



**ARIZONA GOLD CORP (formerly KERR MINES INC)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2021**  
**EXPRESSED IN CANADIAN DOLLARS**

**Prepared by:**

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**Arizona Gold Corp (formerly “Kerr Mines Inc”)  
Management’s Discussion & Analysis  
For the Three and Nine Months Ended March 31, 2021  
Dated – May 6, 2021**

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## **Introduction**

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of the operations of Arizona Gold Corp (formerly Kerr Mines Inc), (“Arizona Gold” or the “Company”) constitute management’s review of the factors that affected the Company’s financial and operating performance for the three and nine months ended March 31, 2021. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine months ended March 31, 2021 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of May 6, 2021, unless otherwise indicated.

The Company’s consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

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

Further information about the Company and its operations is available on Arizona Gold’s website at [www.arizona-gold.com](http://www.arizona-gold.com) or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-looking Statements**

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

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Forward-looking statements	Assumptions	Risk factors
<p>Potential of Arizona Gold’s interests to contain economic deposits of gold production.</p>	<p>Financing will be available for development and further exploration of Arizona Gold’s property; the actual results of Arizona Gold’s development and exploration activities will be favourable; operating, development and exploration costs will not exceed Arizona Gold’s expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for development and further exploration projects and other operations will be received on a timely basis upon terms acceptable to Arizona Gold, and applicable political and economic conditions will be favourable to Arizona Gold; the price of gold and applicable interest and exchange rates will be favourable to Arizona Gold; no title disputes exist with respect to the Company’s properties.</p>	<p>Precious metal price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that further exploration results will not be consistent with Arizona Gold’s expectations; availability of financing for and actual results of Arizona Gold’s development activities; ongoing uncertainties relating to the COVID-19 virus; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company’s ability to retain and attract skilled staff.</p>
<p>The Company’s cash balance as at March 31, 2021, is sufficient to fund its consolidated operating expenses in the short term with additional funds required for the longer term. As at March 31, 2021, the Company’s consolidated cash balance is \$9,482,277. Additional funds will be required for the longer term.</p>	<p>The operating and exploration activities of the Company for the nine-month period ending March 31, 2021, and the costs associated therewith, will be dependent on raising sufficient capital consistent with the Company’s current strategy; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable.</p>	<p>Adverse changes in capital markets for debt and equity; timing and availability of external financing on acceptable terms; ongoing uncertainties relating to the COVID-19 virus; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>

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Management’s outlook regarding future trends (see “Trends”).	Financing will be available for the Company’s operating activities and longer-term price of gold will be favourable to the Company.	The volatility of the price of gold; changes in debt and equity markets; interest rate and exchange rate fluctuations; ongoing uncertainties relating to the COVID-19 virus; changes in economic and political conditions will impact the context of the Capital Markets.
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Inherent in forward-looking statements are risks, uncertainties and other factors beyond Arizona Gold’s ability to predict or control. Please refer to those risk factors included in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

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

**Description of Business**

Arizona Gold Corp is a TSX listed emerging American gold producer advancing the re-start of its fully permitted past-producing Copperstone Mine located in mining-friendly Arizona. The Company has a 100% leasehold interest in the exploration and development stage Copperstone project which encompasses approximately 12,258 acres of surface area and mineral rights in La Paz County, Arizona, within a 50 square km land package. Arizona Gold controls 546 federal unpatented mining claims and two Arizona state mineral leases which together comprise the Copperstone project area. The federal claims cover approximately 10,920 acres. Copperstone lies in the 350-mile long Arizona-centered Detachment Fault Terrane, stretching from southern Nevada to southeastern Arizona, and along the Colorado River between Arizona and California. The terrane includes the Mesquite Mine in California, with historic production and resources of over 10 million troy ounces of gold.

Within the Copperstone project is the Copperstone Mine. The Copperstone Mine, previously operated by Cyprus Minerals Corporation, produced nearly one-half million ounces of gold between 1987 and 1993 by way of open pit mining. Ackerman (1998) reported production by Cyprus at Copperstone of 514,000 oz of gold from 5,600,000 Mt of ore grading 2.8 g/tonne (0.089 oz/t) of gold.

Considerable infrastructure constructed by the Company’s predecessor company, American Bonanza Gold Corp, remains and will serve to substantially reduce the current capital requirements for the re-start of mining operations. Existing infrastructure includes a power line and substation, three water wells, 4,300 feet of

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underground development, supporting infrastructure, offices, maintenance shops, a laboratory building, permitted tailings facility and 600 tons per day mineral processing facility, all sufficient for the currently contemplated restart of operations at the Copperstone Mine. In addition, the Copperstone Mine is fully permitted for immediate re-start subject to project funding with all modified permits received in 2019 and 2020.

