



VVC EXPLORATION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Six Months Ended

July 31, 2021

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**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JULY 31, 2021**

This Management's Discussion and Analysis ("MD&A") of VVC for the six months ended July 31, 2021 (the "Period") was prepared on Sept 27, 2021 and should be read in conjunction with the Company's July 31, 2021 unaudited condensed consolidated financial statements and related notes, prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial information disclosed in this report was prepared in accordance with IFRS unless otherwise disclosed.

All amounts herein are expressed in Canadian dollars unless otherwise indicated. The technical information regarding the mineral properties in the MD&A has been approved by Peter Dimmell, P.Geo. (NL, ON), a mineral exploration consultant and a director of VVC, who is a qualified person (QP) under National Instrument (NI) 43-101.

FORWARD LOOKING INFORMATION

This MD&A includes forward-looking statements that are subject to risks and uncertainties and other factors that may affect the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect the price of metals, the foreign exchange rate, the ability of the Company to implement its business strategy, and changes in, or the failure to comply with government laws, regulations and guidelines. Unless otherwise required by applicable securities laws, VVC disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information relating to VVC can be obtained from its News Releases and other public documents at the SEDAR website <www.sedar.com>.

BUSINESS OVERVIEW

The Company is a venture issuer reporting in Ontario, British Columbia, Alberta and Quebec. The Company's common shares trade on the TSX Venture Exchange under the symbol "VVC".

VVC is in the business of acquisition and exploration of resource properties in the mineral and petroleum sectors. Its principal business activity is the exploration and development of gold and base metal mineral properties both nationally and internationally, but principally in Mexico, and petroleum properties (natural gas and helium) in the USA. The Company has recently, through a wholly owned subsidiary, Plateau Helium Corporation ("PHC"), begun exploring for, and producing, Helium (He) and natural gas in Kansas and Colorado, USA. Throughout this document "the Company" refers to VVC and its wholly-owned subsidiaries, Camex Mining Development Group Inc ("Camex"), VVC Exploración de Mexico, S. de R.L. de C.V. ("VVC Mexico"), Samalayuca Cobre S.A. de C.V. and PHC.

(A) Samalayuca Cobre S.A. de C.V. ("SCSA")

VVC, through its acquisition of Camex in 2013, owned 45,000 shares of SCSA ("SC shares") representing 33.75% of its issued and outstanding shares. SCSA is the owner of the Kaity claim (the "Kaity Property"), which covers stratiform, sediment hosted, copper mineralization along the Samalayuca Sierra where the Gloria Copper Project is located. The technical details of the project are given below. The remaining interest in SCSA were beneficially owned 28.125% (37,500 SC Shares) by Resources Orford Inc. ("Orford"), 25% (33,333 SC Shares) by Micose S.A. de C.V. ("Micose") and 13.125% (17,500 SC Shares) by Inversiones Agrofinancieras de Panama, S.A. ("IAP").

In 2015, the Company acquired an option from Orford and IAP to purchase an additional 45,000 shares of SCSA. Following lengthy negotiations, the Company signed, in August 2020, amended Agreements with Orford and IAP to purchase all their 55,000 SC Shares, and also signed, in September 2020, an agreement with Micose to purchase 33,333 SC Shares previously owned by Firex, S.A. de C.V. Since the transactions were approved by the TSXV, and all required procedures and documentation were completed in Mexico, Camex acquired all the remaining shares of SCSA on November 2, 2020 for the consideration described below. SCSA is now a wholly owned subsidiary of VVC. The details of the transactions are as follows:

- (a) VVC acquired from Orford 37,500 SC Shares in consideration for cash payments of US\$550,000 and the issuances of 10,000,000 common shares of the Company ("VVC Shares") and 20,000,000 warrants to acquire additional VVC Shares ("VVC Warrant"). The VVC Shares and Warrants were issued after Closing. The will be made within 30 days following receipt of the Permit for Explosives for the Gloria Project in Mexico (the "Explosives Permit") and the remaining cash payments will be made over a period of 19 months following the receipt of the first copper sales.
- (b) VVC acquired from IAP 17,500 SC Shares in consideration for the issuances of 14,200,000 VVC shares and 12,500,000 VVC Warrants issued after Closing.
- (c) VVC acquired from Micose 33,333 SC Shares in consideration for cash payments of US\$200,000 and the issuance of 3,000,000 VVC Shares. A first payment of US\$100,000 has been made and the VVC Shares were issued. The remaining US\$100,000 will be paid in two (2) payments of US\$50,000 each which are due 30 and 90 days after the receipt of the Explosives Permit for the Gloria Project. See "Update – September 2021" on page 5 for more information regarding the Explosives Permit.
- (d) Each warrant entitles the holder to purchase an additional VVC Share at a price of \$0.06 per share until November 3, 2025 (exercise price was based on share trading in August and September 2020).

The Kaity Property, which covers the Gloria Copper Project, comprises one mining concession totaling 1623 ha located in Chihuahua State, approximately 40 km southwest of Juarez MX / El Paso, Texas. It is road accessible via Highway 45 and a number of unpaved roads/trails that extend around the Samalayuca Sierra. The Kaity Property covers stratiform, sedimentary hosted copper deposits in Permian age, chloritized sandstones, carrying significant silver and minor gold values over a mineralized trend at least 5 km long. The Samalayuca Sierra has been explored for copper since the early 1950's with small scale, artisanal mining from open pits carried out for a few years in the 1960's over a strike length of at least 4 km. Previous work by Camex included 395 mostly chip/channel samples, from the various deposits / showings along the trend, most of which gave copper values ranging from 0.1 to 0.8 %, with a number of values >1% copper. From east to west the zones include: Suerte, Zorra, Juliana, the Gloria deposits and Concha.

A [National Instrument 43-101 report by Michel Boily](#), PhD, P.Geo, dated April 20, 2013, filed on SEDAR on October 7, 2013, describes the Kaity Property and mineralization as follows: "The mineralized rocks form part of a pluri-kilometer-thick sedimentary assemblage deposited in the Chihuahua trough from the Paleozoic through Early Cretaceous eras. This vast sedimentary trough is a right-lateral pullapart basin that underwent important deformation during the Late Cretaceous-Early Tertiary Laramide orogeny. The sedimentary formations containing the Cu mineralization consist of a cyclic sequence of fine to coarse-grained sandstones (chloritized quartzites/arenites) with subordinate phyllitic and conglomeratic intervals which exhibit low grade regional metamorphism. The copper mineralization (1-10%) occurs as fine-grained primary and supergene copper sulphides, including digenite, chalcocite, covellite, bornite and chalcopyrite. Oxidized copper minerals such as malachite and azurite are common as coating and in fractures. Metallurgical tests on heap leach and vat leaching processes for Cu-ore beneficiation determined that the optimum procedure is a vat leaching using an ore granulometry of -3/8", a time of lixiviation of 30 days followed by a wash of eight days, with industrial grade sulfuric acid concentrations of 3.0%. Exploration work conducted since 2010 has consisted of geological and structural mapping of the key Cu-mineralized areas including the old artisanal open pits where channel sample values, taken perpendicular to the strike of all sandstone layers, were the basis for calculating an Inferred Resource of 4,100,281 t grading 0.47 wt. % Cu and 5.8 g/t Ag (Boily 2013).

2017-18 Exploration – The Kaity Property hosts significant stratiform copper mineralization over a 5 km strike length based on the old, shallow, artisanal open pits and VVC's drilling. Three drilling programs were carried in 2017 and 2018. Phase 1 drilling was started in late August 2017 and totalled 1477 m in 6 holes testing the Gloria zone only. Phase 2 drilling began in early November 2017 with holes 7 to 23 completed for a total of 1244 m, to test the Gloria, Gloria NW, Gloria Extension, Thor and Zorra copper zones. The drilling at Gloria and Gloria extension zones intersected significant mineralized zones with thicknesses up to 36 m and grades in the 0.3 to 0.6 % Cu range. Results included:

- SC17-022 - 0.51 % Cu / 27 m from 14.5 m downhole – approx. 27 m true width
- SC17-023 - 0.36 % Cu / 51 m from 10 m downhole – approx. 36 m true width.

