

## CANSTAR RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022

#### **INTRODUCTION**

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Canstar Resources Inc. (the "Company" or "Canstar") for the three and six months ended December 31, 2022, and the audited financial statements for the year ended June 30, 2022 and related notes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is made as of February 28, 2023.*

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canstarresources.com](http://www.canstarresources.com).

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of inferred mineral resources; future prices of base and precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in base and precious metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

#### **DESCRIPTION OF THE BUSINESS**

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in Canada. The shares of the Company began trading on the TSX Venture Exchange under the symbol "ROX" on April 8, 2005. The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

The following table contains a brief description of the Company’s core exploration properties, post the transaction with Adventus Mining Corporation (formerly “Adventus Zinc Corporation, “Adventus”) and Altius Minerals Corporation for the Buchans Property completed on July 30, 2018, and the option agreement for the Golden Baie Project executed on September 25, 2020. Further details with respect to the core properties are also provided in this document under the section entitled “Overall Performance”.

Description of Core Property	Target Mineralization	Ownership Interest
<p>The Golden Baie Project covers 78,625 hectares in 73 Mineral Exploration Licences containing 3,145 claims and lies within the Coast of Bays region of south-central Newfoundland. It includes the Golden Baie property and also the nearby Golden Grit, Roti Bay, Swangers Cove, and Bernards Pond properties.</p>	<p>Gold</p>	<p>During the year ended June 30, 2021, the Company entered into definitive agreements with Altius Resources Inc., a wholly owned subsidiary of Altius, Minerals Corporation (“Altius”) and other arm's length parties for the option to acquire a 100% interest in the Golden Baie Property. The Company can acquire this interest over a four-year period for aggregate cash payments of \$325,000, aggregate share issuance of up to 13,833,333 common shares of the Company. In addition, the Company is required to fund exploration expenditures of \$1,250,000 over a four-year period, of which \$500,000 must be spent in the first year. Some of the optionors will be entitled to an aggregate milestone payment of \$1,000,000 by the Company upon the Golden Baie Project claims achieving NI 43-101 defined measured and indicated mineral resources of at least 1,000,000 contained gold ounces. In August 2022, the Company increased the Golden Baie Project through a combination of map staking and acquisition of Mineral Exploration Licenses from other holders . Licenses acquired included the Roti Bay and Bernards Pond properties, which are located to the north of the main Golden Baie claims. The vendors of the Bernards Pond and Roti Bay claims acquired retain a 2% Net Smelter Royalty (“NSR”), subject to the Company having a right to buy 1% of the NSR at any time for \$750,000. An additional four claims, covering 100 hectares, located along the Little River Trend on the Golden Baie property, were acquired from an arm’s length third party in exchange for a nominal cash payment and a 2% NSR. The Company also acquired 20 new claims, covering 500 hectares, in the vicinity of the Le Pouvoir fault within the Golden Baie project area. These claims were also previously held by another company and were recently map staked by Canstar personnel.</p>
<p>The Hermitage Property is comprised of three (3) map-staked licenses containing 607 claims covering 15,175 hectares in southern Newfoundland that are contiguous with the Company’s Golden Baie project.</p>	<p>Gold</p>	<p>In the third quarter ended March 31, 2022, the Company entered into property purchase agreement with Altius under which Altius transferred to the Company its 100% interest in the Hermitage Property in consideration for the issuance of 500,000 common shares of the Company, subject to the retention by Altius of a 2.0% NSR from all commercial production on the Hermitage Property.</p>

The Buchans Property, consisting of 261 staked claims in 4 licenses totalling 5,944 hectares, abuts the north-west side of Company's Mary March Joint Venture and encompasses the majority of the north shore of Red Indian Lake.	Zinc-silver-lead-copper-gold	100% ownership subject to a 2% NSR royalty payable to Altius. During the year ended June 30, 2022, the Company wrote off the aggregate balance of \$7,733,885 with respect to the Buchans and Mary March Joint Venture properties as it did not have any significant exploration programs planned on this property in the near future.
The Mary March Joint Venture consists of four Fee Simple Grants consisting of five separate land parcels and covering 1,487 hectares and portions of two map-staked licenses totaling 100 claims and covering 3,365 hectares located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland.	Zinc-silver-lead-copper-gold	A 56% interest and right of first refusal on the remaining 44% interest held by Glencore plc, the Company's joint venture partner. <sup>(1)</sup> The Company is the operator. During the year ended June 30, 2022, the Company wrote off the aggregate balance of its investment of \$7,733,885 with respect to the Buchans and Mary March Joint Venture properties as it did not have any significant exploration programs planned on this property in the near future.