As outlined in the National Instrument 43-101 Technical Report: Preliminary Feasibility Study for the Copperstone project, La Paz County, Arizona, USA” dated May 18, 2018. prepared by Hard Rock Consulting, LLC and endorsed by Zachary J. Black, SME-RM; J.J. Brown, P.G., SME-RM, Jeff Choquette, P.E., MMSA-QP; Deepak Malhotra, PhD, SME-RM each of whom are independent “Qualified Persons” as defined in NI 43-101 (the “**Copperstone Report**”), the Copperstone Zone, located down dip of the ore body mined by Cyprus, using a model cut-off of 0.100 ounces per ton and a gold price per ounce of US\$1,250, contains a Measured + Indicated mineral resource of 1,239,800 tons at 0.223 ounces per ton average grade for 276,100 ounces of contained gold and an Inferred resource of 734,100 tons at 0.198 ounces per ton average grade for 145,700 ounces of contained gold.

### **Corporate**

On July 27, 2020, the Company entered into an agreement (“Royalty Purchase Agreement”) to acquire a 3% Gross Production Royalty (“Royalty”) from Trans Oceanic Mineral Company Ltd. (“TOMCL”), which will reduce the aggregate Royalty on the Copperstone Mine from 6% to 3%. The Copperstone Mine is currently subject to an aggregate 6% Royalty held by TOMCL (4.5%) and the Angie Patch Survivor’s Trust (1.5%). The purchase agreement entered into between the Company’s subsidiary, Bonanza Explorations Inc. (“Bonanza”), and TOMCL provides for the buyback of a 3% Royalty held by TOMCL for US\$2,500,000 on or before March 31, 2021 (the “Royalty Buyback”). The Royalty Purchase Agreement was amended and restated in February 2021 to provide that the Royalty Buyback is conditional on the Company satisfying all conditions for the drawdown of the Third Tranche of the advance payment under the streaming transaction with Star Royalties Ltd., as described below and to extent the outside date for completion of the Royalty Buyback to August 31, 2021.

On August 10, 2020, the Company closed a bought deal financing for aggregate gross proceeds of \$5,000,800 (the “Offering”). Pursuant to the Offering, the Company issued a total of 35,720,000 units of the Company (the “Units”) at a price of C\$0.14 per Unit. Each Unit consists of one common share in the capital of the Company (a “Common Share”) and one half of one Common Share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of C\$0.22 for a period of 24 months. Haywood Securities Inc. acted as sole underwriter for the Offering.

On November 12, 2020, the Company and Star Royalties Ltd. (“Star Royalties”) entered into of a definitive US\$18 million gold streaming agreement (“Streaming Agreement”) to finance the restart of operations and gold production at the Copperstone Mine. The key transaction terms are as follows:

- Star Royalties will purchase from Arizona Gold 9.9% of gold produced until a cumulative 21,000 ounces are delivered, then 3.3% of gold produced until a cumulative 27,200 ounces are delivered, then 1.2% of gold produced thereafter for the life of mine;
- Star Royalties will provide a cash payment to Arizona Gold for each ounce of gold delivered equal

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to 25% of the average gold spot price for the five consecutive trading days prior to delivery.

- The advance of the first tranche of US\$6 million was subject to Arizona Gold repaying the outstanding US\$2 million convertible promissory note held by Sprott and customary closing conditions, including completion of the requisite security package.

The US\$18 million advance payment under the streaming agreement is being provided in three equal instalments, with the first two US\$6 million instalments having now been advanced. As described above, these first two instalments, totalling US\$12 million, are being allocated by Arizona Gold to advance detailed engineering, securing long-term lead equipment, performing preoperational mining activities and preparing the plant area for the installation of the new WOL processing equipment. Given the current spending profile, which remains back-end weighted, Star Royalties and Arizona Gold have agreed to revise the final US\$6 million instalment to be payable on or before June 30, 2021, (previously April 30, 2021) subject to certain closing conditions.

In connection with the Streaming Agreement, the Company amended the promissory notes payable and the Kerr debentures I and II (combined the "Notes") as follows:

- The maturity dates of outstanding Notes held by Braydon and TOMCL will each be extended from August 22, 2021 to December 31, 2023;
- The rate of interest payable on the principal of the Notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production;
- The two \$1,000,000 unconvertible promissory notes, one held by each of Braydon and TOMCL, will be amended to include a conversion feature providing that the principal amount of the notes can be converted into common shares of Arizona Gold at any time prior to maturity at a price of CAD\$0.16 per share, subject to early conversion in the event the volume-weighted average trading price of the common shares exceeds CAD\$0.30 for twenty consecutive trading days.

