

# **E79 RESOURCES CORP.**

## **Management's Discussion and Analysis**

**For the year ended April 30, 2023**

### **General**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and related notes thereto of E79 Resources Corp. (the "Company") for the years ended April 30, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board ("IASB"). All amounts in the financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This MD&A is dated August 23, 2023 and discloses specified information up to that date.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and MD&A, are complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Description of Business and Operations**

The Company is a resource exploration company that is acquiring and exploring mineral properties with a focus on Australia. The Company was incorporated on September 27, 2018, under the laws of the Province of British Columbia, Canada. The Company is a reporting issuer in the province of British Columbia. The head office, principal address and records office of the Company are located at 907-1030 West Georgia Street, Vancouver BC. The Company is listed on the Canadian Securities Exchange under the stock symbol ESNR and on the OTCQB under the symbol ESVNF.

On November 30, 2020, the Company closed a purchase agreement with E79 Resources Pty Ltd., a private Australian company, pursuant to which the Company acquired all of the outstanding shares of E79 Resources Pty Ltd. and hereby acquired 100% of two gold projects, the Beaufort and Myrtleford projects located in Victoria, Australia. In consideration of acquisition of E79 Resources Pty Ltd., the Company issued 20,000,000 common shares of the Company to the shareholders of E79 Resources Pty Ltd. on a pro rata basis (the "Acquisition Shares"). 14,000,000 of such shares were subject to contractually agreed restrictions on transfer. On December 9, 2020, the Company issued 14,000,000 of the Acquisition Shares and on January 29, 2021, the Company issued 6,000,000 of the Acquisition Shares.

In early 2023, the Company facilitated the incorporation of a company in Brazil, E79 Recursos do Brasil Ltda., as the Company is considering investing in green metals exploration projects in Brazil. The Company had advanced \$67,890 to the Brazilian company for working capital purposes. The amount advanced was subsequently converted to equity in the subsidiary company.

## **Selected Annual Information**

	<b>April 30, 2023</b>	<b>April 30, 2022</b>
Total revenue	\$ -	\$ -
Total assets	\$ 15,241,519	\$ 20,940,411
Working capital surplus	\$ 3,950,443	\$ 7,589,048
Total non-current financial liabilities	\$ -	\$ -
Net loss	\$ (5,543,348)	\$ (3,276,509)
Net loss per share	\$ (0.09)	\$ (0.05)

## **Mineral Property Interests**

### ***Myrtleford Property***

Myrtleford is a granted exploration license and located in the north-east of Victoria, approximately 290 km northeast of the Victorian capital Melbourne and approximately 40 km south of the Victoria – New South Wales border cities of Albury – Wodonga, Australia. The license consists of a single contiguous parcel covering 418km<sup>2</sup>. The Exploration License lies within a northwest-trending belt of alluvial and hard rock gold mines that collectively produced 6.3 Moz in the past, mostly from alluvial mining, but also from hard rock production.

In February 2021 the Company secured the services of a Victorian-based exploration drilling company to commence a maiden diamond drilling program at its high-priority Happy Valley gold target on the Myrtleford Property. The drill rig was contracted for initial 1,000m at Happy Valley to test for down-dip extensions of four previously mined high-grade reefs. Details are contained in the Company's news release of February 1, 2021 filed on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

The Company had engaged a second drill rig and subsequently commenced a maiden drill program at its Twist Creek prospect. The initial 3,000m program was to target up to 6 lines of reef over a 3km strike length that were historically mined with gold grades up to 2 ounces.

Initial drilling assay results from the Scandinavian Prospect at Twist Creek were announced on July 13, 2022 and December 7, 2022, the news releases being available on the Company's website and filed on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### ***Beaufort Property***

Beaufort is a granted exploration tenement located in the southwest of Victoria approximately 145km west of Melbourne, Australia. It is approximately 48km west of the regional town and historic gold mining center of Ballarat. The license consists of a single contiguous parcel covering 120km<sup>2</sup>. The Beaufort Goldfield has been extensively mined in the past almost exclusively for alluvial gold, with an estimated 1.16 Moz of historical production. Local primary sources for the alluvial gold have not yet been identified.

During the year ended April 30, 2023, the carrying cost of the project was reviewed and given the focus of the Company is currently not on this project and it has no current plans to further explore the property, the project was impaired to \$1.