Notes:

- (1) The Company is required to make a cash payment of \$2,000,000 within six months of commercial production. The Company's interest is also subject to a 1% NSR royalty due upon commencement of commercial production.

**An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.**

## **OVERALL PERFORMANCE**

The Company is currently engaged in mineral exploration in Canada. The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain recoverable ore. As a result, the Company has no current sources of revenue other than interest earned on cash, short-term investments and money market instruments, all of which were derived from issuances of share capital. There are no known deposits of minerals on any of the mineral exploration properties of the Company and any activities of the Company thereon will constitute exploratory searches for minerals.

### **Trends**

- Prices of precious and base metals and other minerals are extremely volatile and there are times when there is very limited availability of equity financing for the purposes of mineral exploration and development;
- The Company's future performance is largely tied to the outcome of future drilling results and the overall financial markets; and
- Current financial markets are likely to be volatile in Canada for the remainder of calendar 2023, reflecting ongoing economic concerns due to the global pandemic breakout of COVID-19, inflation, and the war in Ukraine. The actual and perceived impacts of these and other macro influences may have a material adverse effect on the global economy and on the stock market, including trading prices of the Company's shares and its ability to raise new capital. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interest of current shareholders of the Company.

These trends may limit the Company's ability to discover and develop an economically viable mineral deposit.

### **The Golden Baie Project**

The Golden Baie Project is the Company's flagship precious metals exploration asset. The Golden Baie Project covers 78,700 hectares in 73 Mineral Exploration Licences and lies within the Coast of Bays region of south-central Newfoundland.

On September 25, 2020, the Company entered into definitive agreements with Altius Resources Inc., a wholly owned subsidiary of Altius, and other arm's length parties for the option to acquire a 100% interest in the Golden Baie Project.

The Company can acquire this interest over a four-year period for aggregate cash payments of \$250,000, aggregate share issuance of 11,500,000 common shares of the Company, and the lesser of \$500,000 worth of common shares or 2,000,000 common shares of the Company. In addition, the Company is required to fund exploration expenditures of \$1,250,000 (incurred) over a four-year period, of which \$500,000 must be spent in the first year. The optionors will be entitled to an aggregate milestone payment of \$1,000,000 by the Company upon the Golden Baie Project claims achieving NI 43-101 defined measured and indicated mineral resources of at least 1,000,000 contained gold ounces. So long as Altius owns 9.9% of the Company's shares outstanding, it shall have the right to participate in 19.9% of any equity financing during the term of the Option.

On November 24, 2020, the Company entered into definitive agreements with Altius Resources Inc. and other arm's length parties for the option to acquire a 100% interest in additional mineral claims located within the previously acquired Golden Baie Project claims. The Company can acquire this interest over a three-year period for aggregate cash payments of \$75,000 and aggregate share issuance of \$75,000 worth of common shares payable in installments as is equal to \$75,000 divided by the greater of the prevailing 5-day volume weighted average price per share on the TSX Venture Exchange and \$0.225.

On January 24, 2022, the Company entered into a binding property purchase agreement with Altius to acquire a 100% interest in the Hermitage Property in southern Newfoundland, subject to a 2% NSR, for consideration of the issuance of 500,000 common shares of the Company. The Hermitage Property is contiguous with the Company's Golden Baie project.

On July 5, 2022 the Company acquired four claims, located along the Little River Trend, from an arm's length third party in exchange for a nominal cash payment and a 2% NSR.