Arizona Gold has also agreed to make prepayments against the principal of the Notes by way of preferential payments, in certain circumstances.

As at March 31, 2021, the Company had assets of \$32,564,696 (June 30, 2020 - \$18,277,460) and a net equity position of \$1,673,878 (June 30, 2020 – net deficit of \$676,941). As at March 31, 2021, the Company had current liabilities of \$1,114,862 (June 30, 2020 - \$3,847,139). The Company had net exploration and evaluation expenditures of \$2,218,790 during the nine months ended March 31, 2021 (nine months ended March 31, 2020 - \$2,080,377) on its gold interests.

### **Operational Highlights**

The Company is focused on delivering shareholder value in the following ways:

- Continue to execute on its Resource Expansion and Mine Life Extension Program consisting of exploration drilling with the goal of adding new resources and in-fill drilling for the purposes of converting existing resources to higher classification and inclusion into Proven and Probable Reserves.
- Continue to advance the Copperstone Mine with the goal of achieving commercial production with a development plan for production of up to approximately 35,000 to 40,000 ounces of gold per annum with a current mine life of 4-5 years, which includes:
  - Final Engineering - Secured several key Engineering Groups to advance backfill design, geotechnical, ventilation, water management and electrical infrastructure.
  - Backfill & Ground Control – Geotechnical studies have indicated wider mining widths and strength of backfill using mine development materials which will further enhance previously estimated production efficiencies.
  - Mineral Processing Plant – Engineering well advanced for final layout and design of WOL gold processing plant. Final costing for crush and grind circuit and receipt of quotations for longer lead equipment. Final metallurgical testing nearing completion to optimize grind size, leach kinetics and reagent consumption.
  - Mine Engineering – Final mine design and schedules are underway. Considerations in the design and schedule include optimizing work-flows and implementing newly identified advantages related to ore sequencing, production efficiencies and haul profiles.
  - Mine Operations – Initiated pre-production mine ground support rehabilitation and commenced stope definition drilling for detailed final gold ore stope designs.

### **Technical Disclosure**

Scientific and Technical information in this MD&A has been reviewed and approved by Michael R. Smith, SME Registered Member (Geology), and a “qualified person” under NI 43-101.

### **Trends**

Although there can be no assurance that additional funding will be available to the Company, management is of the opinion that the project is at a pre-production stage and hence it may be possible to obtain additional funding for its project.

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

- Global gold prices;
- Demand for gold and the ability to explore for gold;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labor availability and supply lines;

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- Availability of government supplies, such as water and electricity;
- The ability to complete a transaction;
- Purchasing power of the Canadian dollar and United States Dollar; and
- Ability to obtain funding.

The Canadian federal government, the provincial government of Ontario and the government of the United States of American have not introduced measures that have directly impeded the operational activities of the Company. Management believes the business will continue and, accordingly, the current situation has not impacted management’s going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Apart from these and the risk factors noted under the heading “Risk Factors”, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company’s business, financial condition or results of operations. See “Risk Factors” below.

**Quarterly Information**

A summary of selected financial information of Arizona Gold for each of the eight most recently completed quarters is as follows:

Three Months Ended	Total Revenue (\$)	Loss (Income)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
March 31, 2021		576,967	0.00	32,564,696
December 31, 2020	-	2,159,676	0.01	24,976,127
September 30, 2020	-	2,155,735	0.01	20,490,464
June 30, 2020	-	4,099,398	0.01	18,277,460
March 31, 2020	-	160,483	0.00	20,182,136
December 31, 2019	-	1,452,540	0.01	17,726,045
September 30, 2019	-	1,102,234	0.00	17,965,626
June 30, 2019	-	3,323,212	0.01	18,465,142

**Discussion of Operations**

Three months ended March 31, 2021, compared with the three months ended March 31, 2020

Arizona Gold’s net loss totaled \$576,967 for the three months ended March 31, 2021, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$160,483 with basic and diluted loss per share of \$0.00 for the three months ended March 31, 2020. The increase in the net loss of \$416,484, was principally because

- For the three months ended March 31, 2021, the Company did not expense any exploration and evaluation expenditure through the statement of loss as this expenditure is currently being capitalized as part of mineral properties. For the three months ended March 31, 2020 the company

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recorded \$884,923 as exploration and evaluation expenditures.