Phase 3 drilling program began in May 2018 with 9 additional holes totalling 3,000 m in the Gloria Extension East, all of which intersected near surface copper mineralization. This program continued the evaluation of the main artisanal, previously mined, areas of Kaity Property to define the thickness and grade of the mineralized zones. The four goals for the Phase 3 program were:

- Definition of the significant, near surface, copper mineralization encountered in holes 22 and 23 on the Gloria Extension where drilling tested the 350-meter mineralized zone.

- Evaluation of the Concha zone along the 700-meter mineralized zone mined by artisanal miners.
- Testing the Zorra zone, the artisanal pit at the highest elevation on the Samalayuca Sierra, which gave the highest copper grades from chip sampling by VVC geologists over a 175 m strike length. Copper values of 1.19% over 4 m, 0.28% over 7 m, including 0.63% over 2 m, and 2.25% over 6.5 m were found. *(These results are chip samples and are not necessarily representative of the overall grade of the zone.)*
- Drilling additional holes in the Juliana, Suerte and Trinidad pit areas to evaluate the mineralized zones as well as to define any connections between them.

Highlights from the Phase 3 drilling were:

1. Extensive near surface mineralization, as defined in drilling in Phases 1 and 2, continues in the western third of the Gloria Extension zone.
2. Copper grades in the 0.2% to 0.6% range, with mineralized zones up to 30 meters plus in true width, were intersected.

The results from the first 3 holes (SC18-024-026), also in the Gloria Extension zone, adjacent to SC17-022 and SC17-023, provided further definition of the near surface copper mineralization. Results were summarized in a news release issued on [August 2, 2018](#) with a plan map and a vertical section (525E) through the copper mineralization, showing the drill locations and results, which can also be viewed at: <http://globenewswire.com/NewsRoom/AttachmentNg/91ae9abc-fac4-478f-b706-83eb310da233/en>. Further results of the Phase 3 drilling were released in a news release dated [August 17, 2018](#) with a [Plan and Sections](#), showing the dimensions of the copper mineralization in the Gloria Extension Zone. The drilling shows the potential for significant stratiform copper mineralization, which has been traced for over 5 km based on the shallow artisanal mines and VVC's drilling. Further results were announced on [October 11, 2018](#) with a [map](#) showing the drill locations with the final results presented on [January 17, 2019](#) and a summary of results from the program presented in a news release issued on [January 30, 2019](#).

Geology – The Kaity Property covers copper mineralisation in the Samalayuca Sierra, characterised as a "Stratiform Copper Deposit" type, as recognized by qualified persons, Michel Gauthier and Jocelyn Pelletier (2012), and Jacques Marchand and Michel Boily (2013). Fine disseminated chalcopyrite-bornite and associated oxide copper minerals, common to these deposits, are noted in a wide chloritized zone along the Sierra with mineralized zones from 3 to 36 m wide, true thickness, as defined in the old surface pits. The stratigraphy strikes NW and dips gently, approximately 25 degrees to the NE, although it is variable. Vertical faults can generate supergene copper enrichment when they cut the mineralised strata. The old mining works by the artisanal miners (gambusinos) targeted the higher grade, surface, copper zones, exploiting them by shallow (< 20 m deep) open pits and hand cobbing (selecting) the ore for direct shipping to the smelter.

2019 Resource Estimate – A [National Instrument \(NI\) 43-101 Technical Report](#) on the Kaity Property by Jacques Marchand P.Eng. Geology, dated April 21, 2019, filed on SEDAR on May 7, 2019, gives Indicated Resources of 9.6 million tonnes grading 0.282% Cu (59.5 million lbs) and Inferred Resources of 14.398 million tonnes grading 0.281% Cu (89.44 million lbs) using a cut-off grade of 0.15%. The Resource Estimate covers eight zones of the Kaity Property: Gloria, Gloria Extension, Concha, Gloria North, Juliana, Zorra, Trinidad and Suerte, which occur along a 5.5 km long by 0.5 km wide, northwesterly oriented ridge.

The 2 largest zones are:

- Gloria Extension, with Resources of 4.1 million tonnes at 0.26% copper Indicated and 2.5 million tonnes at 0.24% copper Inferred;
- Concha, with Resources of 3.2 million tonnes at 0.30% copper Indicated and 6.2 million tonnes at 0.27% copper Inferred.

The Gloria Extension and Concha zones are the most favorable areas for the delineation of Measured Resources. Gloria Extension lies near the top of the Sierra and dips shallowly along the northeast slope of the Sierra, an ideal situation for low-cost exploration and possible exploitation. Concha zone mineralization has good potential for more resources with good continuity demonstrated by drilling at depth. Consultant Jacques Marchand has proposed a linked two-phase drill program to define the economic potential of the more promising zones.

Due Diligence Sampling Verification – As required in a NI 43-101 report, historical results have to be verified. In June 2011, chip samples were taken from the Kaity Property either by Jacques Marchand directly or by J. Pelletier and A. Aragon under Jacques Marchand's supervision. The samples were analyzed for base metals using the ICP technique at the Chemex laboratory in Hermosillo, Sonora, MX. Only Cu gave anomalous values. The correlation with the historical sampling is highly variable (up to 100%) but is considered acceptable given that the

sampling was done in areas where the Cu mineralization is both stratigraphic and remobilized.

Analytical Techniques – Rock and drill core samples were analyzed at the ALS Chemex laboratory in Chihuahua city, MX using their ICP21 and ICP 4-acid (ME-MS61) techniques. Standard QA/QC techniques, such as duplicates and blanks were used as required.

Metallurgical Testing – In June 2019, metallurgical bench testing of copper mineralized samples from the Gloria Zones were conducted using an on-site lab to evaluate the impact of crushing (ore size), acid flow rates and other leach related parameters, to determine the optimum requirements for the recovery of copper. The leach columns are 6 meters in height, matching the proposed thickness of the heap leach ore pads, to determine the optimum conditions for processing mineralized material from the Gloria Zones. After the ore is leached, copper recovery using electrowinning technology will be tested and considered for the proposed Gloria Pilot Mining Project.

Prior to the Covid-19 pandemic (the "Pandemic"), VVC conducted metallurgical test work to refine the reactant / water mixture to minimize the use of reactant and water, and to minimize costs. The objective was to decrease residence time, and increase recoveries, thereby reducing costs and hopefully increasing profitability. Results so far have been encouraging. Further testing has been delayed due to the onset of the Pandemic and resulting shut-down, however plans are to continue to refine the recovery process once permission is granted for a restart.

The metallurgical testing was carried out in-house under the supervision of Everardo Morga Monárrez, a Senior Metallurgist from Hermosillo, Mexico. If the metallurgical tests are successful and can be applied to the pilot mining / processing plan, a comprehensive 43-101 compliant report and news release will be issued to disclose the results and conclusions from the test work.

No independent National Instrument 43-101 (NI 43-101) compatible Feasibility Study (FS), Pre-Feasibility Study (PFS), Preliminary Economic Assessment (PEA) or other economic assessment has been carried out on the Gloria Project or the metallurgical testing, and therefore, there is no independent confirmation of copper recoveries or that the project will be economic.

Pilot Mining Planning – SCSA worked with an environmental consulting and law firm for authorization from CONANP and SEMARNAT (Mexican government groups responsible for the environment) for the environmental and mining permits. The Project is being supported by the local community in this process.

The 2017-18 drilling program was carried-out to define specific areas with the best potential for a proposed pilot mining program and was focused on three mineralized areas, the Gloria Extension, Gloria Extension East and Gloria Zones in the central part of the Kaity Property, extending over a strike length of 2 kilometers. The Gloria Extension, a 350-meter zone at the center of the Kaity Property, had the highest average copper values and also the widest mineralized zones in the drilling. The Gloria Extension East, a 900-meter zone with similar copper grades to Gloria Extension, but narrower widths, is adjacent to, and southeast of, Gloria Extension, separated by a fault. The Gloria Zone, a 700-metre zone adjacent to, and northwest of Gloria Extension has significant copper mineralization which is accessible from an existing surface pit. The Company believes that these zones are excellent candidates for a proposed Gloria Pilot Mining Project and has begun a bulk sampling program to further define the copper values, mineralogy and metallurgy, to determine copper recoveries and to evaluate mining scenarios.

