

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements for the two years ended December 31, 2021 and 2020, and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the section heading "Item 1A. Risk Factors" above and elsewhere in this Annual Report on Form 10-K. See section heading "Cautionary Note Regarding Forward-Looking Statements" above.

Results of Operations

Twelve Months Ended December 31, 2021 Compared to December 31, 2020

	Twelve Months Ended	
	12/31/21	12/31/21
Operating expenses		
General and administrative	\$4,664,565	\$1,614,384
Lease expense	16,000	16,000
Exploration, evaluation and project expense	7,909,333	1,152,852
Accretion expense	24,749	5,069
Depreciation expense	44,057	632
Total operating expenses	<u>12,658,704</u>	<u>2,788,937</u>
Net operating loss	(12,658,704)	(2,788,937)
Gain on extinguishment of debt	0	20,833
Interest expense	0	(62,481)
Revaluation of warrant liability	15,857,500	(9,668,245)
Foreign currency translation adjustment	253,236	539,546
Net income (loss)	<u>\$3,452,032</u>	<u>(\$11,959,284)</u>

For the twelve months ending December 31, 2021, the Company increased general and administrative expenses by approximately \$3,035,000. The increase was due to the following year over year variances:

Twelve months ending	12/31/2021	12/31/2020	Variance
Accounting fees	\$257,000	\$146,000	\$111,000
Legal and other professional fees	500,000	122,000	378,000
Marketing expense	87,000	371,000	(284,000)
Payroll	1,548,000	556,000	992,000
Corporate expenses & rent	273,000	31,000	242,000
Share based compensation	1,560,000	302,000	1,258,000
Insurance	121,000	16,000	105,000
Stock exchange fees	239,000	31,000	208,000
Other general expenses	80,000	55,000	25,000
Total	<u>\$4,665,000</u>	<u>\$1,630,000</u>	<u>\$3,035,000</u>

- Accounting fees increase resulted from higher costs for review procedures along with additional consulting fees needed for required regulatory filings and tax compliance. Management believes these increased costs will continue in future fiscal periods.
- Legal and other professional fees were needed for additional stock exchange listing compliance requirements. While these fees represent a one-time cost, management does believe that legal costs will be higher than prior periods moving forward due to the Company's increased compliance costs and the

implementation of regulatory changes in relation to property disclosure requirements in our filings with the SEC.

- Marketing expense was lower as 2020 had additional amounts that were used for Company and shareholder awareness projects.
- The increase in payroll and corporate expenses was from the Company entering into an agreement to share office space, equipment, personnel, consultants and various administrative services for the Company's new head office located in Vancouver, BC Canada. Management expects payroll costs to continue to be higher than prior periods due to increased personnel and consultants added in the quarter that will continue to be retained moving forward.
- The Company granted 6,325,000 options to officers, directors and employees of the Company in 2021, pursuant to the terms of the Company's Stock Option Plan. The Company recognized share-based compensation expense related to the stock options of \$1,560,000 for 2021.
- Stock exchange fee variance is a result of the initial listing fee paid to the TSX in April 2021. Annual exchange fees will continue; however the Company does not expect initial listing fees to be incurred for the remainder of the year.

For the twelve months ending December 31, 2021 there was a variance \$6,756,000 for the same period in 2020 in exploration and evaluation expenses. The following are the significant expenses incurred in 2021:

	Twelve months ending 12/31
Drilling	\$3,992,000
Consultants/Contractors	1,670,000
Supplies and equipment	743,000
Assay	543,000
Water haulage	389,000
Overhead	298,000
Permits and fees	268,000
Other	6,000
Total 2021	\$7,909,000
Total 2020	\$1,153,000
Variance	\$6,756,000

In the third quarter of 2021, drilling targeted metallurgical samples at Bullfrog. A total of three holes totaling 1,654 meters were drilled at Bullfrog to collect metallurgical samples and test for remnant high-grade mineralization adjacent to the backfilled stope. The data collected from the metallurgical drilling is being assessed to determine if further test work is required.

The Company continues to evaluate all the drilling data in addition to interpreting the results from the geophysical survey.

The revaluation of the warrant liability is based on the following warrants issued:

Issue Date	Expiration Date	Warrants Issued	Exercise Price
January 2020	Expired January 16, 2022	262,994	C\$1.20
October 2020	October 2024	18,333,333	C\$1.80
March 2021	March 2024	3,777,784	C\$2.80

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been financed by the sale of its equity securities by way of public offerings, private placements and the exercise of incentive stock options and share purchase warrants. The Company believes that it will be able to secure additional private placements and public financings in the future, although it cannot

predict the size or pricing of any such financings. This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects.

