CANADIAN NORTH RESOURCES INC.
(FORMERLY CANADIAN NORTH RESOURCES AND DEVELOPMENT CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2020

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Canadian North Resources Inc. (the "Company" or "Corporation" or "Canadian North") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020 and 2019. The Company was previously named as Canadian North Resources and Development Corp., which was changed to Canadian North Resources Inc. on November 9, 2020.

This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2019 and 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the year ended December 31, 2020 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 15, 2021 unless otherwise indicated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Canadian Norths ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Canadian North's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Canadian North Resources Inc. is an exploration and development company, focusing on the platinum-group metals (PGM)for high-tech and clean energy and the base metals for battery electric vehicles. The Company currently owns 100% interest in the Ferguson Lake property in the Kivalliq region of southern Nunavut Territory. It is an advanced exploration project that contains palladium, platinum, rhodium, copper, nickel and cobalt.

The Company plans to issue a minimum of 2,000,000 to a maximum of 3,000,000 special warrants ("Special Warrants") at a price of $1 per Special Warrant on April 16, 2021 ("Closing Date"). Each Special Warrant will be automatically exercised, without payment of additional consideration and without any further action on the part of the holder, subject to the terms of the Special Warrant Indenture, into one Common Share in one business day following the Qualification Date.

Not later than three Business Days following the Closing Date ("Qualification Date"), the Issuer will file a non-offering prospectus for the purpose of qualifying for distribution of the Common Shares to be issued on the automatic exercise of the Special Warrants.

Outlook and Overall Performance

The Company has no revenues, so its ability to ensure continuing operations is dependent on it completing the acquisition of its mineral property interests, the discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral property, and its ability to obtain necessary financing to complete the exploration activities, development and future profitable production.

At December 31, 2020, the Company had a net working capital deficit of $50,404 (December 31, 2019 – $3,078,182). The Company had cash and cash equivalents of $1,553,324 (December 31, 2019 - $3,120).

Working capital and cash and cash equivalents increased during the year ended December 31, 2020 due to private placements completed during the year offset by exploration and evaluation expenditures, purchase of property and equipment and general and administrative expenses.

With the completion of the first tranche of private placement, the Company has sufficient capital to meet its ongoing operating expenses and continue to meet its obligations on its current projects for the twelve-month period ending December 31, 2021. Management may increase or decrease budgeted expenditures depending on exploration results and ongoing volatility in the economic environment. See "Liquidity and Financial Position" below.

Qualified Person

Trevor Boyd, Ph.D., P.Geo., a geologist in good standing with the Professional Geoscientists Ontario (PGO) and Northwest Territories and Nunavut Association of Professional Engineers and Geoscientists (NAPEG) is the Qualified Person for the Exploration section within the meaning of National Instrument 43-101 ("NI 43-101") Standards of Disclosure for Mineral Projects and has reviewed and approved its scientific and technical content.

On March 15, 2021, Dr. Boyd completed the NI43-101 Technical Report for the Ferguson Lake project that the Company owns 100% of the interest.

Mineral Property

The Ferguson Lake Property

On June 7, 2013, the Company completed the acquisition of the Ferguson Lake Property. The property is in the Kivalliq region of southern Nunavut Territory some 250 kilometres west of Rankin Inlet and 170 kilometres south-southwest of Baker Lake.

The Ferguson Lake Property consists of 10 contiguous mining leases comprising an area of 9.686 hectares (23,935 acres), and all the mining leases remain active until 2028.

The ongoing management of the Ferguson Lake Property and Project holdings requires the maintenance of careful attention to the care of the environment, historical artifacts, and local community and socio-economic relationships. A series of permits and licenses need to be kept in good standing in order to operate successfully and retain free ownership of the holdings. Canadian North Resources Inc. is a registered incorporated extra-territorial corporation with the Nunavut government and holds a prospecting license in good standing with Department of Aboriginal Affairs and Northern Development Canada.

The property includes a 15-kilometer-long sulphide mineralization belt that includes a total of 10 zones, i.e, the South Discovery Zone, 119 Zone, West Zone , West Extension, West Zone South, Central Zone, East Zone I and II , M-Zone, and Anomaly 51. A total of 191,000 metres were drilled in 623 holes mostly on the West Zone and West Extension Zone.

