# ZONTE METALS INC.

# MANAGEMENT DISCUSSION & ANALYSIS

# FOR THE THREE and NINE MONTHS ENDED

# OCTOBER 31, 2021

# Zonte Metals Inc. Management Discussion & Analysis
# For the three and nine months ended October 31, 2021

## *BACKGROUND*

The Management Discussion and Analysis ("MD&A") of Zonte Metals Inc. ("Zonte" or the "Company") provides an analysis of the results for the three and nine months ended October 31, 2021 (the "Period"). The MD&A should be read in conjunction with the financial statements of the Company for the years ended January 31, 2021 and 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise specified. Additional information regarding the Company is available on SEDAR at **www.sedar.com.**

## *FORWARD-LOOKING INFORMATION*

Certain statements in this MD&A are forward-looking statements or information (collectively "forward-looking statements"). The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: limited operating history; exploration and development risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; conflicts of interest of management; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of the Company.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors" below.

## *1.1 DATE OF REPORT*

This report is prepared as of December 21, 2021.

## *1.2 OVERALL PERFORMANCE and COMPANY OVERVIEW*

Zonte is a junior mineral exploration company primarily focused on gold and copper. The Company's common shares are listed and trade on the TSX Venture Exchange (the "TSX-V" or the "Exchange") under the symbol "ZON".

The Company has no producing operations and accordingly no operating income or cash-flow. The Company is dependent on accessing capital markets to raise the funds necessary to continue exploration on its existing properties, acquire new properties, and meet its ongoing working capital requirements. As of the date of this report, no mineral reserves or resources have been delineated on any properties in which the Company has an interest and, accordingly, the Company remains at a relatively early stage.

# Zonte Metals Inc. Management Discussion & Analysis
# For the three and nine months ended October 31, 2021

During the nine months ended October 31, 2021 ("YTD-22"), the Company incurred a loss before deferred income tax recoveries of $366,658, an increase of $187,779, approximately 105%, above the loss before deferred income tax recoveries of $178,879 incurred for the nine months ended October 31, 2020 ("YTD-21") with the increase primarily attributable to increases in Stock based compensation and Management and consulting fees.

During the three months ended October 31, 2021 ("Q3-22"), the Company incurred a loss before deferred income tax recoveries of $153,458, an increase of $178,879, approximately 226%, over the loss before deferred income tax recoveries of $47,081 incurred for the three months ended October 31, 2020 ("Q3-21") with the increase primarily attributable to increases in Stock based compensation and Management and consulting fees.

As a result of challenging financial markets in the junior resource sector over the past several years, and the Company's limited financial resources, the Company has implemented a series of cost management strategies focused on minimizing cash operating costs and continues to manage its cash operating expenditures diligently.

During December 2019, the Company completed a private placement financing (the "2019 Private Placement") and issued 1,157,935 units (the "2019 Units") at a price of $0.23 and 4,183,167 flow through shares (the "2019 FT Shares") at a price of $0.30 (together, the "2019 Private Placement") for total proceeds of $1,521,275. Each Unit was comprised of one common share and one-half common share purchase warrant (the "2019 Warrants") with each 2019 Warrant entitling the holder thereof to acquire one common share of the Company at a price of $0.35 at any time prior to June 20, 2021 (the "Warrant Term"). In connection with the 2019 Private Placement, the Company issued 299,517 Finder Warrants (the "2019 Finder Warrants"), paid cash finders' fees aggregating $86,389 and incurred other issuance costs of $7,500. Each 2019 Finder Warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.35 per share during the Warrant Term. The proceeds of the financing were used for working capital and funding of exploration expenditures on the Company's exploration properties.

The Company has acquired a 100% interest in the Cross Hills Iron Oxide Copper Gold Project (the "Cross Hills Project"), on the island portion of Newfoundland and Labrador. The property is comprised of 486 claims covering 12,150 hectares including 90 claims optioned from the property vendor and an additional 396 claims map staked by the Company. The Company acquired its interest pursuant to an option agreement entered in November 2017 (the "Cross Hills Agreement") by making payments of $55,000 and issuing 1.5 million common shares with the final $25,000 payment and 500,000 shares paid in February 2021. The claims are subject to a 3% NSR, 2/3rds of which can be purchased for $2,000,000.

Zonte holds a 100% interest in the McConnell's Jest Project (the "MJ Project"). The MJ Project is located in the Tintina Gold Belt in the Yukon Territory and is comprised of 172 claims totaling approximately 3,371 hectares. Zonte acquired its 100% interest in the project by issuing a total of 1,583,333 common shares of the Company and making payments of $125,000 between January 2017 and June 2019. The Company completed an initial exploration program on the MJ Project during Fiscal 2018 that included mapping, sampling and approximately 1,000 metres ("m") of drilling.

