium liability of \$5.1 million was calculated by multiplying the 19,126,000 flow-through shares issued by the difference in issue prices.

- Revaluation of deferred shared units: The unrealized loss recognized on the deferred shared units was a result of the Company's stock increasing from \$2.13 per share on September 30, 2021, to \$2.53 per share on December 31, 2021.

#### Twelve months ended December 31, 2021:

Details of the expenses and other items are as follows:

- Consulting fees: The increase in consulting fees were primarily related to fees paid to the Company's CEO, who joined the Company in the fourth quarter of 2020 in deferred share units and fees paid to an executive director for advisory services.
- Investor relations: The increase in investor relations costs were primarily related to increased third party advisory services.
- Office and administration: The increase in office and administration costs were primarily related to greater employee support costs associated with the greater level of exploration activity.
- Professional fees: The increase professional fees were primarily related to the increase in investment banking services, environmental advisory and legal fees.
- Salaries and benefits: The increase in salaries and benefit costs were primarily related to the additional employees hired to support the greater level of exploration activity.
- Stock option expense: During the twelve months ended December 31, 2021, the Company granted 4,450,000 stock options (2020: 7,620,000) with a weighted average exercise price of \$1.22 (2020: \$0.18).
- Flow through share premium recovery: Qualifying flow-through expenditures of \$18.3 million during the twelve months ended December 31, 2021 reduced the flow-through share premium liability by \$5.1 million to nil, which was recorded in the consolidated statement of loss.

- **Revaluation of deferred shared units:** The unrealized loss recognized on the deferred share units was a result of the Company's stock increasing from \$0.58 per share on December 31, 2020, to \$2.53 per share on December 31, 2021 and the additional units outstanding.

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected unaudited financial data for the last eight quarters which have been derived from the financial records of the Company. With the exception of Q1, 2020 (net income of \$69 thousand), the Company's operating results for the last eight quarters ranged from a net loss of \$0.3 million in Q2, 2020 to a net loss of \$1.6 million in Q4, 2021.

The Company has increased its activity significantly since November 2020 and is in the midst of constructing an exploration decline and related surface works at its McIlvenna Bay deposit. Consequently, general and administrative expenses and net losses for periods subsequent to Q3, 2020 are higher than their comparative quarters.

<i>(Expressed in thousands of Canadian dollars, except share information)</i>	Q4, 2021	Q3, 2021	Q2, 2021	Q1, 2021
General and administration expenses	1,273	2,102	1,645	1,342
Other (income) and expenses	(322)	(1,662)	(230)	(458)
Net loss for the period	1,624	440	1,415	884
Net loss per share (basic and diluted)	0.00	0.00	0.01	0.01
Weight average shares outstanding (basic)	237,332,546	214,732,894	180,603,066	168,649,358

<i>(Expressed in thousands of Canadian dollars, except share information)</i>	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020
General and administration expenses	424	166	235	377
Other (income) and expenses	1,048	184	64	(446)
Net loss (income) for the period	1,472	350	299	(69)
Net loss (income) per share (basic and diluted)	0.01	0.00	0.00	(0.00)
Weight average shares outstanding (basic)	142,650,998	139,939,451	137,754,836	132,412,308

## CASH FLOWS

### Three months ended December 31, 2021:

Cash and cash equivalents decreased by \$18.5 million during the three months ended December 31, 2021, from \$102.5 million at September 30, 2021 to \$84.0 million at December 31, 2021. The decrease was primarily a result of cash of \$15.1 million used in investing activities.

The cash of \$3.3 million used in operating activities consisted of the net loss of \$1.6 million and a net change in non-cash working capital items of \$2.3 million, offset by items not involving cash of \$0.6 million.

The cash of \$15.1 million used in investing activities consisted of exploration and evaluation asset expenditures of \$15.1 million, primarily related to the surface prep and exploration decline.

The cash of \$0.2 million used in financing activities consisted of lease liability payments of \$0.6 million, partially offset by \$0.4 million in cash received from the exercise of stock options.

Twelve months ended December 31, 2021:

Cash and cash equivalents increased by \$82.9 million during the twelve months ended December 31, 2021, from \$1.1 million at December 31, 2020 to \$84.0 million at December 31, 2021. The increase was primarily a result of cash of \$123.3 million provided by financing activities, partially offset by cash used in investing of \$35.9 million.

The cash of \$4.4 million used in operating activities consisted of the net loss of \$4.4 million and a net change in non-cash working capital items of \$1.2 million, partially offset by items not involving cash of \$1.2 million.

The cash of \$35.9 million used in investing activities consisted of exploration and evaluation asset expenditures of \$35.9 million.

The cash of \$123.3 million provided by financing activities consisted primarily of cash received from private placements totaling \$125.0 million, including the Fairfax Financial Holdings Limited placement of \$100.0 million, partially offset by share issuance costs.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. If appropriate, the Company could seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. Operational activities have been funded through private placements and stock option and warrant exercises. At December 31, 2021, the Company had working capital of \$71.9 million (December 31, 2020: \$0.1 million).

The Company is authorized to issue an unlimited number of common shares, non-voting shares and preference shares with no par value.

