

# **Northern Lights Resources Corp.**

## **Management Discussion and Analysis**

### **For the Period Ended October 31, 2021**

**December 22, 2021**

The following discussion and analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended October 31, 2021, and related notes included therein, prepared in accordance IAS 34, Interim Financial Report (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company’s website can be found at [www.northernlightsresources.com](http://www.northernlightsresources.com).

Northern Lights Resources Corp. (the “Company”) was incorporated under the laws of British Columbia on March 28, 2007. The Company’s principal business activities include the acquisition and exploration of resource properties. On December 31, 2020, the Company began trading of its common share on the OTC Venture Market under the symbol “NLRCF”.

On May 28, 2021, the Company closed the first tranche of US\$890,000 (C\$1,074,810) of the total US\$2,000,000 (approximately C\$2,425,760) of funding available under a financing agreement entered into with Precious Metals Capital Group, LLC (the “Investor”).

Under the terms of the agreement, the Investor has purchased a unsecured zero-coupon non-redeemable convertible security from the Company with a principal amount of US\$890,000 for a purchase price of US\$800,000.

The Company has received US\$800,000 (approximately C\$966,089) from the Investor. In exchange, the Company issued to the Investor (i) a convertible security certificate for a principal amount of US\$890,000; (ii) 3,122,743 common shares in satisfaction of a one-time fee; (iii) an initial issuance of 1,800,000 conversion shares to be counted towards the conversion of the convertible security; and (iv) 2,800,000 warrants, as a one-time issuance, each warrant entitling the holder purchase one common share at the exercise price of \$0.068509 for 48 months.

#### **Forward-Looking Statements**

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements herein include, but is not limited to, statements relating to the timing, availability and amount of financings; expected use of proceeds; business objectives; the costs and timing relating to the potential acquisition of interests in mineral properties; the timing and costs of future exploration activities on the Company’s future properties; success of exploration activities; permitting time lines and requirements for additional capital. In making forward-looking statements herein, the Company has applied several material assumptions, including, but not limited to, any additional financing needed will be available on reasonable terms, that general business and economic conditions will not change in a materially adverse manner, and that all necessary governmental approvals for the future exploration will be obtained in a timely manner and on acceptable terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such risks and other factors include, among others, risks

related to the completion of financings and the use of proceeds; operations and contractual obligations; changes in exploration programs based upon results of exploration; future prices of metals; availability of third party contractors; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; environmental risks; community relations; and delays in obtaining governmental approvals or financing.

### **Overview and Going Concern**

The Company is in the business of acquiring exploration and evaluation assets. The Company was listed and began trading on the CSE under the symbol “NLR” October 2018. On February 1, 2021 the Company received DTC and Blue Sky clearance trading on the OTC QB under the symbol “NLRCF”.

The Company currently has negotiated two property agreements, a earn-in-agreement on our Medicine Springs high grade Silver, Lead and Zinc property in Nevada and the purchase of 100 % of Secret Pass Gold Property in Arizona.

The Secret Pass Gold property consisting of 868 hectares located in the heart of the Historic Oatman-Katherine gold mining district in northwest Arizona. This historical mining district produced 2 million ounces of gold and 1,000,000 ounces of Silver between 1892 and 1940 at an average gold grade of over 15 g/t.

The Medicine Springs property located on the eastern edge of the Carlin Trend in southeastern Elko County, consists of 149 unpatented Federal mineral claims covering 1,189 Ha located in the Ruby Mountains Valley. The Medicine Springs is a high grade Silver-Zinc-Lead project with significant potential to host a large scale high-grade Carbonate Replacement Deposit (“CRD”) deposit. (*“see mineral property agreements”* below)

The Company’s ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern.

The condensed interim consolidated financial statements for the period ended October 31, 2021 were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## Results of Operations

The results of operations reflect the overhead costs incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions continues. The Company has not recorded, since the date of its incorporation, any revenues from its mineral exploration and development activities, nor does it expect to record any revenue over the course of the next 12 months.