Zonte holds a 100% interest in the Wings Point Project ("Wings Point") located on the island portion of Newfoundland and Labrador, about 30 kilometres ("km") north of Gander and at the northern end of the central Newfoundland gold belt. During the year ended January 31, 2021, the Company staked an additional 243 claims covering 6,075 hectares increasing the size of the Wings Point to approximately 8,600 hectares and carried out a short six-hole drill program confirming anomalous gold in four of the six holes completed. Newfound Gold is exploring in the southern portion of the belt where it has reported a significant discovery, intersecting 92.9 g/t gold over 19 metres and has identified the style of mineralization as being similar to that of the high-grade quartz veins in the Fosterville area of Australia. This analogy opens up the central gold belt in Newfoundland to a new model type. Within the main Wings Point claims, the Company has completed three geophysical grids, with two of them seeing little to no follow-up exploration since completion. Within one of the newly staked areas, historic heavy mineral concentrate from till sampling returned 59.2 g/t and 5.3 g/t gold. The area from which this discovery was made has not been followed up. The 59.2 g/t Au value was the highest Noranda discovered in their +800 sample program which covered a large portion of the newly focused gold trend. Recently completed exploration identified several areas of interest including; 1. Ni, Cr and Co in black shales, 2. Gold in quartz float samples and 3. a water recharge zone with widespread iron precipitation that may be sourced from a shallow sulphide body.

Since fiscal 2019, the Company's exploration efforts have focused primarily on the Cross Hills Project. At Cross Hills, the Company has completed phase 2 drilling at Dunns Mountain. Drilling focused on gravity and magnetic anomalies with widespread fracture control copper mineralization and high-grade copper being intersected. The high-grade copper, gold and silver intercept in CH-19-04 (0.43m of 15.8 g/t gold, 352 g/t silver and 14.0% copper) and the high-grade silver intercept in CH-20-03 (0.12m of 2048 g/t silver and 1.17% copper) on the eastern side of Dunns Mountain both need follow-up exploration to understand their importance. Drilling also discovered a 1.75m interval with 268.6 g/t Ag in at the southern end of the target area in drill hole CH-20-10. In addition widespread fractures containing copper mineralization was intersected in several drill holes. These data point to a possible nearby copper target. Outside Dunns Mountain, the company has identified seven more targets that are at different stages of definition. They vary from drill ready, such as K6 and Big K to newly discovered, like Dunns North and Nine Mile. The company is actively advancing the targets to drill stage through a series of geophysical and geochemical surveys. Beyond these eight targets, the Company is active exploring other parts of the project for other targets and over the last three years has identified a series of parameters that has sped up the exploration for new targets.

In Fiscal 2014, Zonte, in collaboration with strategic partners (together the "Applicants"), made applications for three exploration licenses in Colombia covering areas believed to be highly prospective. The areas were confirmed as open ground on the Government of Colombia's website and the Applicants' applications have been confirmed as the first received following commencement of the application process. The applications, made to the Agencia Nacional de Mineria (ANM), were followed up with the required supporting documentation but as of this date have not been issued to the Applicants. One of the applications covers areas located between titles covering the Gramalote Deposit which is understood to be held through a joint venture between AngloGold Ashanti (NYSE:AU) and B2Gold (TSX:BTO, NYSE:BTG). The Applicants have completed various steps required to proceed to "Special Court" in order to challenge the Secretaria de Minas, who has not titled the exploration application submitted by the Applicants in July 2013. As reported in a press release dated February 21, 2017, The Special Court has accepted the Applicant's case as presented and the case will now proceed through the court process. While the Applicants remain committed to pursuing their rights under the application, the timing and outcome of the Special Court process remains unknown as of this date. Upon receipt of the titles by the Applicants and subject to board and regulatory approvals, Zonte can acquire each of the mineral concessions from the Applicants for a specified number of Zonte common shares.

The Company's objective remains the identification and acquisition of projects that add value while minimizing dilution and maintaining an attractive equity structure that will benefit shareholders as the Company moves forward.

## *1.3 SELECTED ANNUAL INFORMATION*

The following table outlines selected financial information for the years ended January 31, 2021, 2020 and 2019. The financial information is extracted from the Company's audited financial statements which have been prepared in accordance with IFRS.

All amounts are expressed in thousands of Canadian dollars, except per share amounts:

| | Year ended January 31 | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | $ | $ | $ |
| Revenue | - | - | - |
| Net income (loss) and comprehensive income (loss) | 86 | (157) | (583) |
| Basic and diluted loss per share | - | - | 0.01 |
| Working capital (deficiency) | 564 | 1,576 | 1,456 |
| Total assets | 5,040 | 5,123 | 3,738 |
| Non-current financial liabilities | 1,139 | 1,064 | 988 |

The Company has no producing operations and expects to record losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties or the properties are otherwise disposed of at a profit. The Company's future operations will depend on its ability to access additional equity financing and future losses and asset values will be significantly impacted by any impairment write-downs or abandonment of any resource properties.

## *1.4 RESULTS OF OPERATIONS – NINE MONTHS ENDED OCTOBER 31, 2021 AND 2020*

During YTD-22, the Company reported net loss and comprehensive loss of $366,658 versus net profit and comprehensive profit of $159,170 with the change primarily attributable to Deferred income tax recoveries of $338,049 in YTD-21 ($nil - YTD-22), all related to flow-through expenditures incurred during Fiscal-2021. The Company has no producing operations and its only revenue was interest income of $268 and $11,075 earned in YTD-22 and YTD-21, respectively. The Company's Operating expenses totaled $369,755 in YTD-22, an increase of $176,972, approximately 92%, over YTD-21 Operating expenses of $192,783. The material break-down of Operating expenses for YTD-22 and YTD-21 periods is presented in the following table:

| | 31-Oct 2021 | 31-Oct 2020 |
|---|---|---|
| | $ | $ |
| Operating expenses: | | |
| Management and consulting fees | **142,698** | 104,066 |
| Office & general | **1,651** | 2,138 |
| Transfer agent, listing & filing fees | **17,566** | 15,992 |
| Insurance | **7,633** | 6,800 |
| Communications | **5,374** | 3,131 |
| Investor relations & shareholder communications | **12,748** | 7,670 |
| Legal & audit | **17,486** | 14,560 |
| Depreciation | **6,234** | 6,234 |
| General exploration and due diligence | **5,812** | 3,909 |
| Part XII.6 Tax | **(6,500)** | 6,836 |
| Stock based compensation | **159,053** | 21,447 |
| | **369,755** | 192,783 |