The Ferguson Lake project had undergone a series of resource estimations which cumulated in 2011 with the completion of a Preliminary Economic Assessment of the Ferguson Lake Property resulting in the filing of a National Instrument 43-101 Independent Technical Report by Roscoe Postle Associates Inc. for Starfield Resources Inc. Upon filing in 2011, the estimated tonnages and grades in the deposit main West and West Extension zones was calculated as 15.8 Mt of Indicated Resources at 0.65% Ni, 0.99% Cu, 0.07% Co, 1.55 g/t Pd, 0.25 g/t Pt, 38.04% Fe and 20.90% S plus 20.8 Mt of Inferred Resource at 0.67% Ni, 1.11% Cu, 0.08% Co, 1.72 g/t Pd, 0.28 g/t Pt, 40.0% Fe and 22.1% S. For the separate East Zone, there was reported 9.4 Mt Inferred Resource at 0.65% Ni, 0.76% Cu, 38.41% Fe and 21.16% S with insufficient analyses of Co, Pd and Pt completed to include those grades.

It is emphasized that these are now historical estimates provided for information only. They were originally filed on SEDAR but are now outdated, no longer valid and not to be relied upon as being 43-101 compliant. A significant re-evaluation at today's gold prices and economic conditions would have to be completed to upgrade this historic estimate as current mineral resources.

In particular, the historic resources were economically assessed at only Cu + Ni + Co NSR cutoffs of C$75 (open pit); and C$110 (underground) at 2011 metal prices. Potential to add significant tonnage and value with the addition of PGM (palladium, platinum, and rhodium) grades. The mineral deposit was modeled for massive sulfides (>50%); but, significant disseminated sulphide PGM rich mineralization is hosted in the thick gabbro units. There is significant potential for the addition of significant PGM rich tonnage by including these lower sulfide zones. Moreover, the rhodium content of the mineralization zones has never been systematically evaluated. Multiple intersections such as 1.25 m of 0.46 g/t Rh and 1.6 g/t Pd in hole FL04-195 and 1.6m of 0.32 g/t Rh and 1.2 g/t Pd in hole FL05-230 hosted in Cu-Ni-Co sulphides are reported.

Corporate Highlights

- On October 1, 2020, 2754096 Ontario Inc. further subscribed 1,6000,000 shares at $0.25 per share for $400,000 in cash.

- On November 9, 2020, the Corporation filed Articles of Amendment with Ontario Ministry of Government Services to amend its name from Canadian North Resources and Development Corp. to Canadian North Resources Inc. and to create a class of preference share issuable in series and preference shares, serial 1.

- On November 9, 2020 the Company completed stock split 1:1.5. As a result, the number of shares increased to 63,150,000 as at November 9, 2020. These financial statements reflect the retrospective application of this stock split.

- On November 15, 2020, Lee Quan Shim Family Trust further subscribed 3,000,000 shares at $0.50 per share for $1,500,000 in settlement of advances to CNR.

- On November 15, 2020, KRE Developments Co. Ltd. further subscribed 7,000,000 shares at $0.50 per share for $3,500,000 in settlement of advances to CNR.

- On March 1, 2021, the Company appointed Michael Weeks as a director of the Company.

- On March 1, 2021, the Company appointed Carmelo Marrelli as Chief Financial Officer of the Company.

- On March 15, 2021, the Company received the NI43-101 Technical Report for the Ferguson Lake project from the independent QP, Trevor Boyd.

- On April 12, 2021, the Company closed the final tranche of the private placement which consisted of 13,333,333 Preference Shares Series 1 and 6,666,663 Preference Share Series 1 warrants for gross proceeds of $10,000,000.

- On March 23, 2021, the Company issued an Offering Memorandum for the proposed Offering of a minimum of 2,000,000 and a maximum of 3,000,000 Special Warrants at a price of $1 per Special Warrant for gross proceeds of a minimum of $2,000,000 and a maximum of $3,000,000. The expected closing date of the Offering is April 16, 2021.