On August 15, 2022, the Company completed a property purchase agreement with four individuals ("the vendors"), in which the vendors transferred 100% of their beneficial interest in the Bernards Pond and Roti Bay claims, subject to the retention by the vendors of a 2.0% NSR from all commercial production on the Bernards pond claims and Roti Bay claims ("the Royalty"). The vendors transferred to the Company their beneficial interest in the Bernards Pond and Roti Bay claims, in consideration for the issuance of 250,000 common shares (issued and valued at \$30,000 based on the quoted share price of \$0.12 at the time of issuance) of the Company and payment of an aggregate of \$30,920 for reimbursement of certain fees incurred by them.

Access to the Golden Baie Project is provided by Route 360, a paved highway which bisects the project area, and by recent power line and old forest resource roads. More remote areas are best accessed by helicopter while some coastal sections can be accessed by boat from St. Albans or Conne River.

### **Golden Baie Fiscal 2023 Exploration Highlights**

During the six-month period ended December 31, 2022, the Company issued several announcements regarding the exploration program, including:

#### **July 5, 2022 - Canstar Drills 20.6 g/t Gold over 3.5 Metres at Kendell Prospect; Extends Mineralization Downdip by 80% to 180 Metres**

The Company announced assay results from drilling that took place in February and March 2022 and consisted of 2,907 metres ("m") in 39 holes at the Kendell prospect in the central portion of the Golden Baie property. Drilling successfully extended gold mineralization downdip to the northwest. Hole GB-22-92 intersected 6.1 g/t gold over 3.6 m at a downhole depth of 52.5 m, including 44.9 g/t over 0.4 m. This intercept is approximately 80 m downdip of hole GB-21-53, drilled in 2021, which intersected 12.2 g/t gold over 3.9 m, extending the total known downdip length of gold mineralization at the Kendell prospect to approximately 180 m. The best intercept in the 2022 winter drill program was in hole GB-22-94, which intersected 20.6 g/t gold over 3.5 m, including 58.2 g/t over 1.1 m in the thickest quartz vein encountered in drilling to date.

#### **August 15, 2022 – Newfoundland Gold Exploration Claims Increased by 21% to 939 km<sup>2</sup>**

The Company announced that it has acquired a total of 658 additional mineral claim licenses, covering 16,450 hectares, in south-central Newfoundland. The claims have been acquired through a combination of map staking by Company personnel and acquisition from several third-party claim holders. With these additional claims, Canstar now controls a total of 939 square kilometres (km<sup>2</sup>) or 93,875 hectares of claims in favourable geology along the Day Cove

Thrust and Hermitage Flexure crustal-scale faults.

### **August 30, 2022 – Canstar Exploration Update - New Till Sample Returns 1,049 Gold Grains at the Golden Baie Project**

The Company announced an update on gold exploration work on its properties in south-central Newfoundland. As of the end of July 2022, approximately 42 stream sediment samples, 1,541 soil samples, 348 till samples, and 1,386 rock grab samples have been collected and submitted for assaying. The Company has also recently completed 11 trenches, and 10 line-kilometres of IP surveying as part of the ongoing ~\$6M 2022 exploration program. The majority of assays remain outstanding, but early results are encouraging and include till sample T5926 from the Golden Baie project that contained 1,049 gold grains, which is highly anomalous. This till sample was collected approximately 20 metres northeast of the previously-reported till sample containing 502 gold grains (news release dated May 4, 2022), making this emerging trend one of the top targets for drilling later this year.

### **September 20, 2022 – Canstar Commences Drilling of Multiple Targets on the Golden Baie Project in South-Central Newfoundland**

The Company announced that it has commenced drilling on its Golden Baie project. This is the third drill program by the Company on the Golden Baie project. Planned drilling will test six target areas, including follow up on winter drilling at the Kendell prospect. Drilling is also planned to test at least five additional targets in the central portion of the Golden Baie claims that have been selected based on recent trenching, till sampling results, an IP survey completed this summer, and historical data. Initial drill holes are expected to be shallow, averaging approximately 100 m each, as the geology in this area is typically shallow dipping to the northwest. Initial drilling is expected to total at least 5,000 m in 50-60 holes.