The most significant operating cost expenditures and variances over the prior year are as follows:

- Management and consulting fees of $142,698 represented an increase of $38,632, 37% above management and consulting fees of $104,066 in YTD-21 as the Company maintained minimum staff levels and capitalized $46,500 as exploration expense based on the number of management's days on-site at the Company's projects (YTD-21 $84,900). Payment of a portion of Management and consulting fees continues to be deferred and included in Due to Related Party balances – *see section 1.9*;
- Office and general costs of $1,651 decreased by $487 over expenditures of $2,138 in YTD-21, a 23% decrease, over YTD-21, as the Company continued to keep discretionary spending to a minimum, including operating out of rent-free premises since October 2013;
- Transfer agent, listing and filing fees of $17,566 increased by $1,574, approximately 10% above expenditures of $15,992 in YTD-21 with the difference primarily attributable to timing differences;
- Insurance expenditures of $7,633 represented an increase of $833, approximately 12%, over insurance expenditures of $6,800 in YTD-21;
- Investor relations and shareholder communications expenditures of $12,748 increased by $5,078 a 66% increase over YTD-21 as the Company marginally increased its investment relations activities during the Period;
- Legal and audit expenses of $17,486 in YTD-22 represented an increase of $2,926, approximately 20%, over YTD-21 expenditures of $14,560 as it is anticipated that the Company's audit fees will continue to experience upward pressure consistent going forward;
- General exploration and due diligence costs increased to $5,812, an increase of $1,903 approximately 49%, over YTD-21 expenditures of $3,909 as the Company incurred incidental costs supporting the Applicants Special Court proceedings in connection with their Colombia license applications; and
- Covid relief provisions extending the timeline for incurring eligible exploration expenses resulted in the Company receiving a $6,500 refund of Part XII.6 Tax recorded during Fiscal 2021 related to the 2019 FT Shares while during YTD-21, the Company recorded an expense of $6,836.
- Stock options granted in May 2021 resulted in Stock-based compensation expense of $159,053 during YTD-22 an increase of $137,606, approximately 642% compared to $21,447 during YTD-21. The aforementioned stock options vest over an 18-month period over which the value of the stock options will be expensed.

### *THREE MONTHS ENDED OCTOBER 31, 2021 and 2020*

During Q3-22, the Company reported net loss and comprehensive loss of $156,413 versus net profit and comprehensive profit of $37,287 in Q3-21, with the change primarily attributable to Deferred income tax recoveries of $84,368 in Q3-21 ($nil – Q3-22), all related to flow-through expenditures incurred during Q3-21. The Company has no producing operations and earned interest revenue of $nil during Q3-22 while earning interest income of $3,539 in Q3-21. The Company's Operating expenses totaled $157,356 in Q3-22, an increase of $109,070, approximately 226%, above Q3-21 Operating expenses of $48,286. The material break-down of Operating expenses for the Q3-22 and Q3-21 periods is presented in the following table:

| | 31-Oct 2021 | 31-Oct 2020 |
|---|---|---|
| | **$** | **$** |
| Operating expenses: | | |
| Management and consulting fees | **42,267** | 32,258 |
| Office & general | **361** | 442 |
| Transfer agent, listing & filing fees | **5,468** | 3,432 |
| Insurance | **2,674** | 2,312 |
| Communications | **730** | 1,000 |
| Investor relations & shareholder communications | **2,619** | 1,960 |
| Legal & audit | **6,806** | 4,000 |
| Depreciation | **2,078** | 2,078 |
| General exploration and due diligence | **1,150** | 603 |
| Part XII.6 Tax | **-** | 201 |
| Stock based compensation | **93,203** | - |
| | **157,356** | 48,286 |

The most significant operating cost expenditures and variances over the prior year are as follows:

- Management and consulting fees of $42,267 represented an increase of $10,009, approximately 31%, over Q3-21 as the Company maintained minimum staff levels and capitalized $19,500 as exploration expense based on the number of management's days on-site at the Company's projects (Q3-21 $29,900). A portion of Management and consulting fees continues to be deferred and is included in Due to Related Party balances – *see section 1.9*;
- Office and general costs of $361 decreased by $81 over expenditures of $442 in Q3-21, a 18% decrease, over Q3-21, as the Company continued to keep discretionary spending to a minimum, including operating out of rent-free premises since October 2013;
- Transfer agent, listing and filing fees of $5,468 in Q3-22 represented an increase of $2,036 or 59% over Q3-21 expenditures of $3,432 with the difference primarily attributable to timing differences;
- Investor relations and shareholder communications expenditures of $2,619 increased by $659, approximately 34% over Q3-21, as the Company marginally increased its investment relations activities during the Period;
- General exploration and due diligence costs increased to $1,150 in Q3-22, a $547 increase, over Q3-21 as the Company continues to incur incidental costs supporting the Applicants Special Court proceedings in connection with their Colombia license applications; and
- Stock options granted in May 2021 resulted in Stock-based compensation expense of $93,203 during Q3-22 as compared to $nil during Q3-21. The aforementioned stock options vest over an 18-month period over which the value of the stock options will be expensed.