## Mineral Properties

### i) Medicine Springs Property

The Company entered into a mineral property option agreement dated August 20, 2017 to acquire 100% of the property in southeastern Elko County, Nevada.

The option agreement is a 6 phase exploration agreement. Completion of all of the phases under the agreement is subject to staged cash payments of \$950,000, equity consideration of USD \$250,000 and incurring exploration expenditures of USD \$2,700,000. The agreement was amended in July 2020 to extend certain due dates.

The Company has the option to proceed with each subsequent Phase in the Option Agreement upon the completion of all cash and equity consideration payments to the vendors in addition to meeting the minimum exploration expenditure payments defined for each Phase of the Option Agreement.

#### a) Cash payments

- a) Phase 1B - USD \$25,000 (paid)
- b) Phase 2 - USD \$50,000 by December 31, 2020 (“Phase 2 Commencement Date”) (paid).
- c) Phase 3 - USD \$100,000 by December 31, 2021 (“Phase 3 Commencement Date”).
- d) Phase 4 - USD \$150,000 within 30 days of completion of all phase 3 requirements (“Phase 4 Commencement Date”).
- e) Phase 5 - USD \$200,000 within 30 days of completion of all phase 4 requirements (“Phase 5 Commencement Date”).  
Phase 6 - USD \$425,000 within 30 days of completion of all phase 5 requirements (“Phase 6 Commencement Date”).

#### b) Share issuance

- a) Phase 2 - issuance of common shares with a fair market value of USD \$50,000 by December 31, 2020 (issued 1,330,650 common shares fair valued at \$33,266).
- b) Phase 3 - issuance of common shares with a value of USD \$50,000 by December 31, 2021.
- c) Phase 4 - issuance of common shares with a value of USD \$50,000 after the Phase 4 Commencement Date.
- d) Phase 5 - issuance of common shares with a value of USD \$50,000 after the Phase 5 Commencement Date.
- e) Phase 6 - issuance of common shares with a value of USD \$50,000 after the Phase 6 Commencement Date.

#### c) Exploration expenditures

- a) incur USD \$25,000 in exploration upon execution of the agreement (incurred).
- b) Phase 1B - incur USD \$225,000 by December 31, 2020 (incurred).
- c) Phase 2 - incur USD \$300,000 by December 31, 2022.
- d) Phase 3 - incur USD \$400,000 by December 31, 2022.
- e) Phase 4 - incur USD \$500,000 within 1 year of the Phase 4 Commencement Date.

- f) Phase 5 - incur USD \$500,000 within 1 year of the Phase 5 Commencement Date.
  - g) Phase 6 - incur USD \$750,000 within 1 year of the Phase 6 Commencement Date.
- d) NSR
- The mineral claims comprising the Property, are subject to a 2% Net Smelter Royalty ('NSR') with an additional 0.5% NSR applicable to the 123 claims previously owned by Newmont Mining Corporation.
- e) Exploration expenditures – completed as of October 31, 2021
- i) the Company incurred US\$24,887 of expenditures by making payments: (i) US\$23,095 to the United States Department of the Interior Bureau of Land Management, and (ii) US\$1,792 to the Elko County Recorder's Office for 2017 taxation year.
  - ii) the Company incurred US\$25,093 of expenditures by making payments: (i) US\$23,195 to the United States Department of the Interior Bureau of Land Management, and (ii) US\$1,898 to the Elko County Recorder's Office for 2018 taxation year.
  - iii) the Company has paid the cash option payment of US\$25,000.
  - iv) the Company incurred US\$183,193 (C\$231,345) of exploration expenditures as of April 30, 2021 on the Medicine Property.

In addition, the property owner will retain a 2.5% NSR. The Company has the option to purchase back 1.5% of the NSR for US\$3,000,000 on a portion of the mineral claims (126/149) and US\$1,000,000 on a portion of the mineral claims (23/149). The royalty to the project vendors is in addition to a further 0.5% royalty over a portion of the mineral claims (23/149).

The Company entered into a Property Option and Joint Venture Agreement (the "Agreement") with Reyna Silver Corp. ("Reyna Silver").