### **December 13, 2022 – Canstar Discovers New High-Grade Gold Occurrence and Provides Exploration Activities Update**

The Company provided an update on the exploration programs at its properties in southcentral Newfoundland. The diamond drilling program that commenced in mid-September was ongoing and expected to be completed at the end of this week. Assay results are pending from more than 50 drill holes in approximately 6,200 metres (“m”) worth of drilling at the Kendell prospect and targets at Hillside-Skidder, 97 West, Golden Eye, Northbrush and Wolf Pond. The Company also announced a new high-grade gold discovery was made on the claims near Facheaux Bay, located 43 kilometres (“km”) southwest of the Kendell prospect. Outcrop grab samples collected from arsenopyrite-bearing quartz veining hosted in sedimentary rocks assayed 18.4 grams per tonne (“g/t”) and 13.7 g/t gold.

### ***The Buchans-Mary March Project***

The Buchans-Mary March Project consists of the Buchans Property and the Mary March Joint Venture. The Buchans-Mary March Project is a base metals exploration asset.

The Company acquired a 100% interest in the Buchans Property from Adventus Mining Corporation (formerly “Adventus Zinc Corporation”, “Adventus”) in exchange for common shares of the Company. Altius Minerals Corp. (“Altius”) retains a 2% net smelter royalty on sales of mineral products from the Buchans Property. The Buchans Property currently comprises 261 staked claims held under 4 map staked licenses covering an area of 5,944 hectares located between the communities of Buchans and Buchans Junction in the Province of Newfoundland and Labrador, Canada.

The Buchans Property covers the majority of prospective Buchans Group stratigraphy that exists outside of the area of previous mining. Past production from the historic Buchans mining camp by the American Smelting and Refining Company (ASARCO) between 1928 and 1984 is reported by Kirkham (1987) to total 16.2 million tonnes of ore from five major orebodies having an average head grade of 14.51% zinc, 1.33% copper, 7.56% lead, 126 g/t silver and 1.37 g/t gold.

The Company’s primary exploration target for this project is a high-grade VMS deposit like those previously mined at Buchans. Although the Buchans area has had a long mining and exploration history, it was only during the period after the 1984 mine closure that thrust belt tectonic models emerged for the area, resulting in a simplified stratigraphic interpretation of the district geology and a more complex structural interpretation. The revised stratigraphic and structural models have opened new opportunities for exploration.

### ***The Mary March Joint Venture***

The Company earned its initial 50% interest in the Mary March Joint Venture by incurring \$755,000 of property

expenditures and issuing 100,000 common shares valued at \$16,000 and 100,000 warrants valued at \$8,600. The Company is also required to make a cash payment of \$2,000,000 within six months of commercial production. The Company's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The remaining 50% interest in the Joint Venture is held by Glencore, on which the Company maintains a right of first refusal. For exploration expenditures during 2013, 2014, 2015 and 2016, Glencore was subject to a voluntary reduction due to non-participation of these exploration programs. Canstar now holds a 56% interest in the Joint Venture and Glencore holds a 44% interest. Glencore did not contribute to the most recent program and accordingly, will be subject to an additional voluntary reduction.

The Mary March Joint Venture is comprised of four Fee Simple Grants consisting of five separate land parcels and covering 1,486.88Ha and portions of two map-staked licenses containing 201 claims and covering 5,025 hectares and is located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland. High grade Cu-Pb-Zn-Ag-Au massive sulphides of economic significance were discovered on the Mary March Joint Venture by Phelps in 1999, but the core discovery areas of the property had been dormant since August 2000.

### **SELECTED ANNUAL FINANCIAL INFORMATION**

<b>Fiscal Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating expenses	\$ 1,245,176	\$ 1,252,170	\$ 224,552
Loss from operations	1,245,176	1,252,170	224,552
Net loss for the year	8,855,062	1,426,923	150,551
Loss per share – basic and diluted	0.09	0.02	0.00
Total assets	13,247,220	15,025,837	7,965,881
Total liabilities	205,032	293,680	109,088

### **RESULTS OF OPERATIONS**

#### **Three months ended December 31, 2022 compared to three months ended December 31, 2021**

Total operating expenses were \$282,186 for the three months ended December 31, 2022 compared to \$448,560 in the comparative period, a decrease of \$166,374. The main reason for the change was a \$56,217 share-based payments expense related to stock options vesting during the three months ended December 31, 2022 compared to a \$282,193 expense in the comparative period. Transfer agent fees decreased by \$30,704 during the three months ended December 31, 2022 as a result of a reduced number of filings. These decreases were offset by a \$40,618 increase in general and office expenses primarily related to increased investor relations and corporate activity during the three months ended December 31, 2022. Management fees increased by \$62,496 compared to the comparative period, as a result of higher management compensation in the quarter ended December 31, 2022.