## *1.5 SUMMARY OF QUARTERLY RESULTS*

A summary of quarterly results for the most recent eight quarters is included in the table below. The financial information is extracted from or derived from the Company's unaudited interim financial statements and conform with IFRS. All amounts are expressed in thousands of Canadian dollars, except per share amounts:

| | Fiscal 2022 | | | Fiscal 2021 | | | | Fiscal 2020 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| | Oct-21 | Jul-21 | Apr-21 | Jan-21 | Oct-20 | Jul-20 | Apr-20 | Jan-20 |
| Revenue | - | - | - | | - | - | - | - |
| Net income (loss) | (156) | (128) | (83) | (73) | 37 | 86 | 36 | (3) |
| Net income (loss) per share | | | | | | | | |
| - basic and diluted | $ - | $ - | $ - | | $ - | $ - | $ - | $ - |
| Total assets | $ 5,031 | $ 5,045 | $ 5,086 | $ 5,040 | $ 5,097 | $ 5,224 | $ 5,137 | $ 5,123 |

As previously noted, the Company has no producing operations and expects to record losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties or the properties are otherwise disposed of at a profit. The Company's future operations will depend on its ability to access additional equity financing and future quarterly results will be significantly impacted by any impairment write-downs or abandonment of any resource properties as well as the value of stock-based compensation related to the vesting of options in any particular period.

## *1.6 LIQUIDITY AND CASH FLOWS*

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus ("COVID-19"). The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals may adversely impact the Company's operations, including the Company's ability to raise financing. This has resulted in significant economic uncertainty, of which the potential impact on the Company's future financial results is difficult to reliably measure.

*Liquidity*

At October 31, 2021, the Company had cash of $258,396 (January 31, 2021- $550,141) including cash with banks and on hand of $168,785 (January 31, 2021 - $460,530) and $89,611 in interest bearing deposits (January 31, 2021 - $89,611). The Company had working capital of $222,478 at October 31, 2021 a decrease of $341,438 over the Company's working capital of $563,916 at January 31, 2021.

As a mineral exploration company, the Company has no present sources of revenue. During the period, the Company paid its administrative costs, the costs of acquiring exploration properties, and other normal course expenditures, out of the proceeds of the issuance of common shares in previous periods. For the foreseeable future, the Company will remain dependent on the issuance of additional shares to raise funds to continue the exploration on and evaluation of its properties and to fund ongoing operating costs.

Management anticipates that the Company will require additional funds to meet the Company's obligations and budgeted expenditures over the foreseeable future. The anticipated funding shortfall may be met in a number of ways including, but not limited to, the sale of equity or debt securities, further expenditure reductions, asset sales and/or the introduction of joint venture partners. There is, however, no assurance that these sources of funding or initiatives will be available to the Company, or that they will be available on terms which are acceptable to the Company. The ability to raise additional funds through the sale of shares will depend on the state of the gold and other commodity markets and on the state of equity markets in general, as well as the exploration results achieved on the Company's properties.

*Operating Activities*

The Company's cash used by operating activities was $102,368 for YTD-22 an increase of $180,466 over cash provided by operating activities of $78,098 during YTD-21. During both YTD-22 and YTD-21, the Company maintained minimum staffing levels and continued its efforts to manage expenditures as explained in the Results of

Operations herein. Included in cash used in operating activities are deferrals of related party salaries which provided cash of $59,250 in both YTD-22 and YTD-21; gain on revaluation and accretion expense on long-term related party balances which used cash of $2,829 in both YTD-22 and YTD-21; and changes in working capital which provided cash of $42,850 during YTD-22, a decrease of $141,100 over changes in working capital which provided cash of $183,950 during YTD-21. The primary changes in working capital providing cash during the YTD-22 were receipt of recoverable sales tax amounts and government exploration incentives which had been recorded at January 31, 2020.

During Q3-22, the Company's operating activities used cash of $49,265 compared to $1,613 used in operating activities during Q3-21. Included in cash used in operating activities are deferrals of related party salaries which provided cash of $19,750 in both Q3-22 and Q3-21 as well as Accretion of discounted amounts due to related parties which used cash of $943 in both Q3-22 and Q3-21 as well as changes in working capital which used cash of $6,940 during Q3-22 and provided cash of $24,845 during Q3-21.

*Financing Activities*

The Company's cash provided by financing activities was $5,125 for YTD-21 arising from the exercise of stock options while the Company had no financing activities during YTD-22.

The Company had no financing activities during Q3-22 or Q3-21.

*Investing Activities*

The Company had a net outflow from investing activities of $189,377 during YTD-22, a decrease of 85% over YTD-21 outflows of $1,258,755. The Company incurred expenditures on exploration and evaluation projects of $189,645 in YTD-22, a decrease of $1,080,185, approximately 85% below expenditures of $1,269,830 in YTD-21. Expenditures on Exploration and evaluation in YTD-21 related primarily to drill programs carried out on the Cross Hills and Wings Point Projects while during YTD-22, exploration expenditures related primarily to ground work completed on the same projects. Interest income was $268 and $11,075 in YTD-22 and YTD-21 respectively.