Under the terms of the Agreement, Reyna Silver can earn a 75% interest in the Medicine Springs property by assuming and satisfying certain of the Company's commitments in the underlying option agreement dated August 20, 2017. Specifically, by paying US\$ 875,000 and incurring exploration expenditures of approximately US \$2,400,000 by December 31, 2023, of which USD \$700,000 needs to be spent by December 31, 2021. Reyna Silver can earn an additional 5% can be earned by making a cash payment of US \$1,000,000 to the Company by no later than December 31, 2023.

Upon completion, the Company and Reyna Silver will jointly own 100% of the Medicine Springs and will establish a joint venture.

ii) **Secret Pass Gold Project**

During the year ended April 30, 2020, the Company entered into a purchase agreement to acquire 100% interest in the Secret Pass Gold Project located in northwestern Arizona.

Pursuant to the option agreement, the Company agrees to make the following consideration payments:

- a) within 5 working days following the exercise of the option, the Company will pay cash consideration of US\$75,000 (paid);
- b) within 30 days following the exercise of the option, the Company will issue 2,000,000 common shares (issued and valued at \$80,000) (Note 6); and
- c) under the terms of the agreement, the Company will make the following additional payments:

- i) US\$175,000 on or before September 20, 2019 (paid); and
- ii) US\$125,000 on or before November 8, 2019 (paid).

There are no third-party royalty's payable on future production from the project.

As of November 7, 2019 the Company was pleased to announce that it had completed the cash consideration payments to the Project vendors totaling US\$350,000 as defined under the definitive purchase agreement for the Transaction announced by the Company on July 15, 2019, issued 2,000,000 common shares to the Project vendors and complete other administrative arrangements required to complete the Transaction. The Company has renewed its exploration licence on the Secret Pass Gold Property for 5 years and completed preliminary exploration work in preparation for exploration drilling.

On March 26, 2020 the Company completed the change of registration for the mineral claims acquired under the Secret Pass Gold Project ("Secret Pass") acquisition announced on July 15, 2019. Northern Lights was notified by the State of Arizona Department of Land that as of February 12, 2020, the 84 mineral claims (comprising 868 hectares) associated with Secret Pass are 100% owned and registered in the name of Northern Lights' wholly owned, Arizona registered, subsidiary company Secret Gold Pass LLC.

In September 2020 an airborne geophysics survey over the entire Secret Pass Gold Project was completed. The geological information gathered from the airborne survey along with additional geological studies will provide data to select the best possible drill targets available. The Tin Cup Gold Zone is an initial priority for the Company's exploration work at Secret Pass. The Tin Cup zone accounts for less than 10% of the total license area.

In September 2020 the Company strengthened its Geological team for exploration work on the Secret Pass Gold Property (Arizona) and the Medicine Spring Property (Nevada) with the addition of Mr. Paul Warren (P.Geol) and Mr. William (Bill) Tafuri (P.Geol).

On October 26, 2020, the Company announced an 8 hole 1,600 meter drill program at Secret Pass with drilling to commence upon receiving required permits from Arizona State and the Federal Bureau of Land Management.

On December 1, 2020, the Company completed a reinterpretation and review of Induced Polarization (IP) and Resistivity Survey data that was initially collected by Santa Fe Mining in 1992. This work identified over 20 new exploration targets in previously unexplored areas of the Secret Pass mineral claims.

On March 31, 2021, the Company announced that it has received approval from the US Bureau of Land Management to commence drilling at the Secret Pass Gold Project in Mohave County, Arizona.

On April 6, 2021, the Company announced the results from a stream sampling program at Secret Pass Gold Project in Mohave County, Arizona.

Northern Lights completed a property-wide stream sampling program comprising 196 stream sediment and 196 panned concentrate samples. With reference to Figures 1 and 2, the anomalous assays define 3 areas centred on the Fiery Squid, Tin Cup and Lion's Paw prospects. In total, 35 samples returned assay gold grades above 0.2 g/t including assays of 30.6 g/t and 6.7 g/t collected downstream from the Tentacles and Fiery Squid prospects. Drilling is planned to commence immediately at Tentacles and Fiery Squid.