Exploration and Metallurgical Tests

Since the Company acquired the Ferguson Lake project in June 2013, exploration programs and metallurgical tests have been carried out. During the summers of 2013, 2015 and 2018, work programs were conducted on the Ferguson Lake Property by Canadian North Resources Inc. with the main purpose of completing surface explorations and technical evaluations. This work included prospecting, lithogeochemcial sampling of outcrop and historic drill core plus ground magnetic and VLF surveys. During the programs, in total 410 rock samples were submitted for analysis at accredited laboratories. Standards and blanks were inserted in most of the batches as well as in-house standards and blanks inserted at the laboratories. Duplicates analyses of selected sample pulps were completed at third party laboratories.

During 2013, an independent review was completed by Canadian North Resources Inc. of the Ferguson Lake mineral resource model discussed in the aforementioned 2011 Preliminary Economic Assessment. Within this review, there was a re-examination and re-building of the West and West Extension mineralized zones of the deposit applying five main differences from the as follows:

- Wireframes were constructed using a Pd + Pt cut-off grade 1.0 g/t <u>instead</u> of a cut-off based upon NSR of Ni, Cu and Co (but not Pd and Pt) which has been applied for the 2011 resource estimation.
- A minimum mining width of 3 metres <u>instead</u> of 2.5 metres
- Incorporation into the model of the 2011 drilling results completed by Starfield Resources
- The addition of footwall zones of low-sulphide platinum group metals rich mineralization based upon the 1.0 g/t Pd + Pt cut-off.
- The East Zone was not included in this resource review due to the lack of Pd and Pt analyses in that portion of the deposit. It is noted that based upon its similar mineralization to the West Zone and supported by drilling completed by Starfield, the East Zone is considered to possess similar Pd and Pt grades.

The deposit review demonstrated that the use of a Pt + Pd cut-off grade successfully resulted in the creation of coherent more contiguous wireframe models around the mineralized zones which included enveloping lower sulphide contents resulting in an overall thicker and less variably shaped mineralized bodies. It was concluded that the use of such a cut-off is appropriate for any future resource estimation but must be in conjunction with a demonstration of the viable metallurgical recovery of Pd and Pt from the mineralized material.

During 2013 - 2014, Canadian North Resources Inc. implemented a metallurgical testing program consistent with its change of focus to develop the platinum group metal potential of the deposit. Approximately 250 kilograms of the massive sulphide bulk sample mineralization stored on-site in an enclosed dark building was picked and packed into buckets to be shipped to Toronto for metallurgical testing. The goal of the testing program was to produce at a bench level concentrate from the secondary residue material that had been created from the development of downstream unit processes (Ni, Cu, and Co) from the hydrometallurgical testing program previously completed for Starfield Resources Inc. Analyses of the materials and liquors created from Starfield Resource's previous program suggested most of the Pd and Pt and to a lesser extent Au, Ag and Rh remained in the final residue material for which metallurgical test results indicated overall recoveries of 99% for Cu, 91% for Co, 50% for Pt, 77% for Pd and 94% for Ni.

The purpose of the 2015 Ferguson Lake exploration program was to conduct ground follow-up on potentially metalliferous and/or diamondiferous target areas both within and outside CNR's mineral rights holdings at the time. The program consisted of helicopter supported surface reconnaissance prospecting, rock chip and till sampling and ground geophysical surveys performed by Canadian North Resources Inc. The program was completed from July 26–August 16, 2015 during which the Ferguson Lake Camp was re-opened to maintain the facilities and equipment and support the exploration work.

During 2015 - 2016, a new series of flotation tests were completed on two massive sulphide composites obtained from the bulk sample material which was stored at the Ferguson Lake camp. The primary objective of the program was to establish flotation conditions suitable to recover most of the copper value into a copper concentrate and the balance of the pay-metals into a bulk Cu / Ni concentrate.

The metallurgical testing program identified two possible flowsheet alternatives for the mineralized material which are outlined as follows:

- The generation of a high-grade saleable copper concentrate plus a low-grade bulk concentrate with high overall recoveries of 99% copper, 87% nickel, 90% cobalt, and 90-95% Pd+Pt. The low-grade bulk concentrate would require further upgrading in a hydrometallurgical circuit.
- The second updated flowsheet produces a high grade copper concentrate and a salable bulk Cu/Ni concentrate (10.1% copper + nickel) with much lower overall recoveries of 98% copper, 61% nickel, 55% cobalt, and 35-75% Pd+Pt.