During Q3-22, the Company had a net outflow from investing activities of $42,626, a decrease of 91% over Q3-21 outflows of $460,353. The Company incurred expenditures on exploration and evaluation projects of $42,626 in Q3-22, a decrease of $417,989, approximately 91% below expenditures of $460,615 in Q3-21. Expenditures on Exploration and evaluation in Q3-21 related primarily to drill programs carried out on the Cross Hills Project. Interest income was $nil and $262 in Q3-22 and Q3-21 respectively.

## *1.7 CAPITAL RESOURCES AND GOING CONCERN*

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. The Company's continuing operations and the underlying value and recoverability of the amounts invested in exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration property interests, and on future profitable production or proceeds from the disposition of the exploration property interests. To date, the Company has not earned any revenue.

During YTD-22, the Company incurred a loss before deferred tax recoveries of $366,658 (YTD-21 - $178,879) and as at October 31, 2021 had an accumulated deficit of $4,923,664 (January 31, 2021 - $4,557,005). The Company has no income or cash flows from operations and at October 31, 2021 had working capital of $222,478 (January 31, 2021 - $563,916). The ability of the Company to fulfill its commitments, meet its planned business objectives and continue as a going concern is dependent upon the ability of the Company to raise additional financing and upon successful results from its mineral property acquisitions and exploration activities. There is no assurance that these initiatives will be successful.

The Company holds a 100% interest in the Wings Point, McConnell's Jest and Cross Hills properties with minimal holding costs to maintain its interest – see section 1.12 Exploration Properties.

## *1.8 OFF BALANCE SHEET ARRANGEMENTS*

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

## *1.9 TRANSACTIONS WITH RELATED PARTIES*

Each of the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have contractually agreed to an interest free long-term deferral of a portion of their salary or fees and have also voluntarily agreed to an interest free short-term deferral of a further portion of their salary or fees. The salary deferral component extends to a date to be mutually agreed upon between the CEO, the CFO and the Board of Directors and may be settled through a combination of cash and shares. The salary deferral components owed are considered to be interest-free loans provided to the Company.

Included in amounts due to related parties at October 31, 2021 is $909,225 (January 31, 2021 - $867,975) payable to the CEO related to a long-term deferral agreement and included in long-term liabilities

Included in amounts due to related parties at October 31, 2020 is $359,050 (January 31, 2021 - $341,050) payable to the CFO, including $345,250 (January 31, 2021 - $327,250) related to a long-term deferral agreement and included in long-term liabilities and $13,800 (January 31, 2021 - $13,800) related to current amounts due and included in current liabilities.

The amounts subject to the long-term deferral agreement are not expected to be paid within the next 12 months. Accordingly, these amounts have been re-measured to reflect the fair value based on an expected August 2022 repayment and has resulted in a gain on revaluation of amounts due to related parties, net of accretion expense, of $2,829 for YTD-2022 (YTD-2021 $2,829). The difference between the carrying value and the principal value of amounts due to related parties will be accreted as an expense over the expected term of the deferrals using the effective interest rate method with an implied interest rate of 5%.

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## *1.10 PROPOSED TRANSACTIONS*

The Company continues to evaluate various mineral properties with a view to acquiring a strategic property in an established mining "friendly" jurisdiction.

As discussed previously herein, during F-2014, Zonte identified and, in collaboration with the Applicants, made applications for three exploration licenses in Colombia, covering areas believed to be highly prospective. The areas were confirmed as open ground on the Government of Colombia's website and the Applicants' applications were confirmed as the first received following commencement of the application process. The applications, made to the ANM were followed up with the required supporting documentation but as of this date have not been issued to the Applicants. One of the applications covers areas, confirmed by the Company to be open, located between titles covering the Gramalote Deposit which is understood to be held through a joint venture between AngloGold Ashanti (NYSE:AU) and B2Gold (TSX:BTO, NYSE:BTG). The Applicants intend to continue pursuit of appropriate legal remedies and upon receipt of the titles by the Applicants, and subject to board and regulatory approvals, Zonte can acquire each of the mineral concessions from the Applicants for a specified number of Zonte common shares.

## *1.11 EXPLORATION PROPERTIES*

### *Wings Point*

Wings Point consists of seven mineral exploration licenses covering 344 claims and an area of approximately 8,600 hectares located in the Province of Newfoundland and Labrador in Canada. The Company's interests in the project are summarized as follows:

| Name | Claims | Hectares | Ownership interest |
|---|---|---|---|
| Wings Point North | 30 | 750 | Direct |
| Wings Point Extension | 111 | 2,775 | Direct |
| Wings Point East | 203 | 5,075 | Direct |

The Company acquired a 100% interest in the Wings Point North claims pursuant to an option agreement entered into in December 2010 and amended on October 8, 2013 and June 27, 2014 (the "Wings Point North Option"). The Wings Point North claims are covered by Newfoundland Exploration License 016270M which consists of 30 Mineral Exploration claims covering 750 hectares and are subject to a 3% Net Smelter Royalty ("NSR") on production from the Wings Point North License, two-thirds of which can be bought back by the Company for $2,000,000.