On January 16, 2020, the Company issued an aggregate of 2,564,103 units for gross proceeds to the Company of C\$2,000,000 to accredited investors pursuant to a subscription agreement. Each unit was issued for a purchase price of C\$0.78 per unit and consisted of: (i) one share of the Company's common stock and (ii) one half of one share purchase warrant, with each whole warrant entitling the holder to acquire one share of the Company's common stock at an exercise price of C\$1.20 per share for a period of 24 months from the date of issuance. In addition, the Company paid a total of C\$118,918 for finder's fees on subscriptions under the Offering and issued to the finder 152,458 finder warrants. Each finder warrant entitles the holder to acquire one share of common stock at an exercise price of C\$1.20 per share for a period of 24 months from the date of issuance.

On October 26, 2020, the Company issued an aggregate of 18,333,333 units for gross proceeds to the Company of C\$22,000,000 to accredited investors pursuant to a subscription agreement. Each unit was issued at a purchase price of C\$1.20 per unit and consisted of: (i) one share of the Company's common stock and (ii) a four-year warrant to purchase one share of common stock purchased at an exercise price of C\$1.80 per share. Also, on the same date, the Company completed a land acquisition transaction for aggregate consideration of 9,100,000 units of the Company, each unit consisting of one share of common stock and one four-year warrant to purchase one share of common stock at an exercise price of C\$1.80 per share.

On March 4, 2021, the Company issued 7,555,556 units pursuant to a private placement at a price of C\$2.25 per unit for gross proceeds of C\$17 million, each unit comprised of one share of common stock of the Company and one half of one common stock purchase warrant. Each whole warrant entitles the holder to acquire one share of common stock at an exercise price of C\$2.80 per share for a period of three (3) years from the date of issuance. Finders' fees of C\$450,000 were paid in connection with the private placement.

Liquidity

As of December 31, 2021, the Company had total liquidity of \$19,582,000 in cash and cash equivalents. The Company had working capital of \$18,530,000 and an accumulated deficit of \$20,174,000. For the twelve months ended December 31, 2021, the Company had negative operating cash flows before changes in working capital of \$10,776,000 and a net income of \$3,452,000.

As of December 31, 2020, the Company had total liquidity of \$14,432,000 in cash and cash equivalents. The Company had working capital of \$14,154,000 and an accumulated deficit of \$23,626,000. For the twelve months ended December 31, 2020, the Company had negative operating cash flows before changes in working capital of \$1,819,000 and a net loss of \$11,959,000.

The Company expects that it will operate at a loss for the foreseeable future and believes the current cash and cash equivalents and working capital will be sufficient for it to maintain its currently held properties, fund its planned exploration, and fund its currently anticipated general and administrative costs for at least the next 12 months from the date of this report. However, the Company does expect that it will be required to raise additional funds through public or private equity financings in the future in order to continue in business in the future past the immediate 12 month period. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and, if warranted, development activities on its currently anticipated scheduling.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

As of December 31, 2021, the capital structure of the Company consists of 70,519,188 shares of common stock, par value \$0.0001, and preferred stock Series B shares convertible into 677,084 shares of common stock, par value \$0.0001. The Company manages the capital structure and adjusts it in response to changes in economic conditions, its expected funding requirements, and risk characteristics of the underlying assets. The Company's funding

requirements are based on cash forecasts. In order to maintain or adjust the capital structure, the Company may issue new debt, new shares and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. The Company is not subject to any externally imposed capital requirements.

Contractual obligations and commitments

The Company's contractual obligations and commitments as of December 31, 2021 and their approximate timing of payment are as follows:

	<1 year	1 - 3 years	4 - 5 years	>5 years	Total
Leases	\$143,055	\$175,932	\$46,000	\$675,000	\$1,039,987
Capital Expenditure	30,000	30,000	-	-	60,000
	\$173,055	\$205,932	\$46,000	\$675,000	\$1,099,987

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

Stock based compensation is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

Mineral property exploration costs are expensed as incurred until such time as economic reserves are quantified. To date, the Company has not established any proven or probable reserves on its mineral properties. Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company has chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once the Company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized over the estimated life of the probable-proven reserves. When the Company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all exploration costs are being expensed. Costs of property acquisitions are being capitalized, and a required payment of \$20,000 was made in 2018 to Mojave Gold Mining Corporation ("Mojave") as part of the Option to Purchase Agreement ("Option").

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS

Our financial statements appear beginning at page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.