On April 15, 2021, the Company announced that drilling has begun at its Secret Pass Project in Mohave County, Arizona.

On May 5, 2021, the Company announced visible gold ("VG") has been intersected in the first drill hole completed at the Fiery Squid prospect at the Secret Pass Gold Project in Arizona.

On June 8, 2021, the Company announced that it has received approval from the Arizona State Land Department to commence drilling at the Tin Cup Prospect at the Company's Secret Pass Gold Project in Mohave County, Arizona.

Northern Lights began drilling at Secret Pass on April 15 and is now completing the 4th drill hole (total approximately 600 metres) out of the total 22 permitted drill holes located on mineral claims registered with the US Bureau of Land Management. The prospects drilled included Fiery Squid, Nine Second Shaft and Fluorspar Ridge locations. All drill core has been split and sent to Skyline Laboratories in Tucson, assays are pending.

On July 13, 2021, the Company announced it has completed 4 drill holes (2 holes at the Fiery Squid Prospect, 1 hole at the 9 Second Shaft Prospect, 1 Hole at the Fluorspar Ridge Prospect) for a total of 600 metres of HQ core. The assays are pending and are expected to be completed during July 2021.

Permits are in place to drill at Tin Cup. Drilling at Tin Cup has been put on hold for a couple of weeks during the current period of extremely hot weather in Arizona and Nevada with temperatures averaging +40 degrees celsius. Drilling at Tin Cup is to commence in mid-July 2021.

On September 30, 2021, the Company increased the total leased mineral claim area at Secret Pass project in Mohave County, Arizona by 30%.

The Company has completed the registration of 32 new mineral claims with the US Bureau of Land Management comprising 260 hectares. The additional claims increase the area of the Secret Pass Project to approximately 1,128 hectares.

On November 12, 2021, the Company announced that it has commenced core drilling at the Tin Cup prospect at the Secret Pass Gold Project in Arizona.

Godbe Drilling have been appointed as the drilling contractor. Drilling on the first hole (TC21-02) at Tin Cup began on Wednesday, November 11.

## **Revenues**

Due to the Company's status as an exploration and development stage mineral resource company, and a historical lack of commercial production from its former property, the Company currently does not have any revenues from its operations, nor does it expect to record any revenue over the course of the next 12 months.

## **General and Administrative Expenses**

The Company incurred a loss and comprehensive loss for the six month period ended October 31, 2021 of \$404,323 (2020 - \$418,379).

A brief explanation of the significant changes in expense categories is provided below:

- i) Consulting fees of \$Nil (2020 – \$32,108) related to the hiring of a consultant for communication services during the comparative period.
- ii) Filing and regulatory fees of \$27,542 (2020 – \$47,523) decreased due to less share activities during the current period.
- iii) Interest expenses of \$96,621 (2020 - \$Nil) relates to the convertible debenture granted during the current period.
- iv) Promotion and advertisement of \$109,939 (2020 – \$70,664) increased due to Company efforts to increase market awareness during the current period.
- v) Share-based compensation of \$44,427 (2020 – \$102,924) decreased due to less options granted during the current period.

The Company incurred a loss and comprehensive loss for the three month period ended October 31, 2021 of \$235,836 (2020 - \$243,445).

A brief explanation of the significant changes in expense categories is provided below:

- i) Consulting fees of \$Nil (2020 – \$29,608) related to the hiring of a consultant for communication services during the comparative period.
- ii) Filing and regulatory fees of \$18,574 (2020 – \$45,011) decreased due to less share activities during the current period.
- iii) Interest expenses of \$59,659 (2020 - \$Nil) relates to the convertible debenture granted during the current period.
- iv) Promotion and advertisement of \$55,001 (2020 – \$28,033) increased due to Company efforts to increase market awareness during the current period.
- v) Share-based compensation of \$16,251 (2020 – \$41,247) decreased due to less options granted during the current period.

### Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters.