Pursuant to the Wings Point North Option agreement, if the Company is able to identify one million ounces of gold, in the Measured and Indicated categories of a NI 43-101report, within the Wings Point North License, an additional 300,000 common shares of the Company will be issued and $6,638 finders' fees will be paid and if the Company is able to identify two million ounces of gold, in the Measured and Indicated categories of a NI 43-101 report, within the Wings Point North License, an additional 400,000 common shares of the Company will be issued and $8,850 finders' fees will be paid.

The Wings Point Extension, including an additional 40 claims staked in May 2020, was staked by the Company and is not subject to the NSR arising from the Wings Point North Option Agreement. Similarly, Wings Point East was staked by the Company in August 2020 and is also not subject to the NSR arising from the Wings Point North Option Agreement.

The Company completed a 6-hole drill program at Wings Point during May 2020 designed to test portions of the Eastern Anomaly and Western Anomaly geophysical targets. Drill results confirmed anomalous gold in four of the six drill holes within several narrow intervals. The drill program was confined to a small section of the targets and both the Eastern and Western Anomalies remain open along strike and to depth, particularly for the Western target which is 1.6 km. long.

During May 2021, the Company began a work program consisting of prospecting, including rock and soil sampling, initially focusing on the Wings Point East claims where, within one claim block, historic till sampling by Noranda Exploration is reported to have returned samples of 59.2 g/t and 5.3 g/t gold and a search of historic records indicates these results may not have been followed up (see September 25, 2020 press release for additional details and note, the till data was taken from a Noranda assessment report (NFLD 1890) and is historic in nature, is not 43-101 compliant and cannot be relied upon). Exploration identified three new areas of interest. First, a nickel, chromium and cobalt in black shales was discovered by rock sampling in a rock quarry. Black shales are known hosts to large tonnage nickel deposits and may represent a new target style for the belt. A single sample from an alteration zone in the rock quarry returned 0.23% Ni, 0.21% Cr and 103 ppm Co. Several other samples collected in the vicinity returned anomalous nickel. Follow-up exploration will include additional rock sampling, soil sampling along strike and possibly a geophysical survey. A number of rocks have already been collected and sent to the lab. Soils and geophysical surveys will be required as the zone extends into a forest covered area.

Secondly, an area was discovered with anomalous gold in float quartz samples. Assays returned 226, 342 and 482 ppb gold. Additional float of similar character was observed in the area at the time of sampling and the area will be further prospected to vector in on a possible bedrock source. Thirdly, a spatially large gossan with a strike length was prospected and sampled. It was determined the gossan resulted from iron precipitation from a groundwater seep or recharge zone. Anomalous values of zinc were recorded in the gossan and points to a possible shallow sulphide target in the area where the iron and zinc are being sourced.

### *McConnell's Jest Project*

The MJ Project is located in the Yukon Territory about 65 km northeast of the town of Mayo and is comprised of 172 contiguous quartz claims (2019 – 172) covering approximately 3,371 hectares (2019 – 3,371). In June 2019, the Company amended the remaining terms of the MJ Option Agreement and made a final cash payment of $25,000 and issued 83,333 common shares in order to acquire a 100% interest in the project. The following are the amended terms pursuant to which the Company acquired its 100% interest:

- Making aggregate cash payments of $125,000;
- Issuing 1,583,333 common shares of the Company; and
- Paying a 3% NSR on production from the MJ Project, two-thirds of which can be bought back by the Company for $2,000,000.

The MJ Option Agreement was subject to a 10% Finder's Fee of which 10% was payable in cash and 90% in common shares. A total of $1,250 and 217,318 common shares were paid to the Finder.

During April 2017, the Company filed the initial National Instrument 43-101 Technical Report for the MJ Project. The Report titled "Geology, Mineralization, Geochemical Survey, and Environmental Survey on the McConnells Jest Intrusion-Related Gold Property", was completed by Andy Randell, P.Geo who is the qualified person as defined by NI 43-101 and is responsible for the preparation of the Report and the technical disclosures therein. The report is available on www.sedar.com.

At the MJ Project in the Yukon Territory, an initial five-hole Phase 1 drill program was completed in July 2017. The results showed a discovery at the Two-Four target where drill hole MJ-04 interested mineralization in two distinct zones, at the top and bottom of the core including; 20.44 m of 0.72 g/t Au and 20.28m of 0.69 g/t Au, respectively (see October 6, 2017 press release). Mineralization is characterized by parallel quartz veining hosting arsenopyrite +/- pyrite within a granodorite.

During the Period, the Company applied for exploration permits for the MJ Project for the upcoming exploration season. The focus area of the exploration program is expected to be along the western border of the property, adjacent to Victoria Gold's Dublin Gulch project as well as following up the gold mineralization discovered in the Two-Four target area during the 2017 drill program.

The target type at the MJ Project is an Intrusion Related Gold System (IRGS) where mineralization is characterized by vertically parallel gold bearing veins which form a low-grade, high-tonnage target. The project is adjacent to the Dublin Gulch Project of Victoria Gold (VIT-V) where construction of the Eagle Mine is in progress and expected to be in production during the second half of 2019. The Eagle Deposit hosts a mineral reserve of 2.66M ounces of gold at 0.67 g/t Au and is characterized as an IRG System (Victoria Gold's webpage). Zonte's MJ Project is similar in age, geology, structural profile and geochemistry to Victoria Gold's Dublin Gulch project. A well known IRGS is being mined at the Fort Knox deposit in Alaska which is owned by Kinross Gold (K-TSX) and has been in production since 1996. As of December 31, 2014, it still contained a Proven and Probable Mineral Reserve of 2.398M ounces contained within 163.8 Mt at 0.46 g/t Au with cut off grades between 0.19 and 0.35 g/t Au (Kinross's webpage). Although exploration of the MJ Project is at an early stage, there are indications that the mineralization hosted on the Company's property is similar to that hosted by either the Dublin Gulch or Fort Knox deposits.