A continuity of acquisition costs included in exploration and evaluation assets is as follows:

	Total for year ended				Total for year ended			
	CANADA		AUSTRALIA		CANADA		AUSTRALIA	
	Golden Girl	Beaufort	Myrtleford	April 30, 2023	Golden Girl	Beaufort	Myrtleford	April 30, 2022
<b>Property acquisition costs</b>								
Balance, beginning	\$ -	\$ 1,612,675	\$ 6,450,700	\$ 8,063,376	\$ 1	\$ 1,612,675	\$ 6,450,700	\$ 8,063,376
Additions (sale)	-	-	-	(1)	(1)	-	-	(1)
<b>Balance, ending</b>	\$ -	\$ 1,612,675	\$ 6,450,700	\$ 8,063,375	\$ -	\$ 1,612,675	\$ 6,450,700	\$ 8,063,375
<b>Exploration and evaluation costs</b>								
Balance, beginning	\$ -	\$ 1,356,305	\$ 2,754,007	\$ 4,110,312	\$ -	\$ 326,954	\$ 214,493	\$ 541,447
Consulting, management fees and sub-contractors	-	28,560	607,930	636,490	-	249,157	855,326	1,104,483
Soil Sampling and mapping	-	2,535	109,278	111,813	-	106,506	223,976	330,482
Geophysics	-	-	38,108	38,108	-	19,517	25,350	44,867
Drilling, support and supplies	-	-	834,928	834,928	-	589,060	1,216,019	1,805,079
Other costs	-	(1,373)	139,055	137,682	-	65,111	218,843	283,954
<b>Balance, ending</b>	\$ -	\$ 1,386,027	\$ 4,483,306	\$ 5,869,333	\$ -	\$ 1,356,305	\$ 2,754,007	\$ 4,110,312
<b>Impairment</b>	\$ -	\$ (2,998,701)	\$ -	\$ (2,998,701)	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ 1	\$ 10,934,006	\$ 10,934,007	\$ -	\$ 2,968,980	\$ 9,204,707	\$ 12,173,687

## Results of Operations

The net losses for the years ended April 30, 2023 and 2022 are summarized below:

	2023	2022
General and administrative services	\$ 527,734	\$ 310,209
Consulting fees	334,053	508,529
Foreign exchange	26,971	81,689
Marketing	334,666	511,782
Management fees	539,636	378,726
Professional fees	63,240	113,047
Transfer agent, regulatory and listing fees	84,225	41,743
Travel	17,523	-
Impairment (recovery) of mineral property	2,998,701	(31,859)
Stock-based compensation	616,599	1,362,643
	\$ (5,543,348)	\$ (3,276,509)

The overall increase in the expenditures is primarily due to the write down of the Beaufort property as discussed above. The reduction in the stock-based compensation expense resulted from a reduction in options granted in the current year. Stock based compensation represents the value of stock options granted to directors, officers and consultants which vested in the period. Marketing, consulting, and professional fees decreased due to reduced activity. Management fees increased as a result of the engagement of a new Chief Executive Officer of the Company. General and administrative services increased due to the termination payments made in the year.

The net losses for the three months ended April 30, 2023 and 2022 are summarized below:

	2023	2022
Administrative services	\$ 250,905	\$ 100,967
Consulting fees	78,406	118,071
Foreign exchange	(40,952)	13,140
Marketing	51,728	55,171
Management fees	153,144	56,554
Professional fees	12,420	7,535
Transfer agent, regulatory and listing fees	24,168	27,364
Travel	17,523	-
Impairment (recovery) of mineral property	2,998,701	(31,859)
Stock-based compensation	118,366	204,489
	\$ (3,664,409)	\$ (551,432)

The primary reason for the fluctuations between the comparative periods are similar to those for the year end changes discussed above, with the exception of marketing and professional fees, which had minimal changes.

## Selected Quarterly Information

The following table provides selected quarterly financial data for the most recently completed interim quarters:

Quarter Ended	Loss for the period \$	Loss per Share (Basic & Diluted) \$	Total Assets \$
April 30, 2023	3,664,409	0.06	15,241,519
January 31, 2023	536,781	0.01	18,580,977
October 31, 2022	552,627	0.01	19,204,225
July 31, 2022	789,531	0.01	19,762,305
April 30, 2022	551,432	0.01	20,940,411
January 31, 2022	881,137	0.01	20,405,193
October 31, 2021	844,798	0.01	21,072,026
July 31, 2021	999,142	0.02	22,394,063

The results for the quarter ended April 30, 2023 included a write down of property costs of \$2,998,701.

## Financial Condition, Liquidity and Capital Resources

As an exploration company, the Company has not generated any revenues from operations with the primary source of financing to date being from the issuance of equity securities and advancements received from related parties to continue the development of its mineral property.

As at April 30, 2023 the Company had a working capital of \$3,950,443 (April 30, 2022 - \$7,589,048) and cash of \$4,051,553 (April 30, 2022 - \$8,056,541).

There can be no assurance that financing will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

## Supplemental Cash Flow Information

### Operating Activities

During the year ended April 30, 2023, cash used in operating activities was \$1,297,265 (2022 - \$2,300,463). The decrease in cash used is primarily a result of an advance paid by the Company for a marketing contract in the comparative period. The decrease in cash used in operating activities was also due to a decrease in the net loss for the year ended April 30, 2023, by \$763,721 in comparison to the year ended April 30, 2022.