The Company recognized an unrealized gain of \$3,551 during the three months ended December 31, 2022 with respect to the increase in the fair value of its investment in shares of Angus Gold Inc., and interest income of \$21,673 earned on its marketable securities.

#### **Six months ended December 31, 2022 compared to six months ended December 31, 2021**

Total operating expenses were \$525,942 for the six months ended December 31, 2022, compared to \$724,135 in the comparative period in 2021. The decrease was mainly due to a \$317,014 decrease in share-based payments as a result of stock options granted and vesting during the six months ended December 31, 2022.

Transfer agent and filing fees for the six months ended December 31, 2022 were \$15,525 a decrease of \$32,452 over the six-month comparable period due to the reasons noted for the three-month period. Interest and bank charges were lower as the expense of \$12,998 for the comparative period was a result of Part XII.6 tax related to flow-through filings.

Management fees of \$150,678 were higher than the \$64,204 in the comparable period for reasons noted above for the three month period. General and office expenses of \$114,458 are higher than the \$56,241 in the comparable period for

the reasons noted above for the three-month period. Professional fees were \$75,630, a \$17,235 increase compared to the six months ended December 31, 2021, relating primarily to increased accounting fees during the six months ended December 31, 2022.

The Company recognized an unrealized loss of \$14,649 during the six months ended December 31, 2022 with respect to the decrease in the fair value of its investment in shares of Angus Gold Inc., and interest income of \$27,789 earned on its marketable securities.

### **SUMMARY OF QUARTERLY RESULTS**

The following table sets out selected quarterly results of the Company for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the audited annual financial statements and unaudited interim financial statements of the Company.

Calendar Year	2022	2022	2022	2022
Quarter	December 31,	September 30,	June 30,	March 31,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital	1,163,966	3,686,796	5,382,605	6,541,492
Interest in exploration properties and deferred exploration and evaluation expenditures	11,717,003	9,020,319	7,375,911	13,930,335
Expenses	282,186	243,756	200,577	320,464
Net loss	(209,988)	(217,529)	(7,857,525)	(291,670)
Net loss per share <sup>(1)</sup>	(0.00)	(0.00)	(0.07)	(0.00)

Calendar Year	2021	2021	2021	2021
Quarter	December 31,	September 30,	June 30,	March 31,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital	7,502,853	3,374,459	4,163,387	2,236,624
Interest in exploration properties and deferred exploration and evaluation expenditures	12,994,083	11,616,608	10,566,235	10,215,142
Expenses	448,560	275,575	655,740	246,281
Net loss	(428,102)	(277,765)	(843,093)	(247,681)
Net loss per share <sup>(1)</sup>	(0.01)	(0.00)	(0.01)	(0.00)

Notes:

(1) Net loss per share on a diluted basis is the same as basic net loss per share, as all factors, which were considered in the calculation, are anti-dilutive.

### **RELATED PARTY TRANSACTIONS**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive or non-executive) of the Company.

The remuneration of directors and key management during the three months ended December 31, 2022 and 2021 were as follows:

	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Short-term benefits	60,000	62,974	105,000	85,474
Share-based payments (recovery)	51,229	147,930	146,262	296,786
	111,229	210,904	251,262	382,260

During the three and six months ended December 31, 2022, \$60,000 and \$105,000, respectively (December 31, 2021 - \$62,974 and \$85,474, respectively) was paid to key management and included in management fees.

During the three and six months ended December 31, 2022, the Company incurred \$1,800 and \$3,600, respectively (December 31, 2021 - \$1,200 and \$2,400, respectively) for rent charged by a third party that was previously a significant shareholder of the Company.

During the six-month period ended December 31, 2021, directors of the Company subscribed for 158,800 flow-through units for gross proceeds of \$50,022.