***Cross Hills Project***

The Cross Hills Project ("Cross Hills") is located on the island portion of Newfoundland and Labrador, approximately 20 kilometres from the town of Terrenceville and is comprised of 486 claims covering approximately 12,150 hectares, including 90 claims optioned from the property vendor and 396 claims staked by the Company. The Company acquired a 100% interest in the Project pursuant to an option agreement ("the Cross Hill Agreement") by:

- Making aggregate cash payments of $55,000 over a three-year period of which, the final $25,000 was paid, subsequent to year-end, in February 2021;
- Issuing 1,500,000 common shares of the Company over a three-year period of which, the final 500,000 common shares were issued, subsequent to year-end, in February 2021; and
- Granting a 3% NSR on production from the Cross Hills Project, two-thirds of which can be bought back by the Company for $2,000,000.

Cross Hills hosts an Iron Oxide Copper Gold system (IOCG) covering 25km along a regional structure break called the Cross Hills lineament. Geologically the area is underlain by series of intrusives, volcanics and sediments. Historical exploration programs were limited; however, the data set provides a solid base to work from. Among the compiled data sets is a previous geophysical interpretation of Geological Survey airborne surveys which highlighted five targets that need detailed ground follow up. In addition, since acquiring the project, Zonte was successful in identifying alteration patterns within the IOCG system as well as confirming a newly discovered large albitite breccia not previously known to exist on the Property.

Drilling during Phase 2 at the Cross Hills Project was carried out through the winter through to the end of September 2020. Phase 2 built upon the results of Phase 1 where CH-19-04 intersected a number of copper intervals at Dunns including 14.0% Cu, 15.8 g/t Au and 352 g/t Ag over a 0.43m interval within a larger 2.76m interval which averaged 2.89% Cu, 2.65 g/t Au and 73.3 g/t Ag (see press release dated April 23, 2019). The program continued to show copper mineralization with a number of drill holes showing wide spaced copper mineralized fractures. In one drill hole these fractures were noted over 100m. The fracture control mineralization is sometimes located in the periphery of IOCG deposits, while high-grade zones can be up to several hundred metres to several kilometres from deposits, as noted in the NICO and Sue Diane deposits of northern Canada. It's worth pointing out Dunns Mountain sits about 750m north of Big K and about 1.5 km south of the newly discovered North Dunns target. In addition, the company intersected narrow high-grade silver mineralization including 1.75m of 268.6 g/t in CH-20-10 and 0.12m of 2048 g/t Ag. These silver intervals may represent a separate mineralizing system.

A maiden two drill holes were also completed at the K7 target with identified anomalous copper and rare earth elements. Drilling was carried out from one drill pad targeting the top portion of a gravity core and its edge on one side, under elevated copper in soils. Subsequent to drilling additional soils were completed and an area with elevated copper was noted on the western and southern sides of the target that remain untested.

A large scale property wide soil program was carried out over known target areas. This has resulted in the discovery of coincident copper in soils and geophysical anomalies and copper in outcrop at Big K, K6 and K9 targets. Follow-up exploration at K6 discovered copper in bedrock and float samples which sits 200m metres south of where the initial two drill holes were drilled. The initial drill holes targeted the mag and gravity highs, however, copper in soils and rocks were low in the area drilled. The new area sits in a moderate gravity and magnetic signature area with both elevated copper in soils and surface rocks. The new copper soil anomaly at Big K also sits in moderate gravity and magnetic signatures, adjacent to the core of the geophysical surveys. At Nile Mile and Dunns North, wide spaced soil sampling has identified areas with elevated copper values. These require additional infill lines to narrow down the target area. Presently, the Company has two drill ready targets including Big K and K6. The other targets require additional exploration including geochemical and geophysical surveys. The Company is in discussions with service providers including drill companies to ascertain their availability.

### *Exploration Property Expenditures*

The Company's Exploration property expenditures for the periods ended October 31, 2021 and January 31, 2021 are summarized below:

