

**CANSTAR RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**INTRODUCTION**

*This Management Discussion and Analysis ("MD&A") should be read in conjunction with the annual consolidated financial statements of Canstar Resources Inc. (the "Company" or "Canstar") for the years ended June 30, 2022 and 2021 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 October 24, 2022.*

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 78,700 hectares in 73 Mineral Exploration Licences containing 3,148 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 containing 201 claims and covering 5,025 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 \$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 2022, 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 base and precious metals 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.

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 coastal sections can be accessed by boat from St. Albans or Conne River.

### **Golden Baie Fiscal 2022 Exploration Highlights**

During the year ended June 30, 2022, the Company issued several announcements regarding the exploration program, including:

#### **January 24, 2022 - Canstar Acquires the Hermitage Property, Expanding its Newfoundland Gold Exploration Project Claims to 774 km<sup>2</sup>**

The Company announced that it has entered into a binding property purchase agreement with Altius that sets out the principal terms and conditions upon which Altius will transfer to the Company its 100% interest in the Hermitage Property, comprised of three (3) map-staked licenses containing 607 claims covering 15,175 hectares (151.75 km<sup>2</sup>), subject to the retention by Altius of a 2.0% net smelter return royalty from all commercial production on the Hermitage Property.

#### **February 8, 2022 - Canstar Intersects 11.8 g/t Gold over 5.7 Metres at Kendell, Commences Winter Drill Program**

The Company announced additional assay results from 2021 drilling and channel sampling from the Kendell prospect at its Golden Baie project in south Newfoundland. Gold mineralization at the Kendell prospect was extended by approximately 50 metres down-dip. Notable intervals and higher grade intercepts included:

- 11.8 g/t gold over 5.69 metres in drill hole GB-21-50
- 45.7 g/t gold over 1.07 metres near surface in drill hole GB-21-20
- 11.7 g/t gold over 3.00 metres including 249.7 g/t gold over 0.09 metres in drill hole GB-21-51

The Company also announced that a winter diamond drill program has commenced at the Kendell prospect. This program is expected to include up to 35 new drill holes which total approximately 2,000 metres and reflect the shallow nature of the mineralization.

#### **March 16, 2022 - Canstar Increases Winter Drill Program at Kendell Prospect**

The Company provided an update on the winter drilling program at the Kendell prospect. Drilling commenced on February 8, 2022, and as of the date of the news release, 2,065 metres had been drilled in 31 holes. Based on preliminary drill core logging, the Company announced that it planned to drill an additional nine holes to bring the total winter drill program to approximately 3,000 metres. Assay results from the drill holes are expected to be received by June, which will enable planning of another phase of drilling on the Kendell prospect later in the year.

## **May 4, 2022 - Canstar Announces Till Results with up to 502 Gold Grains and Additional Shallow High Grade Drill Results**

The Company announced assay results from the final 26 drill holes completed in 2021 and the results of the first systematic till sampling program on the Golden Baie property in south-central Newfoundland. Highlights included:

- Intercepts included 6.04 g/t gold over 2.12 m at Blow Out (GB-21-41) and 9.83 g/t gold over 0.53 m in hole at Hillside (GB-21-23). The noted intercept at Hillside was just below surface and contained visible gold hosted in quartz veining.
- Of 74 till samples collected over a 5 km x 1 km area in late 2021, one sample contained 502 gold grains, of which 294 (59%) are pristine. Another sample returned 143 grains (51% pristine) and is located approximately 580 metres south-west, and on strike, of the 502 gold grain sample.
- A till sample containing 87 total grains was collected 175 metres west of the Hillside target. 95% of the gold grains are pristine, suggesting the gold grains were not transported very far during glaciation.

## **June 7, 2022 - Canstar Announces Final 2021 Field Work Results, Commences 2022 Field Season at Golden Baie Project in Newfoundland**

The Company announced final 2021 exploration results and the commencement of the 2022 field season on its Golden Baie and Hermitage properties in south-central Newfoundland. Highlights of the 2021 field program on Golden Baie included:

- 2021 prospecting included the collection of more than 1,600 grab samples, including outcrop samples grading up to 35.5 g/t gold<sup>1</sup>, located 300 metres (“m”) northeast of the 97 West target, and float/boulder samples grading up to 289.4 g/t gold at Skidder, as previously announced. Sampling in new areas identified four new gold occurrences, including Train Hill discovery, an anomalous gold zone spanning 800 m by 50 m.
- Channel sampling from the 97 West target included 11.0 g/t gold over 1.8 m and 10.7 g/t gold over 0.6 m.