Some, previously mined material, hand cobbled by artisanal miners, is available on site for a heap leach pad planned for 2021 or later, as soon as the Pandemic permits work to begin again, to test and fine tune the heap leach system.

The Environmental Permit was received from the Mexican Government in November 2018 and Change of Land Use permit was received in early July 2019. The permits allow the Company to initiate mining operations in the Gloria Zones of the Kaity Claim (Gloria, Gloria Extension, Gloria East and Gloria NW). The receipt of the Environmental and Change of Land Use permits together marked a significant milestone for VVC. Once the permits were received, SCSA started mine preparation based on the exploration and the metallurgical test results. This included an evaluation of all aspects of the proposed Gloria Copper Pilot Mine and Processing facility in order to allow an informed decision regarding the start of a Pilot Mine in an environmentally and socially responsible manner, while generating positive economic and community impacts.

Pilot Mining Decision – In late July 2019, after receipt of the Permits, VVC's technical team in Mexico completed an assessment of the Kaity Property's potential for Pilot Mining, and proposed a mining, processing and reclamation plan for the Gloria Zones of the Kaity Property. Following a site visit and review of the technical team's proposed plan by VVC's technical directors and a subsequent Board meeting where the proposed project was discussed in detail, the Company announced that the Board had approved the start of a Pilot Mine and SX-EW Processing facility on the Gloria Zones of the Kaity Claim (Gloria, Gloria Extension, Gloria East and Gloria

NW), now referred to as the "Gloria Pilot Mining Project" or the "Gloria Project". The plan envisions mining of the oxide copper resources using an open pit extraction process, heap leach (solvent extraction) processing of the ore, and recovery of the copper using an on-site electrowinning facility, known as SX-EW processing. It was anticipated that the plant would have an initial capacity to process approximately 2,000 tonnes per day of mineralized material, increasing to 4,000 tonnes per day, approximately 12 months after start-up. Construction of the facility was expected to take 6 to 9 months.

It should be noted that the decision to proceed to a pilot/test mining program does not constitute a decision to proceed to commercial production. No independent National Instrument 43-101 (NI 43-101) compatible Feasibility Study (FS), Pre-Feasibility Study (PFS), Preliminary Economic Assessment (PEA) or other economic assessment, relating to production, has been carried out on the Gloria Project and no NI 43-101 compliant Reserves have yet been defined and, as such, the Gloria Project has not been shown to be economic. In addition, there is no certainty that the proposed operation will conform to the timing noted above.

In March/April, 2020, concerns over the impact of Covid-19 resulted in the Government of Mexico issuing a temporary work stoppage with mines in Mexico, including the Gloria Project. The Village of Samalayuca, which is near the Property, has not experienced Covid-19 infections, however both the cities of El Paso, TX and Juarez MX which are approximately 75 kilometers to the north, have experienced significant issues with Covid. The Government is allowing selective reopening of projects in the country and we expect that the Gloria Project will be allowed to reopen once the Pandemic begins to ease. In preparation for re-opening, VVC has purchased the required personal protective equipment (PPE), including face masks and face shields, for our employees. Throughout the Pandemic, VVC has, on a monthly basis, provided food and other supplies to the local community in Samalayuca, through the local "Solidarity Pantries Campaign". The Company is committed to providing the safest possible working environment for its workers while continuing to support the most vulnerable in the local community.

Prior to the disruptions caused by COVID-19, the Company initiated a debt financing program to fund the start-up of Pilot Mining at Gloria. The project was suspended due to the risks posed by the pandemic and investors that had previously expressed interest in financing the Gloria Project backed away. Recently, several parties have expressed interest in providing the debt financing and once the Covid situation in the area, allows a restart of the project, we will re-examine our financing options.

Update – September 2021 – Field operations at the Gloria Copper Project, which are proximate to both El Paso TX and Juarez MX, were shut down in March 2020 since both cities had, and continue to have, high numbers of Covid-19 cases. Since these problems continue, VVC has not been allowed to conduct any operations on site of the Gloria Project since that time.

The Company's technical team in Mexico has used this time to work on optimizing the Gloria mining plan and recovery methodology, to extract more copper from the mineralized rock and to do so more quickly, with the objective of creating higher cash flows more quickly. This is important for the economics of the project, once we are able to resume work and restart the Gloria Copper Project.

The issuance of an Explosives Permit to SCSA by the Mexican Authorities is required before commencement of any work on the Gloria Copper Project. The Explosives Permit was received by SCSA in August, however the permit will not be effective until the Archeological Review Group have completed their review and have signed off.

(B) Plateau Helium Corporation

On December 21, 2020, VVC acquired a minority 10% interest in Plateau Helium Corporation ("PHC") in consideration for US\$100,000. PHC is a company incorporated in Wyoming, US, focused on helium exploration and development, primarily in the western US.

Following completion of its due diligence and obtaining the TSXV approval, VVC acquired the remaining 90% interest in PHC in consideration for the issuance of 21 million shares of VVC. Of these shares, 14 million were placed in escrow to be released in two tranches of 7 million shares each upon completion of two predetermined benchmarks. Any of the remaining shares not released from escrow within twelve (12) months will be returned to the treasury of VVC for cancellation. The shares are subject to a Hold Period expiring on May 27, 2021. PHC is now a wholly owned subsidiary of VVC.

At the time of acquisition by VVC, PHC only had one project, the Syracuse Helium Project with two other projects subsequently added, resulting in control of approximately 80,000 acres on all projects currently. Upon completion of the core leasing, the total acreage is expected to be over one hundred thousand (100,000) acres with the potential for over seven hundred fifty (750) wells locations.

Syracuse Helium Project

PHC's initial target project, known as the Syracuse Helium Project (the "Syracuse Project"), is located in the State of Kansas and currently comprises 69 leases covering over 16,000 acres. The property (the "Syracuse Property") on which the Syracuse Project is located hosts more than 160 potential well sites. Historically, the acreage was explored by 5 wells, all of which either produced or tested natural gas containing helium. PHC later acquired an adjacent 640-acre property with a former producing well, known as Levens 2-31, originally drilled in 1987. This property was included the Syracuse Project.

PHC owns a 100% working interest in the Property, subject to numerous royalties referred to below. PHC will be entitled to approximately 48.0% of the net proceeds from the first 10 wells on the Property, 46.7% from the next 20 wells if additional US\$3 million limited partnership financing ("LP financing") raised by PHC, and approximately 66.7% of the net proceeds from all remaining wells from the Project. PHC expects to raise additional LP financing of up to US\$ 3 million, and if successful the participating limited partners will be entitled to a LP Interest royalty of 30% after deduction of all costs of production and payment of all pre-existing royalties. With the existing and proposed additional funding available to PHC through the LP financing and potential forward sales of helium, it is anticipated that further development will be funded without additional capital in the near term.

The Syracuse Project is subject to a 17% royalty held by three parties (the "17% Overriding Royalty"). PHC completed a LP financing of US\$1.4 million to acquire the Syracuse Project, commence the rework/re-entry of the 5 existing wells and drill additional wells. The limited partners are entitled to a royalty of 28% of the net revenue from the first 10 wells after payment of the 17% Overriding Royalty and deduction of the costs of production (the "LP Interest"). The Syracuse Project and all helium projects acquired by PHC are also subject to a 15% royalty held by a company controlled by the previous shareholders of PHC (the "15% Royalty") as well as a 1% royalty held by a third-party (the "1% Royalty"). The 15% Royalty and the 1% Royalty are payable on the net proceeds received by PHC after deduction of all costs of production and payment of all pre-existing royalties. One VVC insider holds 9.5% of the LP Interest as a result of investing US\$100,000 in the limited partnership financing. Another insider of VVC holds a 16.67% interest in the 15% Royalty.