| | **Wings Point** | **McConnel's Jest** | **Cross Hill** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | | **$** |
| Beginning balance, February 1, 2020 | 446,697 | 1,115,667 | 1,429,546 | 2,991,910 |
| Additions during the period: | | | | |
| Acquisition costs | 15,795 | - | 126,000 | 141,795 |
| Assays & analysis | 11,543 | 297 | 106,065 | 117,905 |
| Consulting fees | - | - | 47,318 | 47,318 |
| Drilling | 87,525 | - | 508,460 | 595,985 |
| Exploration support | 28,512 | - | 329,538 | 358,050 |
| Field supplies | 605 | 1,105 | 17,606 | 19,316 |
| Geophysics | - | - | 56,360 | 56,360 |
| Transportation & travel | 1,660 | - | 84,417 | 86,077 |
| | 145,640 | 1,402 | 1,275,764 | 1,422,806 |
| Refund of Security Deposits | - | - | (7,450) | (7,450) |
| | 145,640 | 1,402 | 1,268,314 | 1,415,356 |
| **Ending balance, January 31, 2021** | 592,337 | 1,117,069 | 2,697,860 | 4,407,266 |
| Beginning balance, February 1, 2021 | 592,337 | 1,117,069 | 2,697,860 | 4,407,266 |
| Additions during the period: | | | | |
| Acquisition costs | 1,072 | - | 127,022 | 128,094 |
| Assays & analysis | 6,177 | - | 16,420 | 22,597 |
| Consulting fees | - | 15,735 | 1,096 | 16,831 |
| Exploration support | 21,875 | - | 88,223 | 110,098 |
| Field supplies | - | 765 | 4,631 | 5,396 |
| Transportation & travel | - | - | 13,471 | 13,471 |
| | 29,124 | 16,500 | 250,863 | 296,487 |
| **Ending balance, October 31, 2021** | **621,461** | **1,133,569** | **2,948,723** | **4,703,753** |

## *1.12 FUTURE ACCOUNTING CHANGES*

As at October 31, 2021 and the date of this MDA, the Company is not aware of any newly issued significant pronouncements that are applicable to the Company.

## *1.13 FINANCIAL INSTRUMENTS AND RISK FACTORS*

**Market risk**

*(i) Foreign exchange risk*

The Company is not exposed to foreign exchange risk at this time.

*(ii) Interest rate risk*

The Company's accounts payable and accrued liabilities are non-interest bearing and have contractual maturities of 30 days or less. As at October 31, 2021, the Company's interest-bearing assets are cash equivalents. The Company's cash equivalents are cashable Guaranteed Investment Certificates or term deposits that earn interest at prevailing short-term interest rates and are reinvested as they mature. During YTD-22, the Company earned interest income of $268 (YTD-21 – $11,075). A plus or minus 1% change in interest rate would not have a material impact on the Company's statement of loss and comprehensive loss.

*(iii) Price risk*

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

**Credit risk**

Credit risk is the risk that a customer or third party to a financial instrument fails to meet its commercial obligations.

The carrying amount of financial assets represents the maximum credit exposure. The Company manages credit risk by holding the majority of its cash and cash equivalents with AA rated banks in Canada, where management believes the risk of loss to be low.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to meet liabilities when due. As at October 31, 2021, the Company had cash and cash equivalents of $258,396 (January 31, 2021 - $550,141) available to settle current liabilities of $87,739 (January 31, 2021 - $44,947).

## *1.14 SHARE CAPITAL*

a) Common Shares

The Company has authorized an unlimited number of common shares without par value.

At October 31 and December 21, 2021 the Company had 59,284,961 common shares issued and outstanding with a recorded value of $6,878,584.

b) Warrants

At October 31 and December 21, 2021, the Company had no warrants issued and outstanding.

c) Stock Options

At October 31, 2021 and December 21, 2021, the Company had 5,330,000 stock options outstanding, exercisable into common shares of the Company at an average exercise price of $0.24 per share, expiring between February 2022 and May 2026.

## *1.15 RISKS & UNCERTAINITIES*

The following are certain factors relating to the business of the Company and are not the only risks and uncertainties facing the Company. Additional risk and uncertainties not currently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

*Limited Operating History*

The Company is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Company was incorporated in July 2009 and has yet to generate a profit from its activities. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

*Exploration and Development Risks*

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

*Substantial Capital Requirements and Liquidity*

Substantial additional funds for the establishment of the Company's current and planned exploration and development programs will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its exploration and development programs.

*Fluctuating Mineral Prices*

The economics of mineral exploration is affected by many factors beyond the Company's control, including changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing Companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals.

Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

*Regulatory Requirements*

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

*Financing Risks and Dilution to Shareholders*

The Company has limited financial resources and no revenues. If the Company's exploration program on its exploration properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

*Title to Properties*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its exploration properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to its exploration properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

*Requirement for Permits and Licenses*

A substantial number of permits and licenses will be required to conduct an exploration and development program, such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

*Competition*

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

*Reliance on Management and Dependence on Key Personnel*

The success of the Company will be largely dependent upon on the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

*No Mineral Reserves or Mineral Resources*

There have been no mineral reserve or mineral resource estimates prepared in respect of the Property to which the Company holds title. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different miner333al grades, may cause a mining operation to be unprofitable in any particular accounting period.

*Environmental Risks*

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

*Governmental Regulations and Processing Licenses and Permits*

The activities of the Company are subject to Canadian and provincial approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

*Local Resident Concerns*

Apart from ordinary environmental issues, work on, or the development and mining of the Property could be subject to resistance from local residents that could either prevent or delay exploration and development of the Property.

*Conflicts of Interest*

Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest.

*Uninsurable Risks*

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares. The Company does not intend to maintain insurance against environmental risks.

*Litigation*

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

*COVID-19*

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus ("COVID-19"). The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals may adversely impact the Company's operations, including the Company's ability to raise financing and incur sufficient qualifying expenditures within the required timeline for the purposes of its flow-through share commitments. This has resulted in significant economic uncertainty, of which the potential impact on the Company's future financial results is difficult to reliably measure.

## *1.16 OTHER INFORMATION*

Additional information regarding the Company is available on SEDAR at **www.sedar.com** and on the Company's website at **www.zontemetals.com.**