As at December 31, 2022, the directors and officers of the Company together control 4,123,077 common shares or approximately 3.7% of the total common shares outstanding (June 30, 2022 – 3,885,077 common shares or approximately 3.6% of the total common shares outstanding).

One investor, namely 2176423 Ontario Ltd., controls 27,863,339 common shares, or approximately 25% of the total common shares outstanding as at December 31, 2022 (June 30, 2022 - 27,863,339 common shares, or approximately 26% of the total common shares outstanding).

### ***LIQUIDITY***

As at December 31, 2022, the Company had working capital of \$1,163,986 compared to working capital of \$5,382,605 at June 30, 2022. The Company has no revenue from operations and is dependent on financings for working capital.

The Company's operating costs are expected to decrease in fiscal 2023 due to lower anticipated exploration activity, while exploration costs will depend on the exploration program budget approved by the directors.

### ***WORKING CAPITAL RESOURCES***

Additional financings will be required to fund future exploration and for working capital purposes.

Most of the Company's requirements for capital to maintain its ownership level in its properties, as well as pay for exploration expenditures and administrative expenses have been met through the completion of private placements and the exercise of stock options and warrants. Typically, these monies have come from institutional and high net worth investors and the amounts raised have been a function of the level of market interest in the junior resource industry as well as the general level of interest in the equity and mineral commodity markets. The Company will have to rely on further equity financings in order to maintain an adequate liquidity base with which to support its general operations and exploration and development mandate.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer other mining companies the opportunity to acquire interests in any of its properties in return for funding by such companies of all or part of the exploration and development of such properties. For the funding of any property acquisitions or exploration conducted by the Company, the Company depends on the issue of shares from treasury to investors. Such financing will depend, in turn, on various factors, such as a positive mineral exploration climate, positive stock market conditions, the Company's track record and the experience of management. If such financing is unavailable for any reason, the Company may become unable to retain its mineral interests and carry out its business plan.

### ***OFF-BALANCE SHEET ARRANGEMENTS***

The Company does not have any off-balance sheet arrangements.

### ***PROPOSED TRANSACTIONS***

None.

### ***CRITICAL ACCOUNTING ESTIMATES***

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of the recoverable value of its mineral properties and related deferred exploration and evaluation expenditures, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the share-

based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mineral properties and associated deferred exploration and evaluation expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

### **FUTURE ACCOUNTING CHANGES**

The Company has not yet adopted certain new IFRS standards, amendments and interpretations to existing standards, which have been published but are only effective in future periods. The Company does not currently expect the adoption of these new IFRS standards to have a material impact on its financial statements.

### **CHANGE IN ACCOUNTING POLICIES**

There were no changes in accounting policies adopted during the three months ended December 31, 2022.

### **COMMITMENTS AND CONTINGENCIES**

#### *Environmental Contingencies*

The Company's mining and exploration activities are subject to various federal, and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### *Flow-Through Commitments*

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) by incurring qualified exploration expenditures before December 31, of the year following the year in which the agreement is entered into. The Company indemnifies the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is committed to incur flow-through eligible expenditures of \$5,212,342 by December 31, 2022, of which \$5,212,342 has been incurred to December 31, 2022.

#### *COVID-19*

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Supply chain disruption, in addition to the higher energy prices associated with the war in Ukraine, have resulted in inflationary pressure. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition in future periods. The Company is closely monitoring the business environment as a result to ensure minimal disturbance to business operations.

### **FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk (including interest rate, foreign exchange rate and price risk) and credit risk.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk

management.

### **Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivable and prepaid expenses consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable and prepaid expenses is remote.

### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash and cash equivalents balance of \$277,922 (June 30, 2022 - \$201,251) and marketable securities of \$1,047,000 (June 30, 2022 - \$4,714,600) to settle current liabilities of \$666,942 (June 30, 2022 - \$119,747), excluding the flow-through premium liability. The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

### **Interest rate risk**

The Company has cash, cash equivalents and short-term investment balances subject to interest. Management does not believe the Company is exposed to significant interest rate risk.

### **Foreign currency risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign exchange risk.

### **Price risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company is also exposed to price risk with respect to its investment in shares of Angus Gold Inc.