### ***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 the Company’s flagship 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 Buchans Property is entirely underlain by the Ordovician Buchans Group which comprises a sequence of bimodal volcanic and volcanoclastic rocks of the Buchans River Formation which hosts all of the former producing massive sulphide deposits within the belt. Mineralization consists of sphalerite, galena, chalcopyrite, and lesser pyrite. Barite is the most abundant gangue mineral in the ores and alteration is characterized by quartz-chlorite-sericite +/- K-feldspar +/- carbonate.

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.

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<sup>1</sup> Note that rock grab samples are selective by nature and values reported may not represent the true grade or style of mineralization across the property

### **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 June 30, 2022 compared to three months ended June 30, 2021**

Total operating expenses were \$200,577 for the three months ended June 30, 2022 compared to \$655,740 in the comparative period, a decrease of \$455,163. Net loss for the three months ended June 30, 2022 was \$7,857,525 compared to \$843,093, an increase of \$7,014,432. The main reason for the change was an increase in write down of mineral properties of \$7,733,685 relating to the write off of the Buchans – Mary March properties during fiscal Q4 2022. In addition, there was an increase in professional fees of \$55,771 due mainly to engaging the services of professional recruitment firms in 2022, and an increase in general and office expenses of \$31,074 due to increased corporate activities compared to the comparative fiscal quarter of 2021. Management fees increased by \$46,410 compared to the comparative period, due to the reasons stated below. These increases were offset by a \$596,597 decrease in share-based compensation due to the fact that no stock options were granted during the three months ended June 30, 2022 and an unrealized loss on investments of \$10,298 compared to an unrealized gain of \$11,900 in the comparative period.

#### **Year ended June 30, 2022 compared to year ended June 30, 2021**

The net loss for the year ended June 30, 2022 was \$8,855,062 compared to \$1,426,923 for the year ended June 30, 2021. Net loss increased by \$7,428,139. The increase was mainly due to the write off of the Buchans – Mary March exploration properties in the current year.

Total operating expenses were \$1,245,176 for the year ended June 30, 2022, compared to \$1,252,170 in the comparative period in 2021, a decrease of \$6,994. The decrease was mainly due to a decrease in share-based compensation expense of \$289,237 as a result of fewer stock options granted in the current year.

General and office expenses increased by \$123,498 due to increased corporate activities in the current year. Management fees of \$208,404 are higher than the \$103,116 in the comparable period due to services provided by the new Chief Executive Officer who was hired in the middle of fiscal 2021. Interest and bank charges of \$12,657 were

\$11,166 higher than the comparative period due to a flow-through penalty payment related to the 2018 tax year that was paid in fiscal 2022. Transfer agent and filing fees for the year ended June 30, 2022, were \$61,700, \$21,596 higher than in the comparable period, due to increased financings and number of filings. Professional fees increased by \$21,040 to \$191,930 due to increased legal services being required in the year ended June 30, 2022 as a result of increased corporate activity.

### **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	2021	2021
Quarter	June 30,	March 31,	December 31,	September 30,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital	5,382,605	6,541,492	7,502,853	3,374,459
Interest in exploration properties and deferred exploration and evaluation expenditures	7,375,911	13,930,335	12,994,083	11,616,608
Expenses	200,577	320,464	448,560	275,575
Net loss	(7,857,525)	(291,670)	(428,102)	(277,765)
Net loss per share <sup>(1)</sup>	(0.07)	(0.00)	(0.01)	(0.00)

Calendar Year	2021	2021	2020	2020
Quarter	June 30,	March 31,	December 31,	September 30,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital	4,163,387	2,236,624	2,505,260	417,171
Interest in exploration properties and deferred exploration and evaluation expenditures	10,566,235	10,215,142	10,037,630	7,904,882
Expenses	655,740	246,281	281,225	68,924
Net loss	(843,093)	(247,681)	(328,125)	(8,024)
Net loss per share <sup>(1)</sup>	(0.01)	(0.00)	(0.00)	(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**

The remuneration of directors and key management during the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
	\$	\$
Short-term benefits	140,981	75,975
Share-based payments (recovery)	569,278	665,596
	<u>710,259</u>	<u>741,571</u>

During the year ended June 30, 2022, \$140,981 (2021 - \$75,975) was paid to directors and key management and included in management fees. Included in accounts payable and accrued liabilities as at June 30, 2022 is \$nil (2021 - \$8,475) owing to a corporation controlled by an officer who is also a director of the Company.