For the 2018 program, a helicopter supported follow-up surface rock geochemistry sampling program collecting 55 grab and chip samples was completed for the Property and surrounding area. Nearly all the samples were obtained from outside the present property boundaries thus this work is not considered material. The results were generally low with highest value from a grab sample reported of 2,400 ppm Cu, 1,750 ppm Ni, 290 ppm Co, 0.89 ppm Pd and 0.33 ppm Pt.

Working Programs Planned

In 2020 winter, the Company moved a pilot plant ore crusher by the snow train to the field camp at Ferguson Lake and took out about 200 kilograms bulk sulfide samples to Toronto for further metallurgical tests. The Company plans to expand the resource by diamond-drilling exploration for high-grade PGM and base metal zones along the mineralization belt, remodel the resource estimates, expand metallurgical testing, update technical reports, advance towards feasibility studies. These work plans are scheduled over the 2021-22 period with expectations for definition drilling, environmental field studies, metallurgical testing, and development activities into 2023 and beyond.

- Re-model and re-estimate resource to include PGM in the cutoff grades.
- Expand metallurgical tests with current and alternative processing technologies for target PGM and base metals.
- Drilling for high-grade nickel-copper massive sulfides with the ultramafic intrusions and high-grade PGM resources in the low-sulfide mineralization zones.
- Establish high-grade resources for PGM in low sulfide zones with definition drilling along the known mineral zones.
- Environmental / engineering studies and community engagement

Trends

Although there can be no assurance that additional funding will be available to the Company, management is of the opinion that the prices of nickel,copper, cobalt, palladium, platinum and rhodiumwill be favourable and hence, it may be possible to obtain additional funding for its projects. However, the Company remains cautious in case the economic factors that impact the mining industry deteriorate.

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global mineral prices;
- Demand for minerals and the ability to explore for minerals;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Availability of government supplies, such as water and electricity;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

At the date of this Interim MD&A, the Canadian government has not introduced measures that have materially impeded the operational activities of the Company. Management believes the business will continue and, accordingly, the current situation has not impacted management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Apart from these and the risk factors noted under the heading "Risks and Uncertainties", the Company is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

The Company routinely evaluates various business development opportunities which could entail optioning properties, direct acquisitions, trades and/or divestitures. In this regard, the Company is currently in discussions with various parties, other than the transactions discussed in the "Corporate Highlights" section above, no definitive agreements with respect to any proposed transactions have been entered into as of the date of this MD&A. There can be no assurances that any such transactions will be concluded in the future.

Environmental Contingency

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of December 31, 2020, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

Selected Annual Financial Information

	Years Ended December 31,		
	2020 ($)	**2019 ($)**	**2018 ($)**
Net loss for the year	304,198	86,797	108,481
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)
Total assets	4,246,757	2,528,529	2,500,238

Selected Quarterly Financial Information

As Canadian North has no revenue, the Company's ability to fund its operations is dependent upon its ability to secure financing through equity issues or the sale of assets. The value of any resource property assets is dependent upon the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete exploration and development, and the future profitable production or proceeds from disposition of such properties. See "Trends" above and "Risk Factors" below.

A summary of selected information for each of the eight most recent quarters is as follows:

Three Months Ended	Total Revenue ($)	(Loss) income Total ($)	(Loss) income Per Share ($)	Total Assets ($)
2020 – December 31	-	(100,602)(1)	(0.00)	4,246,757
2020 – September 30	-	(170,903)(2)	(0.00)	2,927,746
2020 – June 30	-	(16,338)(3)	(0.00)	2,659,963
2020 – March 31	-	(16,355)(4)	(0.00)	2,589,105
2019–December 31	-	-43,528 (5)	(0.00)	2,528,529
2019–September 30	-	(58,620)(6)	(0.00)	2,402,833
2019–June 30	-	(60,420) (7)	(0.00)	2,399,695
2019–March 31	-	(11,287) (8)	0.00	2,411,740

(1) Loss of $100,602 during the three months ended December 31, 2020 is comprised of professional fee of $67,746, rent of $6,000, depreciation of $9,047, management fees of $5,269 and office and general of $12,539.