- For the three months ended March 31, 2021, the Company did not record any depreciation expenditure through the statement of loss as this expenditure is currently being capitalized as part of mineral properties. For the three months ended March 31, 2020 the company recorded \$102,683 as depreciation expense.
- Foreign exchange loss was \$165,695 during the three months ended March 31, 2021, compared to a foreign exchange gain of \$1,335,945 for the three months ended March 31, 2020 due to the impact of changes in the exchange rate between the US dollar and the Canadian dollar.

Nine months ended March 31, 2021, compared with the nine months ended March 31, 2020

Arizona Gold’s net loss totaled \$4,892,379 for the nine months ended March 31, 2021, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$2,985,119 with basic and diluted loss per share of \$0.01 for the nine months ended March 31, 2020. The increase in the net loss of \$1,907,260 was principally because:

- Foreign exchange loss was \$1,112,365 during the nine months ended March 31, 2021, compared to a foreign exchange gain of \$1,276,684 for the nine months ended March 31, 2020 due to the impact of changes in the exchange rate between the US dollar and the Canadian dollar.
- For the nine months ended March 31, 2021, the Company recorded a loss on warrant extension revaluation of \$854,645, compared to \$nil for the nine months ended March 31, 2020 due to the extension of the exercise period of 21,239,409 outstanding share purchase warrants from November 27, 2020 to the new expiry date of November 27, 2021 and 3,350,000 outstanding share purchase from April 15, 2021 and the new expiry date of April 15, 2022.
- Consulting fees were \$691,053 during the nine months ended March 31, 2021, compared to \$294,751 for the nine months ended March 31, 2020 due to prior consulting fees being approved and invoiced.
- During the nine months ended March 31, 2021, an insurance claim was finalized in relation to an issue with the pit wall which resulted in the company receiving \$1,882,965 compared to \$nil for the nine months ending March 31, 2020.
- Share based payments expensed during the nine months ended March 31, 2021 was \$21,000, compared to \$269,671 for the nine months ended March 31, 2020 due to less options being granted and a proportion of the expense being capitalized to mineral properties.

### **Liquidity and Capital Resources**

Arizona Gold is an emerging American gold producer advancing the restart of production at its 100-percent-owned, fully permitted, formerly producing Copperstone Mine, located in mining-friendly Arizona. The Copperstone Mine demonstrates significant upside exploration potential that has yet to be drilled within a 50-square-kilometre (12,258 acres) land package that includes past production of over 500,000 ounces of gold by way of an open-pit operation. Principally the exploration and development of the Copperstone Mine, has been financed through the completion of equity transactions such as equity offerings and by entering into a streaming arrangement with Star Royalties.

The Company had cash of \$9,482,277 as at March 31, 2021 (June 30, 2020 - \$378,331). The increase in cash of \$9,103,946 during the nine months ended March 31, 2021 was primarily due to the receipt of the first two tranches payable under the Star Royalties streaming agreement of \$15,094,812 (US\$12 million) plus \$4,471,628 received from the bought deal offering in August 2020 less the repayment of \$2,707,657 to redeem the convertible notes less the amount spent on developing the mine site including undertaking a resource expansion drilling program.

Cash used in operating activities for the nine months ended March 31, 2021 were \$3,148,892 and was affected by changes in non-cash working capital balances because of increases in accounts receivable and prepaid expenditures and other assets of \$333,337 and an increase in accounts payable and accrued liabilities of \$196,471. The Company also recorded a net loss of \$4,892,379 which included accrued finance charges of \$924,561 and a loss recorded on warrant extension of \$854,645.

Cash used in operating activities for the nine months ended March 31, 2020 were \$2,642,866 and was affected by changes in non-cash working capital balances because of decreases in accounts receivables of \$188,446 and increases in prepaid expenditures and other assets of \$96,597 and an increase in accounts payable and accrued liabilities of \$95,032. The Company also recorded a net loss of \$2,985,119 and depreciation of assets of \$296,469 accrued finance charges of \$834,751 share based payments of \$269,671 and recorded an unrealised foreign exchange gain of \$1,564,527.

Cash used in investing activities for the nine months ended March 31, 2021, was \$5,501,221 mainly due to the development costs related to the Copperstone project.

Cash used in investing activities for the nine months ended March 31, 2020 was \$nil as all expenditure related to the Copperstone project was expensed directly to the statement of loss.

Cash provided by financing activities was \$17,129,671, for the nine months ended March 31, 2021, primarily because of the proceeds received from issuing 35,720,000 units of the Company at a price of \$0.14 per unit for total gross proceeds of \$5,000,800; receipts from Star Royalties under the Streaming Agreement of \$15,094,812; and the repayment of the Spratt convertible note payable and interest of \$2,707,657.