During the year ended June 30, 2022, the Company incurred \$59,231 (2021 - \$45,637) for professional fees and legal expenses related to property option agreements and \$nil (2021 - \$93,348) for share issue costs, charged by Peterson McVicar LLP, a law firm of which a former director is a partner. As at June 30, 2022, \$6,765 was payable to this law firm (2021 - \$3,045) and this amount was included in accounts payable and accrued liabilities.

During the year ended June 30, 2022, the Company incurred \$7,500 (2021 - \$11,910) for rent charged by a third party that was previously a significant shareholder of the Company.

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.

Amounts payable to related parties are unsecured, non-interest bearing and due on demand.

During the year ended June 30, 2022, a director of the Company subscribed for 158,800 flow-through units for gross proceeds of \$50,022.

During the year ended June 30, 2021, directors and officers of the Company subscribed for 2,870,050 Part & Parcel Units for gross proceeds of \$301,355. Directors and/or officers of an insider of the Company acquired an aggregate of 385,700 Units for gross proceeds of \$60,748.

As at June 30, 2022, the directors and officers of the Company together control 3,885,077 common shares or approximately 3.6% of the total common shares outstanding (2021 – 19,901,160 common shares or approximately 23% of the total common shares outstanding).

At June 30, 2022, 2176423 Ontario Ltd. and its owner Eric Sprott, controlled 27,863,339 common shares respectively, or approximately 26% of the total common shares outstanding (2021 – 10,527,000 common shares, or approximately 12% of the total common shares outstanding).

Two other corporate investors, namely Adventus Mining Corporation and Altius Resources Inc., were no longer reporting insiders at June 30, 2022, because they own less than 10% of the outstanding common shares (2021 - 17,336,339 and 7,669,024 common shares respectively, or approximately 20% and 9%, respectively, of the total common shares outstanding).

### ***LIQUIDITY***

As at June 30, 2022, the Company had working capital of \$5,382,605 compared to working capital of \$4,163,387 at June 30, 2021. The Company has no revenue from operations and is dependent on financings for working capital.

The Company's operating costs are expected to increase in fiscal 2023 due to increased exploration activity and the hiring of more personnel, 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 year ended June 30, 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 \$6,498,712 by December 31, 2022, of which approximately \$3,060,995 has been incurred to June 30, 2022. The commitment to complete these expenditures by the date noted above is based on a change by the Government of Canada, which extended the deadline to complete the necessary spending requirements from the issuance of flow-through shares raised in 2020 by one year.

## **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 June 30, 2022, the Company had a cash and cash equivalents balance of \$201,251 (2021 - \$279,445) and marketable securities of \$4,714,600 (2021 - \$4,000,957) to settle current liabilities of \$119,747 (2021 - \$293,680), 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 short-term investments 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 June 30, 2022, would affect net loss by plus or minus \$2,000 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 \$7,070.

A 1% fluctuation in the fair value of the Company's marketable securities would result in a change in fair value of \$47,200.

## **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 June 30, 2022.

## **SHARE CAPITAL**

### *Common shares*

On September 15, 2020, the Company completed a private placement consisting of the sale of 4,761,920 units ("Part & Parcel Unit") at \$0.105 per Part & Parcel Unit for gross proceeds of \$500,002. Each Part & Parcel Unit was comprised of one common share in the capital of the Company and one common share purchase warrant ("Warrant") at an exercise price of \$0.21 per Warrant for two years from the date of issuance.

In connection with the private placement, directors and officers of the Company acquired a total of 2,870,050 Part & Parcel Units for aggregate proceeds of approximately \$301,355.

On October 1, 2020, the Company completed the second and final tranche (the "Second Tranche") of the non-brokered private placement comprised of the sale of 9,523,810 units ("Units") at a price of \$0.1575 per Unit for gross proceeds of \$1,500,000. Each unit is comprised of one common share and one warrant ("Regular Warrant"). Each Regular Warrant entitles the holder to purchase one common share at a price of \$0.21 for a period of two years. The Company paid finder's fees of \$14,175 and issued 90,000 finder warrants to purchase Units at a price of \$0.1575 per Unit. Directors and/or officers of Adventus acquired 385,700 Regular Units for gross proceeds of \$60,748.