(2) Loss of $170, 903 during the three months ended September 30, 2020 is mostly comprised of legal and accounting fees of $135,285, management fees off $10,391, depreciation expense of $16,244 and office and general of $8,858.

(3) Loss of $16,338 during the three months ended June 30, 2020 is mostly comprised of management fees of $10,170 and office and general of $6,000.

(4) Loss of $16,355 during the three months ended March 31, 2020 is mostly comprised of management fees of $10,170 and office and general of $6,048.

(5) Income of $43,528 during the three months ended December 31, 2019 is mostly comprised of reallocating some expenses incurred in the first three quarters and the fourth quarter to mineral assets or capital assets, which reduces expenses in the Q4 and result in a net income of Q4.

(6) Loss of $58,620 during the three months ended September 30, 2019 is mostly comprised of advertising of $41,026, management fees of $9,000 and office and general of $8,594.

(7) Loss $60,420 during the three months ended June 30, 2019 mainly includes management fees of $9,000, research service of $27,313, equipment supplies of $14,548, professional fees of $597 and office and general of $8,962.

(8) Loss of $11,287 during the three months ended March 31, 2019 mainly includes management fees of $9,000 and office and general of $2,287.

Discussion of Operations

Year ended December 31, 2020 compared with year ended December 31, 2019

The Company's net loss totaled $304,198 for the year ended December 31, 2020, with basic and diluted loss per share of $0.00. This compares with a net loss of $86,797 with basic and diluted loss per share of $0.00 for the year ended December 31, 2019. The increase of $217,401 in net loss was principally because:

- During year ended December 31, 2020, the company had $203,031 professional fees compared to $8,000 professional fees during the year ended December 31, 2019

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Canadian North's net loss totaled $100,602 for the three months ended December 31, 2020, with basic and diluted loss per share of $0.00. This compares with a net income of $43,528 with basic and diluted income per share of $0.00 for the three months ended December 31, 2019. The increase of net loss was principally because of reallocation of some development costs to assets during the three months ended December 31, 2019.

Liquidity and Financial Position

The activities of the Company, principally the acquisition and exploration of mineral properties, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that equity capital will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all.

Cash used in operating activities was $161,749 for the year ended December 31, 2020. Operating activities were affected by net loss of $304,198 plus non-cash items of $25,291 of depreciation and the positive change in non-cash working capital balances of $117,158.

Cash provided by financing activities was $1,905,268 for the year ended December 31, 2020. Financing activities included $605,268 proceeds from shareholders and $1,300,000 deposits for share subscription.

Cash used in investing activities was $193,315 for the year ended December 30, 2020 as a result of expenditures on exploration and evaluation assets of $92,680 and purchase of property and equipment of $100,635.

At December 31, 2020, the Company had $1,553,324 in cash (December 31, 2019 - $3,120).

The Company has no operating revenues and therefore must utilize its funds obtained from equity financing and other financing transactions to maintain its capacity to meet ongoing exploration and operating activities.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative and exploration expenditures and funding of its investment activities. For fiscal 2021, the Company's expected operating expenses are estimated to average $5**5,000** per month for recurring operating costs. Management may reassess its planned expenditures based on the Company's working capital resources, the scope of work required to advance exploration on its projects and the overall condition of the financial markets.

The Company's working capital deficit is $50,404 at December 31, 2020

Critical Accounting Estimates and Judgments

Accounting Estimates

Impairment

The Company conducts impairment review of property and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Determining whether an asset is impaired requires an estimation on the recoverable amount.

Accounting Judgments

Recoverability of exploration and evaluation assets

The Company applies significant judgements on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management is required to perform an assessment of the recoverable amount of exploration and evaluation properties.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgements. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's abilities to continue as a going concern.

Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the year.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one of more future events occur of fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

CGU Determination

An impairment test requires the Company to determine the recoverable amount of an asset or group of assets. For non-current assets, including property and equipment and exploration and evaluation assets, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into a cash generating unit ("CGU") for impairment testing purposes. A CGU for impairment testing is typically considered to be an individual mine site or a development project. The Company has determined that it has one CGU based on its one project.