The rights, privileges, restrictions and conditions of the non-voting shares are identical to those of the common shares, except that the non-voting shares will not entitle the holder thereof to vote at a shareholder meeting and that the non-voting shares may be converted, at the option of the holder, on a one-to-one basis into common shares. Once a non-voting share is converted into a common share, it shall have all the rights and privileges that attach to the common shares.

The subscription agreements entered into between the Company and affiliates of Fairfax Financial Holdings Limited (collectively, "**Fairfax**") contains certain restrictions on the conversion of the 27,777,778 non-voting shares held by Fairfax. Such non-voting shares can only be converted to common shares upon a change of control event or upon disposal of the non-voting shares by Fairfax.

On February 2, 2021, the Company completed a non-brokered private placement financing totaling 30,665,000 common shares for gross proceeds of \$25.0 million. The Company issued 11,539,000 common shares at a price of \$0.65 per share for gross proceeds of \$7.5 million and 19,126,000 common shares issued on a flow-through basis at a price of \$0.915 per flow-through share for gross proceeds of \$17.5 million.

As a result of subscribers paying a premium for the flow-through shares, the Company allocated \$5.1 million of the gross proceeds of the flow-through shares to the flow-through share premium and the remaining \$12.4 million to share capital. Share issue costs totaled \$1.6 million. The net proceeds from the private placement have largely been spent advancing the McIlvenna Bay project.

On August 6, 2021, the Company completed a \$100.0 million private placement with certain affiliate entities of Fairfax Financial Holdings Limited (the “**Fairfax Placement**”). The Fairfax Placement consisted of 27,777,778 units (“**Units**”) of the Company at a price of \$1.80 per Unit, for gross proceeds of \$50.0 million, with each Unit comprised of one common share and 0.288 of a warrant, to purchase an aggregate 8,000,000 additional common shares at an exercise price of \$2.09 expiring on August 6, 2026. The Fairfax Placement also consisted of 27,777,778 non-voting share units (“**Non-Voting Units**”) at a price of \$1.80 per Non-Voting Unit for gross proceeds of \$50.0 million, with each Non-Voting Unit comprised of one non-voting share and 0.288 of a warrant to purchase an aggregate of 8,000,000 additional common shares at an exercise price of \$2.09 per common share, expiring on August 6, 2026. Share issue costs totaled \$0.2 million.

The net proceeds from the Fairfax Placement will be used to rapidly advance the development of the McIlvenna Bay project, further exploration in the Hanson Lake district and for general corporate purposes.

The anticipated use of the proceeds of the Fairfax Placement as described below is based on the best estimates prepared by management of the Company. The Company’s project is evolving and not all of the development steps and associated costs are established at this time. In addition, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The Company will update the use of the funds and the particular application of these funds in future management’s discussion and analysis.

<i>Expressed in thousands of Canadian dollars</i>	Anticipated use of net proceeds	Expenditures to December 31, 2021	Remaining as at December 31, 2021
Development	\$ 35,000	\$ -	35,000
Surface prep and exploration decline	45,000	16,363	28,637
Exploration & Studies	15,000	6,897	8,103
Corporate administration	4,767	776	3,991
<b>Total expenditure</b>	<b>\$ 99,767</b>	<b>\$ 24,036</b>	<b>75,731</b>

The Company has no bank debt or banking credit facilities in place. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future, therefore, a material uncertainty exists that may cast significant doubt about the Company’s ability to continue as a going concern.

## OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The Company's related party transactions for the three and twelve months ended December 31, 2021 were as follows:

<i>Expressed in thousands of Canadian dollars</i>	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Short-term benefits <sup>(1)</sup>	\$ 67	\$ 83	\$ 1,008	\$ 436
Directors' fees <sup>(2)</sup>	21	10	61	48
Consulting fees <sup>(3)</sup>	180	63	521	62
Office rent	-	10	7	15
Stock option expense <sup>(4)</sup>	162	132	1,875	240
<b>Total</b>	<b>\$ 430</b>	<b>\$ 298</b>	<b>\$ 3,472</b>	<b>\$ 801</b>

(1) Short-term benefits consisted of salaries and bonuses for key management personnel, some of which have been capitalized to exploration and evaluation assets.

(2) Directors' fees consist exclusively of DSUs awarded to the independent directors

(3) Consulting fees consist of fees paid to Myerson Holdings AG, a company controlled by the CEO, in the form of DSU's and fees payable to the Executive Director.

(4) Stock option expense consist of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

## SHARE CAPITAL

As at the date of this MD&A, the Company had the following securities issued and outstanding:

- 210,998,587 common shares
- 27,777,778 non-voting shares
- 15,128,334 shares issuable on exercise of stock options
- 24,994,285 shares issuable on exercise of warrants
- 1,640,930 shares issuable on realization of deferred shares units
- 182,500 shares issuable on realization of restricted shares units

## PROPOSED TRANSACTIONS

As of the date of this MD&A, there were no proposed transactions.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing the accompanied consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ. All estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgements and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are the same as those described in the consolidated annual financial statements for the year ended December 31, 2021.

## FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 10 of the Company's consolidated financial statements for the year ended December 31, 2021.



## RISKS AND UNCERTAINTIES

### GOING CONCERN RISK

The principal risk faced in the advanced exploration stage is the ability to raise the funds required to complete exploration and evaluation and develop a mineral deposit. The Company does not operate any producing properties and as such, is dependent on the ability to raise funds. Although the Company believes it has sufficient access to financial markets to support its intended work plan, failure to do so would result in future work being suspended. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

### FINANCIAL INSTRUMENTS RISK

Financial assets and liabilities consist of cash and cash equivalents, accounts receivable, investments, and accounts payable and accrued liabilities. It is Management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial assets and liabilities as all cash and cash equivalents are held at reputable Canadian institutions.

### ENVIRONMENTAL AND PERMITTING RISK

The Company's activities involve the application for licenses and permits from government authorities and such activities are governed by various laws and regulations that cover the protection of the environment, land use, exploration, development, co-ordination of operations and infrastructure with third parties engaged in other activities on the lands, taxes, labour standards, occupational health, waste disposal, safety, and other matters. Environmental legislation in Saskatchewan provides restrictions and prohibitions on various substances used or produced in association with certain exploration activities, which if spilt, could potentially impact the environment. A breach of such legislation may result in imposition of fines and penalties in addition to potential cleanup costs. In addition, certain types of activities require approval from the relevant agencies prior to being undertaken. Environmental legislation is evolving in a direction of higher standards and enforcement. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. There can be no absolute assurance, however, that all permits which the Company may require for exploration activities and land use will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations will not have an adverse effect on any exploration projects that the Company may undertake.

### EXPLORATION RISK

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations within the Company will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to property, and possible environmental damage. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruption, impaired access to site, legal or regulatory changes, flooding, explosions, cave-ins, landslides, weather conditions and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. The Company's exploration activities will be subject to the availability of third-party contractors and equipment. There are also physical risks to the exploration personnel. If any of the Company's additional properties are found to have commercial quantities of mineralization, the Company could be subject to additional risks respecting any development and production activities.

### Mcllvenna Bay Project

The Mcllvenna Bay project is in the exploration stage and has a completed feasibility study. The potential development of this mineral property may only follow upon the preparation of detailed engineering plans, access to adequate funding, community support and obtaining of necessary permits, licenses, and approvals, including that of the Board of Directors. Substantial expenditures are required to develop the mining and processing facilities and the infrastructure at the Mcllvenna Bay Project.

### Other properties

All properties other than the Mcllvenna Bay Project are in the exploration stage. The potential development of these mineral properties may only follow upon obtaining satisfactory exploration results, receipt of positive engineering studies, access to adequate funding, community support and all necessary permits, licenses, and approvals, including that of the Board of Directors. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond the Company's control.

## **COMMODITY PRICE RISK**

Factors beyond the control of the Company may affect the market price and marketability of any ore or minerals discovered at and produced from the Company's properties. Metal prices are subject to significant fluctuation and are affected by numerous factors beyond the Company's control including international economic, financial and political events, global or regional supply and demand patterns and speculative activities. The effect of these factors on the Company's operations cannot accurately be predicted.

## **LIQUIDITY OF COMMON SHARES**

There can be no assurance that an active and liquid market for the Company's common shares will continue to exist, and investors may find it difficult to resell their common shares. In addition, trading in the common shares of the Company may be halted from time to time.

## **GLOBAL PANDEMIC RISK (COVID-19)**

In March 2020, the World Health Organization declared the spread of a coronavirus COVID-19 a global pandemic. This ongoing contagious disease outbreak has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. While the full impact of COVID-19 on the global economy is uncertain, continued rapid spread of COVID-19 may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact, this could have a significant adverse impact on the Company's financial position and results of operations for future periods.

## **NON-GAAP MEASURES**

This MD&A includes certain terms or performance measures commonly used in the mining industry that are not defined under IFRS, including copper equivalent, EBITDA and free cash flow. Non-GAAP measures do not have any standardized meaning prescribed under IFRS and, therefore, they may not be comparable

to similar measures employed by other companies. The Company discloses these non-GAAP measures because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flows for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with IFRS, do not fully illustrate the ability of mines to generate cash flows. The measures, as determined under IFRS, are not necessarily indicative of operating profit or cash flows from operating activities. Non-GAAP financial measures should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS and are not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS.

The following is a description of the non-GAAP financial measures used in this MD&A:

- *EBITDA* is a non-GAAP financial measure calculated as earnings before interest, taxes, depreciation, and amortization.
- *Free cash flow* is a non-GAAP financial measure calculated as EBITDA less taxes and property, plant, and equipment additions.

### **QUALIFIED PERSON**

Mr. Roger March, P.Geo., Senior Geoscientist for the Company and a Qualified Person within the meaning of NI 43-101, has reviewed and approved the technical exploration information in this MD&A.

Mr. Denis Flood, P.Eng., Vice President Engineering for the Company and a Qualified Person within the meaning of NI 43-101, has reviewed and approved the technical feasibility study information in this MD&A.