For the nine months ended March 31, 2020, cash provided by financing activities was \$3,798,307, primarily because of the cash received for shares to be issued of \$3,130,854 and the proceeds from the issuance of convertible notes payable of \$672,100.

As at March 31, 2021, the Company had 346,062,553 common shares issued and outstanding, 23,200,000 stock options that would raise approximately \$2,900,000 if exercised and vested in full, and 69,156,095 warrants outstanding that would raise approximately \$14,610,000, if exercised in full. This is not anticipated until the market price of the Company’s traded common shares increases.

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As at March 31, 2021, the Company had working capital of \$9,020,288 (June 30, 2020 - working capital deficit of \$3,149,272). Based on the rate of expenditure, the Company has sufficient cash on hand along with the future funding from the Star Royalties streaming facility to substantially fund both the development of the mine and its working capital requirements.

The Company has used the majority of the proceeds from the August bought deal financing towards advancing work related to its planned exploration and drilling program at the Copperstone Mine during Fiscal 2021, as set out below:

<b>Activity or Nature of Expenditure</b>	<b>Estimated Use of Net Proceeds (\$)</b>	<b>Spent (\$)</b>
Copperstone Project Drilling <sup>(1)</sup>	2,125,000	1,300,484
Metallurgical Testing and Engineering	200,000	255,291
Technical Report <sup>(2)</sup>	150,000	143,573
Site Cost & Personnel <sup>(3)</sup>	1,000,000	1,413,390
Accounts Payable	450,000	188,560
General & Administrative & Working Capital	75,752	231,792
<b>Total Net Proceeds</b>	<b>\$4,500,752</b>	<b>3,533,090</b>

**Notes:**

- (1) Approximately 8,000 meters inclusive of sampling cost, assaying, logging and consumables. Estimated based on actual drilling costs previously incurred, being an approximate average cost of \$260 per meter for core drilling and reverse circulation drilling.
- (2) NI 43-101 technical report with updated resource estimate.
- (3) Includes site labor, utilities monthly recurring costs.

Although the Company intends to expend the net proceeds from the Offering as set forth above, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary and may vary materially from that set forth above, as the amounts actually allocated and spent will depend on a number of factors, including the Company’s ability to execute on its business plan. While actual expenditures may differ from the above amounts and allocations, the net proceeds will be used by the Company in furtherance of, and for activities at, the Copperstone Mine and for general corporate purposes. All operational personnel required for the drill program are currently located in the United States and, as such, there is no necessity for any person to enter into the United States and the Company is not aware of any US federal or state executive orders or restrictions that are expected to affect the drill program. Although the Company believes that the pandemic will not impact the Company’s ability to complete the current drill program, the future impacts of the pandemic on the operations of the Company cannot be predicted as many of the factors are not within the control of the Company. Potential delays in exploration activities or stoppages to exploration activities could result in additional costs, project delays, cost overruns, and operational restart costs. See "Risk Factors" below.

The Company is in the exploration and development stage with no source of operating revenue and is dependent upon equity or debt financing to maintain its current operations. Accordingly, the Company had negative operating cash flows for the nine months ended March 31, 2021 and 2020. The Company anticipates that negative operating cash flows will continue until profitable commercial production is achieved at the Copperstone Mine. As a result, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities in future periods.

The Company will need to secure additional financing to carry on further project development and normal course business activities. Although the Company has been successful in raising funds to date, there is no

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assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. Management remains confident that with the continued support of its advisors, strategic shareholders and creditors and improving equity markets, it will be able to proceed with its strategy to further develop and re-start commercial production at the Copperstone Mine.

See “Risk Factors” below.

### **Outstanding Share Data**

As at the date of this MD&A, the Company had the following number of common shares and issuable shares outstanding:

<b>Securities</b>	
Common shares	346,062,553
Issuable under options	23,200,000
Issuable under warrants	69,156,095
<b>Total Securities</b>	<b>438,418,648</b>

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate disclosure controls and procedures (“DCP”) as well as internal controls over financial reporting (“ICFR”) as described in our 2020 annual MD&A.

The Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), with the participation of management last completed an evaluation of the design and operating effectiveness of the Company’s DCP’s and ICFR’s as at June 30, 2020. Based on that assessment, management concluded that the Company’s ICFR were operating effectively as at June 30, 2020, which was based on the COSO Model.