<b>Three Months Ended</b>	<b>October 31, 2021</b>	<b>July 31, 2021</b>	<b>April 30, 2021</b>	<b>January 31, 2021</b>
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	2,034,001	1,931,591	1,611,790	1,424,571
Deficit	7,102,413	6,866,577	6,698,090	6,494,456
Net Loss	(235,836)	(168,487)	(223,991)	(274,541)
Basic and Diluted Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)
<b>Three Months Ended</b>	<b>October 31, 2020</b>	<b>July 31, 2020</b>	<b>April 30, 2020</b>	<b>January 31, 2020</b>
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and Evaluation Assets	1,150,912	1,022,464	950,446	917,180
Deficit	6,199,558	5,956,113	5,781,179	5,669,485
Net Loss	(243,445)	(174,934)	(111,694)	(129,689)
Basic and Diluted Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

### Liquidity and Capital Resources

At October 31, 2021, the Company had cash of \$677,676 (April 30, 2021 – \$427,820).

At October 31, 2021, the Company had a working capital of \$150,150 (April 30, 2021 - \$368,941).

The Company expects its current capital resources will not be sufficient to meet its business objectives or day-to-day operations through its next quarter or current operating year, and that its continuation as a going concern will be dependent on its ability to raise additional funds through equity issuances. There is no guarantee the Company will be successful in that regard. See “Overview and Going Concern” above.

### **Financial Risk Factors**

The Company’s financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and loans payables. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

The Company is exposed to nominal foreign currency risk.

b) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial statement fails to meet its contractual obligations. The Company’s cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds non-interest bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. At October 31, 2021, the Company had cash of \$677,676 and current liabilities of \$594,116. This emphasizes that the Company’s ability to continue as a going concern is dependent on management’s ability to raise the required capital through future equity or debt issuances. See “Liquidity and Capital Resources” above. There is no guarantee that the Company will be able to raise capital. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of natural resource commodities. The Company monitors these prices to determine the appropriate course of action to be taken.

### **Related Party Transactions**

The Company defines key management as officers and directors.

During the period ended October 31, 2021, the Company:

- i) paid or accrued management fees of \$45,000 (2020 - \$45,000) to a director of the Company.

- ii) paid or accrued management fees of \$45,000 (2020 - \$45,000) to the Chief Executive Officer (“CEO”) of the Company.
- iii) paid or accrued professional fees of \$6,000 (2020 - \$6,000) to the Chief Financial Officer (“CFO”) of the Company.
- iv) recorded share-based compensation of \$3,558 (2020 - \$57,822) related to options granted to officers and directors of the Company.

Included in accounts payable and accrued liabilities as at October 31, 2021 is \$3,150 (April 30, 2021 - \$3,057) owed to officers of the Company.

Included in prepaid as at October 31, 2021 is \$15,750 (April 30, 2021 - \$14,975) owed to an officer and a director of the Company.

#### **Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

#### **Changes in Accounting Policies and Future Accounting Pronouncements**

Please refer to the condensed interim consolidated financial statements for the period ended October 31, 2021 located on [www.sedar.com](http://www.sedar.com).

#### **Critical Accounting Estimates**

Please refer to the condensed interim consolidated financial statements for the period ended October 31, 2021 located on [www.sedar.com](http://www.sedar.com).

#### **Contingencies**

There are no contingent liabilities.

#### **Management’s Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

#### **Other MD&A Requirements**

As at December 22, 2021, the Company had the following outstanding:

**Common shares** – 113,193,411 outstanding

## Options

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
2,550,000	2,550,000	\$0.10	7-Nov-23
3,904,065	3,904,065	\$0.05	23-July-25
2,000,000	1,500,000	\$0.07	10-Dec-25
500,000	500,000	\$0.07	13-Jan-26
8,954,065	8,454,065		

## Warrants

Warrants Outstanding	Exercise Price	Expiry Date
12,627,772	\$0.075	20-Jan-22
43,730,014	\$0.075	19-Aug-22
2,144,000	\$0.075	19-Aug-22
3,420,000	\$0.075	4-Jul-24
2,800,000	\$0.0685	4-Jun-25
64,721,786		