Capital risk management

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers cash and shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital and there have been no changes in the Company's approach to capital management from previous years.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Credit risk

Credit risk arises from the possibility that a counterpart to which the Company provides goods or services is unable or unwilling to fulfills their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash is held in a major financial institution in Canada and accounts receivable is due from the Government of Canada as it relates to Harmonized taxes receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of $1,604,922 (2019 - $54,718) to settle obligations of $1,655,326 (2019 - $3,132,900).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

i Foreign currency exchange risk
The Company is not exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.
ii Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.
iii Commodity price risk
Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

(d) Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the financial instrument:

- Level 1 fair value measurements are those derived from quoted prices (adjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, accounts receivable, advances from shareholders and accounts payable and accrued liabilities approximates fair value due to the short-term nature.

Related Party Transactions

The Company has identified directors and senior officers as key management personnel. During the year ended December 31, 2020, the Company recognized the following transactions with related parties:

- $24,000 (2019 - $24,000) office rent expenses to a company owned by a director of the Company;
- $36,000 (2019 - $36,000) management fee to a company owned by a director of the Company; and,
- $605,268 (2019 - $71,132) advances from shareholders. At December 31, 2020, advances from shareholders of $nil (2019 – $2,894,732) are due on demand, bear no interest and unsecured.

Transactions with related party are in the usual course of business and initially measured at fair value.

At December 31, 2020, accounts payable and accrued liabilities include $212,000 (2019 - $198,000) due to related parties for office rent and management fees. The balances are unsecured, bear no interest, and due upon demand.

Share Capital

As of the date of this MD&A, the Company had 73,150,000 issued and outstanding common shares, 13,333,333 Preference Shares Series 1 and 6, 666,663 Preference Share Series 1 warrants.

Risks and Uncertainties

The Company's financial condition, results of operation and business are subject to certain risks, certain of which are described below (and elsewhere in this MD&A):

Additional Funding Requirements
The Company is reliant upon additional equity financing in order to continue its business and operations, because it is in the business of mineral exploration and at present does not derive any income from its mineral assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional equity funding in the future, it will be unable to carry out its business.

Commodity Price Volatility
The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals. Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in the world market in United States dollars. Additionally, the current COVID-19 pandemic and efforts to contain it, including restrictions on travel and other advisories issued may have a significant effect on metal prices. Declines in metal prices may have a negative side effect on the Issuer and on the trading value of the common Shares.

Title to Mineral Properties
Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds an option or concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property.

Mineral Exploration
Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the

funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Country Risk
The Company could be at risk regarding any political developments in the country in which it operates. At present the Company is only active in Canada.

Uninsurable Risks
Mineral exploration activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of its common shares. The Company does not maintain insurance against environmental risks.

Reliance on management
The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. The continued service of some of these key management personnel cannot be guaranteed. However, while the Company believes that it could replace these key personnel, the loss of any such persons or the loss of all of such persons at a single point in time could have a material adverse effect on the operations of the Company, its business, operating results or financial condition. In addition, the Company may not successfully recruit additional personnel and any additional personnel that are recruited may not have the requisite skills, knowledge or experience necessary or desirable to enhance the incumbent management.

Environmental Regulation and Liability
The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities. Environmental legislation is evolving in a manner that may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees.

Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations that may entail costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

Regulations and Permits
The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species, aboriginal title and access and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Potential Dilution
The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Competition
Competition in the mineral exploration business is intense and could adversely affect the ability of the Company to suitably develop its properties. The Company will be competing with many other exploration companies possessing greater financial resources and technical facilities. Accordingly, there is a high degree of competition for desirable mineral leases, suitable prospects for drilling operations and necessary mining equipment, as well as for access to funds. There can be no assurance that the necessary funds can be raised or that any projected work will be completed.

Conflicts of Interest
Certain directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises

at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising from disputes in relation to its mineral properties, including the Ferguson Lake Property, and in the ordinary course of business. If such disputes arise and the Company is unable to resolve these disputes favorably, it may have a material and adverse effect on the Issuer's profitability or results of operations and financial condition.