During the three and nine months ended March 31, 2021, the CEO and CFO have evaluated whether there were any changes to the ICFR that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation which was based on the COSO Model.

### **Critical Accounting Judgements, Estimates and Assumptions**

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates.

#### *Judgments:*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the unaudited condensed interim consolidated financial statements within the next three months are discussed below:

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Exploration and evaluation stage

In management’s judgement, the Company’s operations are in the exploration and development stage.

Mineral properties

Operating levels intended by management for the Copperstone Mine

Prior to a mine being capable of operating at levels intended by management, costs incurred are either expensed or capitalized based on the type of costs incurred. Costs related to developing the property are generally capitalized, while care and maintenance costs and costs related to exploration and evaluating new ore bodies are expensed. Management considers the Copperstone Mine is capable of operating at levels intended by management once it has reached consistent production of no less than 60% of planned volume for a period of 30 consecutive days. As at March 31, 2021, and June 30, 2020, the Copperstone Mine had not met this target.

Functional currency

The functional currency for the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Impairment of property, plant and equipment

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s-length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Present values are determined using a risk-adjusted pre-tax discount rate appropriate for the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company’s management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against profit or loss.

*Estimates:*

The following are some of the more significant estimates made in the preparation of these unaudited condensed interim consolidated financial statements:

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past

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transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company’s mining activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management’s best estimate for asset retirement obligations in the period in which they occur. Actual costs incurred in future periods could differ materially from the estimates. The ultimate cost of environmental remediation can vary in response to many factors including future changes to environmental laws and regulations, the emergence of new restoration techniques, changes in the life of mine estimates and in discount rates, which could affect the carrying amount of this provision.

Derivatives and Debt Valuation

The valuation of debt and embedded derivatives for convertible instruments is based on the application of a recognized option valuation formula, which is highly dependent on, amongst other things, the expected volatility of the Company’s registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm’s length transaction. It is management’s view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

Share-based payments

The fair value of share-based payments is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

Allowance for expected credit losses

IFRS 9 Financial instruments introduces an expected credit loss (“ECL”) impairment model applicable to all debt instruments within financial assets classified as amortized cost or at fair value through other comprehensive income (“FVTOCI”), as well as certain off-balance sheet loan commitments. The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by evaluating possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions. The IFRS 9 ECL approach has three stages:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk since initial recognition, or that have low credit risk at the reporting date. An ECL equal to expected credit losses resulting from default events over the next 12 months is recognized and interest revenue is calculated on the assets’ gross carrying amounts;

Stage 2 – includes financial instruments that have had significant increase in credit risk since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An ECL equal to expected credit losses resulting from default events over the assets’ lifetime (“lifetime ECL”) is recognized and interest revenue is calculated on the assets’ gross carrying amounts. In general, an asset’s lifetime is considered to be its remaining contractual lifetime;

Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized and interest revenue is calculated on the assets’ net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

### **Capital Management**

The Company manages its capital with the following objectives:

- to safeguard the Company's ability to continue as a going concern,
- to raise sufficient proceeds from share issues to meet general, administrative and exploration and development expenditures to advance the Copperstone Mine,
- to provide an adequate return to shareholders by advancing the Company’s projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and
- to maintain the royalty prepayments within the limits allowed by the agreement.

The Company has promissory notes payable, convertible promissory notes payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at March 31, 2021 amount to \$13,443,272 (June 30, 2020 - \$14,030,584). The Company’s capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. 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 to sustain future development of the business.

The Company’s properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company, funds received from Streaming Agreement, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

The directors of the Company review the capital structure from time to time. As part of this review, the directors considered the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through issue of new shares, new debt or the redemption or extension of existing debt. There were no changes in the Company’s approach to capital management during the nine months ended March 31, 2021.

### **Financial Instruments**

Fair value hierarchy - IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. There was no movement between different levels for the nine months ended March 31, 2021 and the year ended June 30, 2020.

Marketable securities are marked-to-market at each period end and so the carrying amount also represents the fair value and were classified as level 1 financial instruments.

The fair value of the derivative financial liability (conversion feature) was estimated by using Black-Scholes pricing model with the assumptions and was classified as level 2 financial instruments.

The fair value of accounts receivable, restricted investments, accounts payable and accrued liabilities, promissory notes payable, convertible promissory notes payable, other loan, lease liability and decommissioning liabilities approximates their carrying values due to their short-term nature.

#### **Credit risk**

The Company's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, totals the carrying amount of these assets as stated in the unaudited condensed interim consolidated statements of financial position.

The Company's principal financial assets are cash, restricted investments and accounts receivable, which represent the Company's exposure to credit risk in relation to financial assets.