### **Sensitivity analysis**

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

Cash, cash equivalents and marketable securities are invested with a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. Sensitivity to a plus or minus 1% change in rates, based on the balance of cash and cash equivalents at December 31, 2022, would affect net loss by plus or minus \$2,800 during a twelve-month period.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

As a result of the 70,000 shares held in Angus Gold Inc., a 10% fluctuation in the price of investment in the fair value of the shares of Angus Gold Inc. would result in a change in fair value of \$5,600.

A 1% fluctuation in the fair value of the Company's marketable securities would result in a change in fair value of \$10,500.

## ***CAPITAL MANAGEMENT***

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of capital stock, share purchase warrants, broker compensation warrants, contributed

surplus and deficit.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so. Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements;
- (iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
- (iv) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company is not subject to any capital requirements imposed by a regulator or lending institution body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. The Company expects that its current capital resources are sufficient to discharge its liabilities as at December 31, 2022.

## **SHARE CAPITAL**

### *Common shares*

During the six-month period ended December 31, 2022, the Company issued 1,338,887 common shares pursuant the Golden Baie Property agreements. The Company also has an obligation to issue 2,500,000 common shares pursuant to the Golden Baie Property agreements which have been reflected in the consolidated statement of financial position as shares to be issued as at December 31, 2022.

### *Stock options*

The Company did not grant any stock options during the six months ended December 31, 2022.

During the three and six months ended December 31, 2022, \$56,217 and \$155,997, respectively (2021 - \$282,193 and \$473,011, respectively) were expensed to share-based payments and \$30,423 and \$67,080, respectively (2021 - \$nil and \$nil, respectively) were capitalized to interest in exploration properties and deferred exploration expenditures.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options Granted	Exercisable Options	Exercise Price	Expiry Date
#	#	\$	
150,000	100,000	0.10	October 19, 2023
3,600,000	3,600,000	0.28	October 14, 2025
700,000	466,666	0.28	February 8, 2026
800,000	800,000	0.28	April 26, 2026
3,250,000	2,167,667	0.28	December 10, 2026
8,500,000	7,133,333	0.28	

### *Warrants*

During the six-month period ended December 31, 2022, 76,388 warrants exercisable at \$0.35 expired, unexercised.

Warrants outstanding for the Company at the date of this MD&A were as follows:

Number of Warrants	Exercise Price	Expiry Date
#	\$	
13,157,895	0.25	May 21, 2023

8,068,305	0.42	December 7, 2023
908,019	0.315	December 7, 2023
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22,134,219	0.31	
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## **RISKS AND UNCERTAINTIES**

*An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.*

- *Exploration Stage Company and Exploration Risks*

The Company is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Company have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves that are sufficient to commercially mine some of the Company's properties and to construct, complete and install mining and processing facilities on those properties that are actually mined and developed.

- *No History of Profitability*

The Company is a development stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

- *Government Regulations*

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its mining activities, its exploration permits must be kept current. There is no guarantee that the Company's exploration permits will be extended or that new exploration permits will be granted. In addition, such exploration could be changed and there can be no assurances that any application to renew any existing permits will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

- *Market Fluctuation and Commercial Quantities*

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to

infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

- *Mining Risks and Insurance*

The Company is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

- *Environmental Protection*

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds.

- *Capital Investment*

The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be acceptable. Should the Company not be able to obtain such financing, its properties may be lost entirely.

- *Conflicts of Interest*

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in base and precious metal exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matters in which they may have a conflict of interest.

- *Current Global Financial Conditions*

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature of today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

## **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of

material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the years presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### ***DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT FEBRUARY 28, 2023)***

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 110,342,559 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 143,476,773 common shares outstanding assuming the issuance of 2,500,000 shares to be issued and exercise of 8,500,000 outstanding stock options and 22,134,219 warrants.

#### ***APPROVAL***

The Board of Directors of the Company has approved the disclosure contained in the Management's Discussion and Analysis. A copy of this report will be provided to anyone who requests it.

#### ***OTHER MATTERS***

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.canstarresources.com](http://www.canstarresources.com).