On November 17, 2020, the Company issued 4,000,000 common shares to Altius, 1,600,000 common shares to Colin Kendall, and 400,000 common shares to Corwin Northcott pursuant to the Golden Baie option agreement.

On December 30, 2020, the Company closed a non-brokered private placement consisting of the sale of 3,675,342 flow-through shares ("FT Share") at a price of \$0.35 per FT share for aggregate gross proceeds of \$1,286,370. Each FT Share is composed of one common share of the Company. In connection with the flow-through offering, the Company paid commissions of an aggregate of \$26,736 in cash and 76,388 finder warrants exercisable at a price of \$0.35 per common share for a period of 24 months from the closing of the offering. All securities issued are subject to the applicable statutory hold period of four months and one day from the closing.

On May 21, 2021, the Company closed a non-brokered private placement offering for aggregate gross proceeds of \$2,500,000 through the issuance of 13,157,895 units of the Company at a price of \$0.19 per unit. Each unit consisted of one common share, and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.25 for a period of 24 months from the closing date of the offering.

During the year ended June 30, 2021, 500,000 warrants were exercised at a price of \$0.21 per unit for gross proceeds of \$105,000, and 40,000 options were exercised at a price of \$0.25 per unit for gross proceeds of \$10,000.

During the year ended June 30, 2022, the Company issued 2,922,558 common shares on the exercise of warrants for gross proceeds of \$613,739.

On December 8, 2021, the Company closed a non-brokered private placement offering for through the issuance of 14,412,471 flow-through units of the Company at a price of \$0.315 per flow-through unit and 1,724,138 premium flow-through units at a price of \$0.39 per unit for aggregate gross proceeds of \$5,212,342. Each unit consisted of one common share issued on a flow-through basis, and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.42 for a period of 24 months from the closing date of the offering. In connection with the flow-through offering, the Company paid commissions in the aggregate of \$286,381 and issued 908,019 finder warrants exercisable at \$0.315 per common share for a period of 24 months from closing of the offering. A director of the Company subscribed for an aggregate of 158,800 flow-through units.

During the year ended June 30, 2022, the Company issued 3,051,055 common shares pursuant to the Golden Baie Property agreement.

During the year ended June 30, 2022, the Company issued 500,000 common shares to Altius as consideration for a 100% interest in the Hermitage Property in southern Newfoundland, subject to a 2% NSR.

Subsequent to June 30, 2022, the Company issued 250,000 common shares to vendors of the Bernards Pond and Roti Bay claims, pursuant to a binding property purchase agreement.

#### *Stock options*

On October 14, 2020, the Company granted 3,800,000 stock options to directors, officers, consultants and employees of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.28 for a period of 5 years. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date.

On February 8, 2021, the Company granted 1,200,000 stock options to officers, employees and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.28 for a period of 5 years. The options vest as to 1/3 on the date of the grant, and 1/3 on each of the first and second anniversaries of the grant date. The grant is subject to regulatory approval.

On April 26, 2021, the Company granted 800,000 stock options to employees of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.28 for a period of 5 years. The options vest as to 25% on the grant date and then 25% on each of the six, twelve and eighteen month anniversaries of the grant date.

On December 10, 2021, the Company granted 3,250,000 stock options to directors, officers, consultants and employees of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price

of \$0.28 for a period of 5 years. The options vest as to 1/3 on the date of grant and 1/3 on each of the first and second anniversaries of the grant date.

During the year ended June 30, 2022, \$762,205 (2021 - \$859,364) was expensed to share-based payments.

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	2,400,000	0.28	October 14, 2025
700,000	466,666	0.28	February 8, 2026
800,000	600,000	0.28	April 26, 2026
3,250,000	1,083,333	0.28	December 10, 2026
8,500,000	4,649,999	0.28	

#### Warrants

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

Number of Warrants	Exercise Price	Expiry Date
#	\$	
76,388	0.35	December 30, 2022
13,157,895	0.25	May 21, 2023
8,068,305	0.42	December 7, 2023
908,019	0.315	December 7, 2023
22,210,607	0.31	

## 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 exploitation will be extended or that new exploitation will be granted. In addition, such exploitation could be changed and there can be no assurances that any application to renew any existing 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 of 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 favourable. 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. There has been 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 OCTOBER 24, 2022)***

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 110,253,667 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 140,964,274 common shares outstanding assuming the exercise of 8,500,000 outstanding stock options, and 22,210,607 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).