In May-June 2021, PHC reworked the Levens 2-31 well, repaired the damaged equipment and restored the electric service. Subsequently, the well was turned on and it immediately showed a casing pressure of 55 psi. The well was then opened to the Tumbleweed Pipeline to transports the helium rich gas to the Ladder Creek Helium plant. Historically (in 2008), based on a Shamrock Gas Analysis, the Levens 2-31 well produced gas with a 1.273% helium concentration. PHC had initially planned to rework/re-enter the 5 remaining existing wells and return them to production. Following an on-site evaluation of the existing wells, it was determined that it would be more cost effective to drill new wells along side the existing well.

Drilling on the Durler 2-21 well, the first new well in the development of its Syracuse Project, to a depth of 5,500 feet was completed in early August and encountered 2 gas zones that showed helium. The well will be completed and connected to the pipeline as soon as the internal gas gathering system connection is available, expected to be in November. PHC's second Syracuse well is the Levens 2 and the same two helium rich gas zones were encountered with similar gas and pressure characteristics as in the Durler 2-21. Levens 2 is located near the Tumbleweed pipeline and is scheduled to be completed, tested and connected to the pipeline by mid-October.

Site preparation has begun on 8 additional, newly permitted, Syracuse well locations with drilling to commence in Mid-October 2021 and be completed in December 2021. PHC expects to have a total of ten (10) new wells completed and producing in the Syracuse Project by the end of December of 2021, and an additional twenty (20) new wells drilled in Syracuse Project in the first half of 2022.

Geologically, the Syracuse Project lies to the south of the Bradshaw and Byerly fields, to the west of the Hugoton and Panoma Fields, and to the north of the Greenwood Gas Area. Historically, these fields have collectively produced in excess of 27 trillion cubic feet of helium rich gas.

Monarch Project

In March 2021, PHC purchased from Monarch Petroleum ("MP") an helium and methane property, known as the Monarch Lease Property, at a nominal cost and a commitment to recommence production, with MP retaining a 3% royalty in the shallow well rights from surface to 3,100 feet (the "Shallow Rights") and a 50% non-operated working interest in the deep oil and gas rights below 3,100 feet (the "Deep Rights"). In addition to the 3% royalty, standard industry royalties of 12.5% are payable to arm's length land owners from the proceed of any production and the 15% Royalty is payable on the net proceeds received by PHC after deduction of all costs of production and payment of all pre-existing royalties.

The Monarch Lease Property, measuring 1,600 acres, is located in the Byerly Field in Greely County, Kansas near to the Syracuse Helium Project. It includes six formerly producing gas wells that are still connected to the Tumbleweed Midstream pipeline with all wells producing both methane and helium. PHC made minor repairs to four of the six wells, restored electric power service and they have begun producing helium rich gas which is being delivered to the Ladder Creek Plant for processing.

PHC owns a 100% operated working interest in the Shallow Rights of Monarch Lease and a 50% operated working interest in Deep Rights, subject to the underlying royalties. In the deep zone, MP will be required to contribute 50% of any expenses toward developing those areas.

The focus in this Project is the 14 additional potential well locations which are conveniently located for connection to the Tumbleweed pipeline.

Syracuse Extension

A 320-acre gas property located in Cheyenne County, Colorado, was purchased by PHC in April 2021, at a nominal cost and a commitment to commence production, with the seller retaining a 2% royalty in this property. Three (3) additional nearby leases were acquired in early June, increasing the total acreage to 1,600 on the project, the "Syracuse Extension".

In addition to the 2% royalty, standard industry royalties of 12.5% are payable to arm's length land owners from the proceeds of any production and the 15% Royalty is payable on the net proceeds received by PHC after deduction of all costs of production and payment of all pre-existing royalties. PHC owns a 100% operated working interest in the Syracuse Extension, subject only to the royalties.

The initial acreage includes 2 gas wells drilled in 1989-1990 which were never put into production. It is adjacent to the Tumbleweed Midstream pipeline which is linked to Ladder Creek Helium plant. Both wells are reported to contain methane and helium. At the time of drilling, one well had tested over 2,000 mcf per day and the other, over 3,000 mcf per day, of helium rich gas. **These historical results have not been verified by PHC, or any other independent party, and should not be relied upon.**

Leasing continued in both Kansas and Colorado, to acquire additional leases which are in proximity to historical wells that tested helium rich natural gas.

On the Kansas portion, 8,540 acres are targeted leases of which 3,320 acres have completed leases and still 5220 acres are in process. There are 24 previously drilled wells on acreage already leased, and 17 on acreage that is in process. All tested helium rich natural gas but were plugged for lack of a viable market. Other acreage will be added to this Project as it is available. The project with its present leased acreage has 138 potential well locations. Initial new well drilling is scheduled to commence in Syracuse Extension Kansas in Q4 of 2021.

On Colorado portion, 17,747 acres of its targeted core of 20,187 have now been leased. In addition, PHC is finalizing a development contract with a major mineral owner for an additional 28,160 acres. There are 28 previously drilled wells on this project which were tested, but never produced. The Company expects to complete the leasing and contracting by the end of October. PHC has begun the permitting process and expects to drill the first well in Q1 of 2022.

Internal Gathering System and Pipeline Connection

PHC has contracted with TMI Solutions, LLC for engineering and Eatherly Constructors for construction of an internal gas gathering system on the Syracuse Project. The core of this gathering system will start at the Levens #2 well and connect the Durler 2-21 and the eight (8) other wells to be drilled before the end 2021, in an approximately 15-mile system. This Syracuse Gathering System will provide convenient connector points for balance of the 160 potential well sites in the Syracuse Project.

C) Other Mineral Properties in Mexico and Canada

Due to concentration on the Gloria Copper Project and the Covid-19 situation, no exploration has been carried out on any of the other projects including Cumeral and La Tuna Properties in Mexico or Timmins Township Properties in Canada since 2019. There are no material updates to prior disclosures related to any of these properties. It is not known when, or if, exploration will take place on these projects. The other mineral properties are described below.

Cumeral Property

Through its subsidiary, VVC Mexico, VVC owns a 100% interest in 685-hectare Cumeral gold mining project known as the Cumeral Property. It is located approximately 140 kilometres south of the City of Tucson, Arizona and 200 kilometres north of the City of Hermosillo, MX. A network of gravel roads and paved highways provide excellent year-round access. The Cumeral Property is situated in the under-explored Sierra Madre Occidental along the well mineralized "Sierra La Jojoba" trend, approximately 15 km northeast of the Mina Lluvia de Oro and Mina La Jojoba deposits which host over 26 million tonnes of measured, indicated and inferred resources grading 0.525 to 0.741 g/T gold (over 500,000 ounces of gold). This area of Sonora is host to numerous other gold deposits and mines, including Fresnillo PLC's & Newmont Mining Company's La Herradura Gold Mine which in 2009 produced over 255,000 ounces of gold and has proven and probable reserves of 193 million tonnes grading 0.65 g/T gold (4.1 million ounces). Other deposits in the area include San Francisco (780,000 ounces of gold reserves) and La Colorada (605,000 ounces of measured and indicated gold resources).

Exploration has included geological mapping, prospecting and rock chip sampling over a 120-hectare area in the vicinity of the old pits and shallow shafts (Tularcito area). Regional sampling has given values as high as 12.65 g/T in selected grab samples, and has defined five areas of gold/silver mineralization (Areas A to E) associated with strong alteration (sericite and quartz veining) with associated pyrite and hematite, trending in a northwest-southeast direction. The host units are heavily oxidized quartz sericite to biotite/muscovite schists. The Company also completed 28 air track drill holes totalling 572 metres with 15 holes in Area B and 13 holes in Area C and 1,020 meters in 14 holes in 2013 in Area A (1); Area B (3); Area C (4); Area E (4); Area F (2) for extensions to the east, down dip, on the stratigraphy of the known mineralized structures.