### Investing Activities

During the year ended April 30, 2023, cash used in investing activities was \$2,639,833 (2022 - \$2,693,212) as a result of exploration activities on the Company's projects.

### Financing Activities

During the year ended April 30, 2023, cash used in financing activities was \$67,890 (2022 - \$8,352,552). There were no shares issued during year ended April 30, 2023.

## Off-Balance Sheet Arrangements

The Company has not entered into any off-balance-sheet arrangements.

## Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Key management compensation is as follows:

	Year ended April 30,	
	2023	2022
Management fees	\$ 494,420	\$ 378,726
Consulting fees	16,633	89,391
Stock based compensation	539,171	691,530
	\$ 1,050,224	\$ 1,159,647

As at April 30, 2023, \$241,705 (April 30, 2022 - \$Nil) was due to directors and officers of the Company. The amounts are non-interest bearing, unsecured and due on demand and are included in accounts payable and accrued liabilities.

As at April 30, 2023, \$9,000 (2022 - \$12,500) was included in prepaid expenses to directors of the Company.

## Accounting Policies

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing the audited financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

## Critical Accounting Estimates

The preparation of the Company's audited financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Going concern:  
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involved significant judgments based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstance.

- ii) Economic recoverability and probability of future benefits of exploration and evaluation costs:

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

- iii) Valuation of stock-based compensation

The Company uses the Black-Scholes option pricing model for valuation of stock-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

- iv) Income taxes

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

## **Financial Instruments and Capital Management**

Due to the short-term nature, the carrying amount of cash, other receivables and accounts payable and accrued liabilities approximates their fair value. Cash is measured at fair value while other receivables, accounts payables and accrued liabilities and amounts due to related parties are measured at amortized cost.

See Note 3 and 9 of the Company's April 30, 2023 audited consolidated financial statements for further details of the Company's use of financial instruments.

## **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as at the date of this report.

## **Disclosure of Outstanding Share Data**

As at the date of this report, the Company had 65,111,145 (April 30, 2022 – 65,111,145) common shares outstanding, no shares were held in escrow (2022- 1,273,250) of which shares were held in escrow.

As at the date of this report, the Company had 4,265,000 stock options outstanding with a weighted average exercise price of \$0.70.

## **Investor Relations**

The Company has engaged Venture Liquidity Providers Inc. to provide investor relations and other services.

## **Management's Responsibility for the Financial Statements**

The information provided in this report as referenced from the Company's consolidated financial statements for the referenced reporting period is the sole responsibility of management. In the preparation of the information along with related and accompanying statements and estimates contained herein, management uses careful judgement in assessing the values (or future values) of certain assets or liabilities. It is the opinion of management that such estimates are fair and accurate as presented.

## **Other Information**

### **Risk Factors**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's proposed business and the present stage of exploration of the Myrtleford and Beaufort projects, the following risk factors, among others, will apply to the Company. Mineral exploration and development involves a high degree of risk, requires substantial expenditures and few properties that are explored are ultimately developed into producing mines.

### ***Exploration and Development Risks***

Resource exploration and development is a speculative business, involving considerable financial and technical risks, including the failure to discover mineral deposits, market fluctuations and government regulations, which are beyond the control of the Company.

### ***Mineral Deposits and Production Costs; Metal Prices***

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of mineral products. The value of the Company's mineral property interest is directly influenced by metal prices. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's property can be mined profitably.

### ***Additional Financing***

Future exploration and development activities, including corporate costs will require additional financing. If such additional financing is not available, it would result the Company's operations being adversely affected, including a delay or indefinite postponement of exploration and development of the property interests of the Company. Although management believes that it has sufficient funds available to maintain its proposed project in the near term, it will require further funding to complete its program on the Myrtleford and Beaufort projects and continues its efforts to source equity and debt finance to fund its ongoing activities.

### ***Title Matters***

Title to mineral properties cannot be guaranteed. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

### ***Permits and Licenses***

The operations of the Company require licenses and permits from various governmental and non-governmental authorities. There can be no assurances that the Company will be able to obtain all



necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

#### ***Environmental and other Regulatory Requirements***

The operations of the Company require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

#### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

#### ***Dependence on Key Individuals***

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

#### ***Currency Risk***

Since most mineral commodities are sold in a world market in U.S. dollars, currency fluctuations may affect the cash flow which the Company may realize from its operations. The Company's costs are incurred primarily in Canadian dollars.

#### ***Influence of Third-Party Stakeholders***

The lands in which the Company holds interests, or the exploration equipment and roads or other means of access which the Company intends to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of the Company may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

#### ***Fluctuation in Market Value of Shares***

Investing in the Company is of a highly speculative nature. The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy in general, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of the Company's shares on the TSXV cannot be predicted.

#### ***Disclaimer***

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

### **Cautionary Statement on Forward Looking Information**

Certain statements contained in this document constitute “forward-looking statements”. Such 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 expressly stated or implied by such forward-looking statements.