The credit risk on cash and restricted investments is mitigated by transacting with banks with high credit ratings assigned by international credit-rating agencies.

An allowance for expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at March 31, 2021 and June 30, 2020, there were no receivables past due.

#### **Interest rate risk**

The interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its promissory notes payable and convertible promissory notes payables.

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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 March 31, 2021, the Company had cash of \$9,482,277 (June 30, 2020 - \$378,331) to settle current financial liabilities of \$1,114,862 (June 30, 2020 - \$3,847,139). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

The following table details the Company's contractual maturities for its financial liabilities as at March 31, 2021 and June 30, 2020, due by year:

<b>March 31, 2021</b>	<b>Carrying amount \$</b>	<b>Contractual cash flow \$</b>	<b>0 to 12 months \$</b>	<b>12 to 24 months \$</b>	<b>After 24 months \$</b>
Accounts payable and accrued liabilities	1,007,695	1,007,695	Nil	Nil	Nil
Promissory notes payable	6,845,806	9,895,327	Nil	Nil	9,895,327
Convertible promissory notes payable	4,923,588	6,776,807	Nil	Nil	6,776,807
Lease liability	35,532	37,420	29,936	7,484	Nil
Other loan	196,422	198,970	132,647	66,323	Nil
Provisions	2,339,255	2,339,255	Nil	Nil	2,339,255
	<b>15,348,298</b>	<b>20,255,474</b>	<b>162,583</b>	<b>73,807</b>	<b>19,011,389</b>

<b>June 30, 2020</b>	<b>Carrying amount \$</b>	<b>Contractual cash flow \$</b>	<b>0 to 12 months \$</b>	<b>12 to 24 months \$</b>	<b>After 24 months \$</b>
Accounts payable and accrued liabilities	1,199,122	1,199,122	1,199,122	Nil	Nil
Promissory notes payable	7,031,402	7,031,402	Nil	7,031,402	Nil
Convertible promissory notes payable	7,676,123	7,943,230	2,725,600	5,217,630	Nil
Lease liability	60,060	64,884	32,442	32,442	Nil
Other loan	212,869	212,869	Nil	212,869	Nil
Provisions	2,530,645	2,530,645	Nil	Nil	2,530,645
	<b>18,710,221</b>	<b>18,982,152</b>	<b>3,957,164</b>	<b>12,494,343</b>	<b>2,530,645</b>

### Currency Risk

The Company's exploration activities are conducted in Arizona, United States. Major purchases and exploration expenditures are transacted in US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk on its cash held in US bank, convertible promissory notes payable and lease obligation. As at March 31, 2021, the Company held US\$9,219,448 of monetary assets and held US\$22,983,803 in monetary liabilities. A \$0.05 fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately \$688,200. The Company mitigates the risk of foreign currency fluctuations by converting Canadian dollars to US currency when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

### **New Standard Adopted**

#### IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

#### IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

#### IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

### **New Standards not yet Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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**Related Party Balances and Transactions**

Related parties include the Board, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) Loans from related parties

Directors	As at March 31, 2021 \$	As at June 30, 2020 \$
Promissory note payables	6,845,806	7,031,402
Convertible promissory note payables	4,923,588	7,676,123
Derivative financial liabilities	217,492	208,786
<b>Total</b>	<b>11,986,886</b>	<b>14,916,311</b>

(b) The Company entered into the following transactions with related parties:

Names	Three Months Ended March 31, 2021 \$	Three Months Ended March 31, 2020 \$	Nine Months Ended March 31, 2021 \$	Nine Months Ended March 31, 2020 \$
The Marrelli Group <sup>(i)</sup>	Nil	18,830	43,356	31,679
Peterson McVicar LLP <sup>(ii)</sup>	7,044	31,493	179,894	41,698
Braydon Capital Corporation <sup>(ii)</sup>	149,925	110,480	403,348	218,761
Trans Oceanic Minerals Corporation <sup>(iv)</sup>	157,474	136,108	424,603	238,829
Forte Fixtures & Millwork <sup>(iv)</sup>	Nil	Nil	400,000	Nil
<b>Total</b>	<b>314,443</b>	<b>296,911</b>	<b>1,451,201</b>	<b>530,967</b>

(i) During the three and nine months ended March 31, 2021, the Company paid professional fees and disbursements of \$nil and \$43,356, respectively, (three and nine months ended March 31, 2020 - \$18,830 and \$31,679, respectively) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing Services Limited, Marrelli Press Release Services Limited, together known as the "The Marrelli Group", for:

- Carmelo Marrelli, President of Marrelli Group, to act as the Chief Financial Officer (“CFO”) of the Company, Mr Marelli resigned from his position as CFO on January 13, 2021 and ceased to be a related party;
- Accounting and Financial related services;

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- Regulatory filing services;
- Corporate secretarial services, and
- Press release services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at March 31, 2021, the Marrelli Group was owed \$nil (June 30, 2020 - \$19,396).