Area B, the main area of artisanal (gambusino) workings, covers an area of 155 by 180 metres. Air track drilling returned values as high as 1.45 g/T gold and 6.74 g/T silver over 14 metres including 4.19 g/T gold over 4 metres. Other values varied from insignificant to 0.42 g/T gold and 14.56 g/T silver over 10 metres. Eight of the holes returned values of 0.1 to 0.4 g/T gold and 1 to 4 g/T silver over widths varying from 4 to 22 metres. Air track drilling on Area C which covered an area of 115 by 200 metres, also gave significant values including 0.44 g/T gold and 0.48 g/T silver over 10 metres, and 0.21 g/T gold and 0.53 g/T silver over widths varying from 6 to 26 metres. Area A which covers an area of 80 by 300 metres, in the northern part of the Cumeral Property, consists of quartz veins/veinlets carrying minor malachite and azurite. The north copper vein along the contact of a mafic dyke, gave a value of 2.2 g/T gold, 493 g/T silver and 3.73 percent copper from a grab sample. Area D which covers an area of 100 by 270 metres and Area E which covers 140 by 200 metres, located in the southern part of the Cumeral, also show good potential.

In 2013, one selected grab sample was acquired by the QP from Area F where sampling in 2012 gave significant gold values in narrow quartz veins. The sample gave 6.37 g/T Au, 22 g/T Ag and 518 ppm Pb from a shallow dipping, 3 cm wide quartz vein, carrying euhedral pyrite, cutting sericite schists. Bright white sericite schist, assumed to be a potassic alteration of the original units, was noted in many of the areas drilled in 2013. This is considered to be evidence of strong fluid flow, required for significant gold deposition, although associated gold mineralization may be peripheral to the sericitic (potassic) alteration. Further exploration is required in these areas.

A compilation map showing the soil geochemical anomalies and gold mineralization is filed on SEDAR as part of the [June 12, 2012 news release](#) and at <https://globenewswire.com/news-release/2012/06/12/1344386/0/en/VVC-Exploration-Discovers-4-km-Gold-Mineralized-Trend-on-Its-Cumeral-Property-Sonora-State-MX.html>.

Based on the geological setting and known deposits in the area, it is believed that the Cumeral Property has the potential to host significant gold / silver deposits in the 500,000 to 1-million-ounce range. The Company has a systematic exploration program planned which includes drilling in all prospective areas on the Cumeral Property, however this plan has been put on hold due to the Pandemic and the limited cash resources available to the Company.

La Tuna Property

Through its subsidiary, VVC Mexico, VVC owns a 100% interest in 3,533 hectare gold project known as the La Tuna Property, located in Municipality of Alamos, Sinaloa and Sonora States, Mexico, at the junction of the Rio Fuerte and Rio Baboyahui rivers. La Tuna Property has gold potential in: vein type deposits such as the "Perdida" and "Plomosa" showings, paleo placers (gold disseminated in bedrock), present day placers derived (eroded) from the paleo placers and possibly low sulphidation epithermal systems. The river placer deposit and the paleo-placer zones are located mainly along the Rio Baboyahui near the river junction extending to the Rio Fuerte, an area of approximately 500 by 500 meters. Historical data (non NI 43-101 compliant) from 1994 indicates that the area contains 3.7 million m³ at 2 g/m³, equivalent to approximately 200,000 ounces of gold. It should be noted that the "paleo placer" was sampled as a placer deposit and since it is a hard rock deposit it should be sampled

by weight using channel, chip or core samples not bulk samples of cubic metres, which has little relevance in a hard rock deposit. ***Given the non NI 43-101 compliant nature of the "historic resources" and the sampling method used, the results noted above may not be relevant and should be treated with caution.***

Plans – The La Tuna Property is 100% owned, subject to the NSR, and has good exploration potential. Due to the Pandemic, the Company placed this project on hold, and will, at a later date, re-evaluate its budget commitments in order to consider further exploration or other options for this project.

Analytical Techniques – Rock and soil samples for both Cumeral and La Tuna were sent to the ALS Chemex laboratories in Chihuahua, Zacatecas or Hermosillo, Mexico. All Au analyses were by Fire Assay with a gravimetric finish. All other assays were performed by ICP-AES or AAS methods. Samples with ore grade values (>100 ppm Ag, >10,000 ppm Cu) were re-analyzed by ICP-AES or AAS. Gold values in soil samples (at least 25g) were determined by ICP-MS following digestion in Aqua Regia.

Timmins Township Properties (Ontario)

In fiscal 2008, the Company staked a 9-claim unit property in Timmins Township of Ontario (the "Timmins Twp. Property"), located about 50 km to the southeast of Timmins, in the Abitibi Greenstone Belt of Northern Ontario. The Timmins Twp. Property, located in the centre of Timmins Township, is deemed to be a prime base metals exploration target as it covers a northwest trending zone of strong airborne electromagnetic responses with associated anomalous high magnetism. An exploration program comprising line cutting and detailed geophysical surveys including magnetic, VLF and HLEM electromagnetic surveys was completed with 2 drill targets identified by a consultant. The encouraging results from these surveys justifies further exploration.

In 2019, due to a recent change in the Mining Act (Ontario), the claims comprising the Timmins Twp. Property were converted to 16 cells thereby increasing the size of the Timmins Twp. Property. The 16 cells are currently in good standing until July 3, 2022 after applying for the Covid-19 exclusion order to remove the requirement of performing, and filing, assessment work in 2021. Due to the Pandemic and the lack of funding, the Company has put the project on hold for the present.

Analytical Techniques – The rock and soil samples, were submitted to Actlabs Laboratory in Timmins in two batches. Both the rock and soil samples were analyzed using their 1E3 package (base metals) technique for 38 elements including Cu, Pb, Zn, Ag, Ni and Co. No analysis was carried out for Au on the soils with the rock sample also analyzed for Au by fire assay.

(D) Segmented Expenditures per Property

As of July 31, 2021, the Company has spent the following on its active mineral properties:

	Timmins	Samalayuca	Helium Properties	Other Properties	Total
Opening Balance	\$ 458,729	\$ 10,503,388	\$ 2,046,853	\$ 3,775,957	\$ 16,784,927
Current Exploration		137,806	1,132	9,458	148,396
Balance	\$ 458,729	\$ 10,641,194	\$ 2,047,985	\$ 3,785,415	\$ 16,933,323

(E) Investments

During the period, the Company acquired a 19% interest in Plateau Carbon LLC ("Plateau Carbon"), a limited liability Company in the State of Wyoming. The Company does not have any control over Plateau Carbon.

Plateau Carbon acquired a very large industrial gas lease holding that includes carbon dioxide ("CO₂"), nitrogen and helium. Plateau Carbon's primary purpose is the collection and storage of produced During the period, the Company acquired a 19% interest in Plateau Carbon LLC ("Plateau Carbon"), a limited liability Company in the State of Wyoming. The Company does not have any control over Plateau Carbon.

Plateau Carbon acquired a very large industrial gas lease holding that includes carbon dioxide ("CO₂"), nitrogen and helium. Plateau Carbon's primary purpose is the geologic sequestration of CO₂ in an effort to aid in the reduction of US carbon emissions. The secondary focus will be the production and sale of helium.

The investment is measured at fair-value and will be remeasured periodically with gains or losses reflected in the consolidated statement of loss. Additional information on VVC's investment in Plateau Carbon can be found on Note 17 of the Company's July 31, 2021 unaudited condensed consolidated financial statements.

SELECTED ANNUAL INFORMATION

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements for the past 3 years:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net loss for the year	\$ (14,742,000)	\$ (1,839,545)	\$ (1,899,104)
Total assets	3,263,105	6,344,334	5,082,796
Mineral property expense	12,733,152	293,727	301,930
Stock-based compensation	372,496	352,047	310,677

SUMMARY OF QUARTERLY RESULTS

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements of the 8 most recently completed quarters

	<u>Jul 31/21</u> <u>Q1 2022</u>	<u>Apr 30/21</u> <u>Q1 2022</u>	<u>Jan 31/21</u> <u>Q4 2021</u>	<u>Oct 31/20</u> <u>Q3 2021</u>	<u>Jul 31/20</u> <u>Q2 2021</u>	<u>Apr 30/20</u> <u>Q1 2021</u>	<u>Jan 31/20</u> <u>Q4 2020</u>	<u>Oct 31/19</u> <u>Q3 2020</u>
Operating costs less mineral property expenses	362,414	460,937	474,539	409,881	181,231	227,689	296,295	355,293
Interest income	-	-	-	3,000	3,000	3,000	3,000	3,000
Foreign exchange	-	-	(191,788)	227,100	122,533	(201,122)	18,458	14,444
Other	(11,082)	60,590	(528,563)	(47,381)	(5,183)	76,851	(59,661)	20,942
Mineral property expenses	(238,285)	(148,396)	(12,217,666)	(81,514)	(31,250)	(26,844)	(167,629)	(18,511)
Share of loss in equity investee	-	-	-	(7,325)	(23,250)	(259,083)	(265,647)	(133,916)
Net loss before taxes	(611,781)	(548,743)	(13,788,434)	(316,001)	(2,678)	(634,887)	(767,774)	(469,334)

RESULTS OF OPERATIONS – THREE MONTHS

The Company had operating costs less mineral property expenses ("Operation Costs") of \$362,414 for Q2 2022 as compared to \$181,231 in Q2 2021.

The \$181,183 increase from Q2 2021 to Q2 2022 was a result of increases in most expense categories due to the addition of PHC since Q4 2021.

Management and consulting fees increased by \$92,497 from \$49,802 in Q2 2021 to \$142,299 in Q2 2022. With the acquisition of PHC in Q4 2021, the Company's management team expanded to include the executives of PHC. Management and consulting fees include compensation paid to those executives in Q2 2022.

Professional fees increased by \$37,504 from \$9,000 in Q2 2021 to \$46,504 in Q2 2022 as a result of multiple significant events that occurred in Q2 2022. During Q2 2022, the Company expanded its helium resource properties by acquiring two additional resource zones. Additionally, the Company entered in certain financing arrangements through the issuance of participation units to finance the exploration and exploitation of the new gas properties that were acquired.

Travel and promotion increased by \$31,564 from \$269 in Q2 2021 to \$31,833 in Q2 2022. The addition of PHC in Q4 2021 contributed to the increase. Substantial travel is involved in the business of PHC due to the location of the various properties.

While the Operation Costs in Q2 2022 was \$362,414, the Company had a net loss of \$611,781 as compared to net loss of \$2,678 in Q2 2021. Mineral property expense in Q2 2022 was \$238,285 compared to \$31,250 in Q2 2021. The increase in mineral property cost is a result of the acquisition of SCSA in Q4 2021. The increase in mineral property expense was off-set by a decrease in share of loss from equity accounted investee which was nil in Q2 2022 compared to \$23,250 in Q2 2021 which represented only 33.75% of the total loss of SCSA for Q2 2021.

The Company had non-cash foreign exchange income of \$122,533 in Q2 2021 and nil in Q2 2022. In Q4 2021, the management determined that the local currencies of the subsidiaries were their functional currencies and as such foreign exchange gains or losses are now included in other comprehensive income.

RESULTS OF OPERATIONS – SIX MONTHS

The Company had operating costs less mineral property expenses (“Operation Costs”) of \$823,351 for the six months ended July 31, 2021 (the “Period”) as compared to \$408,920 for the six months ended July 31, 2020 (“prior period”). The significant factors that resulted in the increased Operation Costs of \$414,431 from the prior period are discussed below.

Management and consulting fees increased by \$182,450 from \$107,832 in the prior period to \$290,282 in the period. With the acquisition of PHC in Q4 2021, the Company’s management team expanded to include the executives of PHC. Management and consulting fees include compensation paid to those executives in the Period.

Professional fees increased by \$122,663 from \$18,500 in the prior period to \$141,163 in the period as a result of multiple significant events that occurred in the period. During the Period, the Company expanded its helium resource properties by acquiring two additional resource zones. Additionally, the Company entered in certain financing arrangements through the issuance of participation units to finance the exploration and exploitation of the new gas properties that were acquired.

The Company has made a concerted effort to raise investor awareness of its activities in Mexico, with emphasis on the potential of the Gloria Copper Project, and the new helium opportunities in the United States through its subsidiary PHC. The Company will need to raise capital in order to monetize the Gloria Copper Project. Additionally, the Company has experienced renewed investor interest as it is poised to earn revenues from helium production through PHC. Expanding investor relations efforts is crucial to raising the necessary capital and expanding interest in the Company. As a result, investor relations increased by \$22,610 in the prior period from \$51,825 to \$74,435 in the Period.

Travel and promotion increased by \$46,401 from \$13,259 in the prior period to \$59,660 in the Period. The addition of PHC in Q4 2021 contributed to the increase. Substantial travel is involved in the business of PHC due to the location of the various properties.

Stock-based compensation decreased by \$55,223 from \$79,178 in the prior period to \$134,401 in the Period. The change in stock-based compensation from period to period is affected by the volatility of the stock and the prevailing interest rate and the time of the grant.

While the Operation Costs for the Period were \$823,351, the Company had a net loss of \$1,160,524 as compared to net loss of \$637,565 in the prior period. Mineral property expense in the current period was \$386,681 compared to \$58,094 in the prior period. The increase in mineral property cost is a result of the acquisition of acquisition of SCSA in Q4 2021. The increase in mineral property expense was off-set by a decrease in share of loss from equity accounted investee which was nil in the Period compared to \$282,333 in the prior period which represented on 33.75% of the total loss of SCSA for the prior period.

In the prior period, the Company sold certain equipment for \$326,220 and recognized a gain on the sale of the equipment of \$112,703. No equipment was sold in the current period. The Company had non-cash foreign exchange loss of \$78,589 in the prior period and nil in the Period. In Q4 2021, the management determined that the local currencies of the subsidiaries were their functional currencies and as such foreign exchange gains or losses are now included in other comprehensive income.

MATERIAL EVENTS OVER THE EIGHT MOST RECENT QUARTERS

Material differences between Q1 2022 and Q1 2022 were in the following areas:

Net loss in Q2 2022 was \$611,781 compared to \$548,743 in Q1 2022. The biggest driver for the increase of \$63,038 from Q1 2022 to Q2 2022 was the increase in mineral property expenses which increased by \$89,889 in Q2 2022 to \$238,285 from \$148,396 in Q1 2022. As COVID-19 restriction begin to ease, the Company is now expending more effort on SCSA.

Professional fees decreased by \$48,155 in Q2 2022 to \$46,504 from \$94,659 in Q1 2022. While the Company is still involved in raising financing for its helium projects, most professional fees related to this matter were addressed in Q1 2022.

Listing and transfer agent fees increased by \$19,501 to \$20,653 in Q2 2022 from \$1,152 in Q1 2022. The Company incurred increased regulatory fees due to the preparation of its annual general meeting and the issuance of common shares from the exercise of warrants.

Material differences between Q4 2021 and Q1 2022 were in the following areas:

Net loss in Q1 2022 was \$548,743 compared to \$13,788,434 in Q4 2021. Due to the acquisition of SCSA and PHC in Q4 2021, mineral property cost was \$12,593,544 compared to \$148,396 in Q1 2022. The Company’s

accounting policy is to expense all exploration costs. As such, \$10,681,526 and \$2,046,853 relating the acquisition of SCSA and PHC were respectively expensed in Q4 2021.

The Company had a loss on debt extinguishment of \$416,475 in Q4 2021 compared to nil in Q1 2022. The Company settled \$449,038 of debt by modifying to conversion feature to encourage the debenture holders to settle their convertible debentures prior to maturity. To encourage early conversion, the Company issued shares and warrants with a fair value that exceeded the amount due to the debenture holders on the date of conversion. This non-cash excess amount was accounted for as a loss on debt extinguishment.

Management and consulting fees increased by \$79,194 from \$68,789 in Q4 2021 to \$147,983 in Q1 2022. With the acquisition of PHC in Q4 2021, the Company's management team expanded to include the executives of PHC. Management and consulting fees include compensation paid to those executives in Q1 2022.