- (ii) A director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued to the firm relating to services provided in the normal course during the three and nine months ended March 31, 2021 was \$7,044 and \$179,894, respectively (three and nine months ended March 31, 2020 - \$31,493 and \$41,698, respectively). The amounts owing to the firm as at March 31, 2021 was \$nil (June 30, 2020 - \$66,720).
- (iii) During the three and nine months ended March 31, 2021, the Company accrued interest to Braydon for the promissory note payables and loan payable of \$149,943 and \$403,367, respectively (three and nine months ended March 31, 2020 - \$110,480 and \$253,424, respectively).
- (iv) During the three and nine months ended March 31, 2021, the Company accrued interest to TOMCL for the promissory note payables and convertible promissory notes payable of \$157,492 and \$424,621, respectively (three and nine months ended March 31, 2020 - \$136,108 and \$238,829, respectively).
- (v) During the nine months ended March 31, 2021, the Company expensed consulting fees and rent in the amount of \$400,000 (three and nine months ended March 31, 2020 - \$nil) to Forte Fixtures & Millwork Inc, a company controlled by a director of the Company. The amounts paid or accrued to the firm relate to services provided in the normal course of business. As at March 31, 2021, the company was owed \$nil (June 30, 2020 - \$nil).
- (vi) During the nine months ended March 31, 2020, an officer and director of the Company exercised 2,200,000 stock options exercised at \$0.125 per share for total proceeds of \$275,000 (nine months ended March 31, 2021 - \$nil).

(c) Remuneration of directors and key management personnel of the Company was as follows:

	<b>Three Months Ended March 31, 2021 \$</b>	<b>Three Months Ended March 31, 2020 \$</b>	<b>Nine Months Ended March 31, 2020 \$</b>	<b>Nine Months Ended March 31, 2020 \$</b>
Salaries and benefits	51,923	75,662	200,153	224,184
Consulting fees	154,512	87,500	319,512	262,500
Share based payments	153,400	6,382	153,400	262,947
<b>Total</b>	<b>359,835</b>	<b>169,544</b>	<b>683,065</b>	<b>749,631</b>

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	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>	<b>Nine Months Ended March 31, 2021</b>	<b>Nine Months Ended March 31, 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Option-based payments <sup>(i)</sup></b>				
Claudio Ciavarella (Executive Chairman and Director)	Nil	3,191	Nil	6,383
Martin Kostuik (President and Director)	Nil	3,191	Nil	6,382
Giulio Bonifacio (CEO and Director)	Nil	Nil	Nil	250,181
John Galassini (COO)	111,400	Nil	111,400	Nil
Dale Found (CFO)	42,000	Nil	42,000	Nil
<b>Total</b>	<b>153,400</b>	<b>6,382</b>	<b>153,400</b>	<b>262,947</b>

(i) The dollar values in respect of the options were arrived at using the Black-Scholes valuation model.

The non-executive directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

**Off-Balance-Sheet Arrangements**

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

**Proposed Transactions**

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

**Commitments and Contingencies**

- The Company has placed a surety bond of an insurance company in connection with the Copperstone property as required by the US Bureau of Land Management. Cash collateral of \$1,058,291 (US\$841,583) is held with the Bank of New York in the name of the Company in a short term cashable account.

The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities.

## **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual Information Form dated September 28, 2020 and Annual MD&A dated September 28, 2020 (available on SEDAR at [www.sedar.com](http://www.sedar.com)).

### Covid-19 Risks

The worldwide emergency measures taken to combat the COVID-19 pandemic may continue, could be expanded, and could also be reintroduced in the future following relaxation. As governments implement monetary and fiscal policy changes aimed to help stabilize economies and capital markets, we cannot predict legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues and how these responses may impact our business. The COVID-19 pandemic, actions taken globally in response to it, and the ensuing economic downturn has caused significant disruption to business activities and economies. The depth, breadth and duration of these disruptions remain highly uncertain at this time. Furthermore, governments are developing frameworks for the staged resumption of business activities. As a result, it is difficult to predict how significant the impact of the COVID-19 pandemic, including any responses to it, will be on the global economy and our business.