Material differences between Q3 2021 and Q4 2021 were in the following areas:

Net loss in Q4 2021 was \$13,788,434 compared to \$316,001 in Q3 2021. Due to the acquisition of SCSA and PHC, mineral property costs increased substantially in Q4 2021 to \$12,593,544 from \$81,514 in Q3 2021. The Company's accounting policy is to expense all exploration costs. As such, \$10,681,526 and \$2,046,853 relating the acquisition of SCSA and PHC were respectively expensed during the current period.

The Company had a loss on debt extinguishment of \$416,475 in Q4 2021 compared to nil in Q3 2021. The Company settled \$449,038 of debt by modifying to conversion feature to encourage the debenture holders to settle their convertible debentures prior to maturity. To encourage early conversion, the Company issued shares and warrants with a fair value that exceeded the amount due to the debenture holders on the date of conversion. This non-cash excess amount has been accounted for as a loss on debt extinguishment.

Material differences between Q2 2021 and Q3 2021 were in the following areas:

Non-cash stock-based compensation increased by \$141,870 from \$30,773 in Q2 2021 to \$172,643 in Q3 2021. The change in stock-based compensation from period to period is affected by the volatility of the stock and the prevailing interest rate and the time of the grant.

Investor relations increased by \$44,696 from \$22,155 in Q2 2021 to \$66,851 in Q3 2021. The increase is due to the current investor awareness program required to raise capital and inspire investor confidence in the Company's strategic decision.

Listing and transfer fees increased by \$28,128 from \$7,863 in Q2 2021 to \$35,991 in Q3 2021. Listing and transfer fees increased from Q2 2021 to Q3 2021 due to the closing of a large financing in Q3 2021, requests from the TSXV for approval to complete certain transactions and the cost of issuing new shares.

Material differences between Q1 2021 and Q2 2021 were in the following areas:

Stock-based compensation decreased by \$17,632 from \$48,405 in Q1 2021 to \$30,773 in Q2 2021. The change in stock-based compensation from period to period is affected by the volatility of the stock and the prevailing interest rate and the time of the grant.

Due to COVID-19, travel was severely curtailed. As a result, the Company decreased its travel expense by \$12,721 from Q1 2021 to Q2 2021.

The Company sold certain equipment for \$326,220 and recognized a gain on the sale of the equipment of \$112,703 in Q2 2021. No such gain was recorded in Q1 2021.

The Company also recorded a gain related to the changes in foreign exchange rates of \$122,533 in Q2 2021 compared to a loss on foreign exchange rates in Q1 2021 of \$201,122.

Material differences between Q4 2020 and Q1 2021 were in the following areas:

Investor relations decreased by \$63,045 from \$92,715 in Q4 2020 to \$29,670 in Q1 2021. Investor relations in Q4 2020 related to the high ancillary costs associated with raising funds in fiscal 2020. Due to the nature of these costs, they were not capitalized to the cost of financing. These costs were necessary in providing the Company with an opportunity to reach new parties interested in acquiring shares of the Company. The Company continues to invest in these shareholder out reach programs which creates high investor relations costs. These costs will fluctuate period over period based on the timing of the investor outreach programs. The Company also continues to invest in raising awareness of its investment in SCSA.

Mineral property expenses decreased \$140,785 from \$167,629 in Q4 2020 to \$26,844 in Q1 2021. Due to the impact of the Pandemic, the Government of Mexico mandated reduced activities on exploration activities in Mexico.

Professional fees decreased by \$48,150 from \$57,650 in Q4 2020 to \$9,500 in Q1 2021. The decrease was a result of professional fee accruals primarily related to the 2020 year-end audit which was accrued in Q4 2020.

Listing and transfer fees increased by \$13,728 from \$1,695 in Q4 2020 to \$15,423 in Q1 2021. The increased fees are a result of the timing of maintenance and filing fees paid to the TSXV. Similar fees were paid Q2 2020. Interest expense increased by \$40,944 from (\$9,583) in Q4 2020 to \$31,361 in Q1 2021. The unreasonably low expense in Q4 2020 was a result of non-cash adjustments made to reflect the appropriate carrying value of convertible debentures.

Non-cash foreign exchange gain was \$18,458 in Q4 2020 compared to non-cash foreign exchange loss of \$201,122 in Q1 2021. The devaluation in Mexican pesos in Q1 2021 resulted in the high reported loss.

Material differences between Q3 2020 and Q4 2020 were in the following areas:

Non-cash stock-based compensation decreased by \$77,218 from \$159,560 in Q3 2020 to \$82,342 in Q4 2020. The expense is affected by the number of options that vest each period along with the input variables used during the valuation of the granted stock options.

Mineral property expense increased by \$149,118 in Q4 2020 from \$18,511 in Q3 2020 to \$167,629 in Q4 2020. Due to the funds raised during 2020, the Company was able to direct more of its resources to expanding its exploration activities on properties such as La Tuna and Cumeral.

Investor relations increased by \$75,186 in Q4 2020 from \$17,529 in Q3 2020 to \$92,715 in Q4 2020. During Q3 2020 and Q4 2020, the Company raised over \$2 million dollars in equity financing. The direct costs associated with raising capital in 2020 are negligible, however, there were ancillary costs that were incurred. Due to the nature of these costs, they were not capitalized to the cost of financing. These costs were necessary in providing the Company with an opportunity to reach new parties interested in acquiring shares of the Company.

Share of loss of equity accounted investee increased by \$131,731 in Q4 2020 from \$133,916 in Q3 2020 to \$265,647 in Q4 2020. The Company directed most of its financial resources and focus in Q4 2020 to the Gloria Project after it received Board approval to proceed with a pilot mine on the property.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2021, the Company had a working capital deficit of \$709,882 compared to working capital of \$513,467 at January 31, 2021. In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. The working capital is not considered sufficient to settle the Companies current liabilities and pay for its operating activities over the next 12 months.

These circumstances create material uncertainty that may indicate significant doubt to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

At July 31, 2021, the Company had current assets of \$2,127,946 (January 31, 2021 - \$3,263,105) compared to current liabilities of \$2,837,828 (January 31, 2021 - \$2,749,638). To manage working capital, the Company did the following:

- (a) On March 25, 2020 and June 8, 2020, the Company closed two tranches of a previously announced non-brokered Private Placement financing. The Company raised a cumulative \$1,179,900 and issued to the placees an aggregate of 23,598,00 Units at a price of \$0.05 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant, each full warrant entitles the holder to purchase one additional share of the Company at an exercise price of CA\$0.06 per share until May 31, 2023. The Company paid \$80,460 as a finders' fee to third parties instrumental in arranging this financing. The finders' fee was paid in cash of \$71,091 and 312,300 units. The units issued as finders fees had the same terms as the private placement units.
- (b) On September 30, 2020, the Company closed a non-brokered private placement financing where it raised gross proceeds of \$2,878,390 by issuing 57,567,800 units at a price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant, each full warrant entitles the holder to purchase one additional share of the Company at an exercise price of CA\$0.075 per share until September 30, 2023. The Company paid a finders' fee of \$57,312 to third parties instrumental in arranging this financing. The finders' fee was paid in cash of \$11,068 and 1,156,100 units. The units issued as finders fees had the same terms as the private placement units. The Company incurred an additional \$16,376 in ancillary costs that were directly related to completing the financing.

In conjunction with the non-brokered private placement, the Company settled \$91,205 of accounts payable by issuing 1,824,100 shares and 879,800 share purchase warrants. Each share was issued at a price of \$0.05 per share. Each warrant is exercisable into common shares of the Company at an exercise price of \$0.075 per share until September 30, 2023.

- (c) Since 2016, the Company has issued certain notes payable, which are carried at amortized cost are as follows:

	July 31, 2021	January 31, 2021
Convertible Debenture	\$ 192,332	\$ 172,724
Less: current portion	52,144	46,971
	\$ 140,188	\$ 125,753

On November 30, 2016, the Company raised US\$885,000 (CA\$1,168,200) from the issuance of convertible debentures. The debentures mature 5 years from the date of issue and bear interest at 12% per year. The debentures are convertible into shares at a price of CA\$0.05 per share any time after six months from issuance until November 30, 2017 and thereafter at CA\$0.10 per share until maturity (\$710,000 of the convertible debentures was converted into common shares of the Company on November 30, 2017). Additionally, the Company issued 17,700,000 warrants to the debenture subscribers. The warrants entitle the holder to purchase one common share of the Company at a price of CA\$0.05 per share at any time from issuance until November 30, 2021. Principal balance remaining on this debenture at July 31, 2021 was US\$25,000 (CA\$31,925).

On March 15, 2017, the Company issued convertible debentures for US\$103,241 (CA\$140,758) maturing five years after the date of issue and bearing interest at 12% per annum, compounded quarterly and payable at maturity. The debentures are convertible into common shares of the Company at a price of CA\$0.05 per unit in the first year and thereafter at CA\$0.10 per unit until maturity. The Company also issued 2,064,820 detachable warrants with each warrant exercisable at CA\$0.05 per share for 5 years.

Accrued interest recognized on all debt obligations is included in notes payable.

SUBSEQUENT EVENTS

There are were no subsequent events

OFF-STATEMENTS OF FINANCIAL POSITION ARRANGEMENTS

There are no off-statement of financial position arrangements.

IMPACT OF COVID-19

The global outbreak of COVID-19, has had a significant impact on businesses through restrictions put in place by the United States, Canadian and Mexican governments regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may continue to have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by the United States, Canada, Mexico and other countries to fight Covid-19. While the extent of the impact is unknown, it is management's assessment that the outbreak caused significant delays in our exploration activities in Mexico and the United States, evidenced by supply chain disruptions and staff shortages.

The Company's operations in Mexico were most severely affected by Covid-19 since business activity was curtailed by the authorities. As a result, operations at Samalayuca were placed on hold and will remain so until the authorities permit us the access the facilities to continue with our planned exploration/development programs. Through a sense of corporate community responsibility, the Company has participated in relief efforts to deliver food, water and other supplies to the most affected and needy residents in the area.

Our operations in the United States were also slowed due to lock-down restrictions or limited staff working for many of our vendors and government offices with which we interact. These restrictions have resulted in delays in our expected time to revenue by approximately four months. As restrictions are being lifted, we expect to begin ramping our activity in the United States.

Our Canadian operations were not substantially impacted by the restrictions and lock-downs as the Canadian operations are primarily administrative.

We continue to encourage our employees to follow the guidelines of the authorities which include the washing of hands, social distancing and wearing masks as appropriate.

We will continue to update our shareholders on the impact of Covid-19 on the Company's operations.

RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

July 31,	2021	2020
Compensation	\$ 197,316	\$ 110,280
Share-based payments ⁽¹⁾	60,655	21,513
Total	\$ 257,971	\$ 131,793

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the period.

During the six months ended July 31, 2021, the Company paid or accrued \$9,000 (2020 – \$9,000) in fees to a director for legal counsel and other professional services.

Included in accounts payable and accrued liabilities is \$38,040 (January 31, 2021 - \$23,636) payable to key management personnel.

In order to maintain cash flow, management does not receive substantial compensation. Management has taken occasional reductions in compensation and where possible, will participate in converting the accrued compensation either into equity or debt securities.

Directors are also focused on ensuring that sufficient cash is available to manage the projects. They are not paid for their services.

OUTSTANDING SHARE DATA

a) Outstanding Common Shares

	Number of shares
Balance, July 31, 2021	497,384,461
Balance, September 27, 2021	499,216,414

b) Warrants and Stock Options

There were 200,696,740 warrants outstanding and exercisable at various prices ranging from \$0.05 to \$0.10 at July 31, 2021 and 198,541,395 at September 27, 2021.

There were 57,800,000 options outstanding at a weighted average price of \$0.05 as at July 31, 2021 and 71,750,000 options outstanding at a weighted average price of \$0.07 as at September 27, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are as follows:

	July 31, 2021	January 31, 2021
Fair value through profit or loss (FVTPL):		
Conversion feature on convertible debt	\$ 148,370	\$ 148,370
Loans and receivable, measured at amortized cost:		
Deposits and other receivable	\$ 181,076	\$ 181,076
Cash	\$ 3,015,483	\$ 3,015,483
Note receivable	\$ -	\$ 5,917,232
Fair value through other comprehensive income:		
Investment	\$ 23,560	\$ -
Other liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 835,549	\$ 591,318
Notes payable	\$ 172,724	\$ 522,927
Subscription deposits	\$ -	\$ 843,325
Payable on asset purchase	\$ 532,596	\$ -

Interest Rate and Credit Risk

It is management's opinion that the Company is not exposed to significant interest rate or credit risks arising from its financial instruments given their short-term nature.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to the variability of copper prices.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity Risk

The Company has little income and mainly relies on equity financing to support its exploration programs. Management prepares budgets and ensures funds are available prior to commencement of any such program. As at July 31, 2021, the Company does not have sufficient capital to fund its operations over the next twelve months. As at July 31, 2021, the Company had a cash balance of \$1,932,839 (January 31, 2021 - \$171,347) to settle current liabilities of \$2,837,828 (January 31, 2021 - \$1,755,786)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Currency Risk

The Company engages in significant transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Mexico; accordingly, the resulting assets and liabilities are exposed to foreign exchange fluctuations.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts payable and accrued liabilities and convertible debentures that are denominated in US Dollars and Mexican Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with all other variables held constant, would affect net loss by approximately \$22,000 (January 31, 2021 - \$534,000).

BUSINESS RISKS

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

The recoverability of amounts shown as mining interests and equipment, are dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

INVESTMENT IN SCSA

The Company has invested majority of its cash inflows in SCSA. Most of its current focus is directed to this single project. To-date, this investment has not produced any returns and it is uncertain when SCSA will generate cash flows so that the Company may recover its investment. We cannot assure you that we will be able to extract copper from the identifiable reserves at rates that are commercially feasible. Further, the price of copper is

dictated by factors beyond the control of the Company, such prices will determine the ultimate viability of the Company's investment in SCSA.

THE COVID-19 OUTBREAK COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

The global outbreak of Covid-19 (the "Pandemic") has resulted in Canada, Mexico and most countries in the world halting, or sharply curtailing, the movement of people, goods and services. This has negatively affected many businesses, including those operating in our sector, with the long-term economic impact remaining uncertain. We believe it could continue to have a material adverse impact on our business. Given the rapidly changing developments, we cannot accurately predict what effects these developments, such as the geographic spread of the virus, governmental limitations, the duration of the outbreak, travel restrictions, and business closures, amongst other factors, will have on our business. Given these conditions, the Company may continue to experience these issues in the future which may have a material adverse effect on the Company's business, operating results and financial condition.

PHC has encountered some delays due to the Pandemic since August last year. Management believes that the situation has improved, but further delays related to the Pandemic may still be encountered going forward.

OUTLOOK

Prior to the Pandemic, the Company's primary focus was on preparation for Pilot Mining and Processing on the Gloria Copper Project located on the Kaity Property in Chihuahua State, Mexico. Continuing work on the Gloria Project is dependent upon the Company raising significant funding through (i) a private placement financing; (ii) a Debt Financing that had been contemplated in March 2020, (iii) cash flow from PHC, and/or other sources. Due to the Pandemic, the potential debt providers for the Gloria Project backed away. When we have a better feel for the timing of the reopening of the Gloria Project, we will re-examine our financing options.

In January 2021, the Company acquired PHC which has Helium Projects in western US. Since PHC completed a limited partnership financing in 2020, it has sufficient funding to cover the costs of reworking existing wells and/or drilling additional wells in order to put 10 wells in production by the end of 2021. This schedule was readjusted due to delays in obtaining the necessary permits during the Pandemic and also due to unexpected technical difficulties with reworking the existing wells. PHC intends to raise additional limited partnership financing this year, in order to drill and put into production an additional 20 new wells over the next 12 months.

The Cumeral Property in Sonora and the La Tuna Property in Sinaloa / Sonora MX, projects are in good standing and are located in areas of Mexico where exploration is increasing and opportunities for good projects are limited. With our limited cash resources earmarked for the Gloria Copper Project, the Company is exploring other alternatives that could include joint venture opportunities with Companies looking to acquire projects in Mexico.



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