

KAPA GOLD INC. (formerly Kapa Capital Inc.)

Management's Discussion and Analysis

For the three months ended March 31, 2023 and 2022

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the condensed interim consolidated financial statements of Kapa Gold Inc. (the "Company" or "Kapa") (formerly Kapa Capital Inc.) and the notes thereto for the three months ended March 31, 2023 and 2022 (collectively referred to hereafter as the "financial statements").

The following MD&A of the financial condition and results of operations of the Company has been prepared by management and should be read in conjunction with the condensed interim consolidated financial statements of the Company in addition to the audited annual financial statements and related notes for the years ended December 31, 2022 and 2021. Additional information relating to the Company is available on SEDAR at www.sedar.com under Kapa Gold Inc.

This MD&A is current as of May 30, 2023 and was approved and authorized by the Company's Board of Directors.

The first, second, third, and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated.

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is responsible for ensuring that information disclosed externally, including the information contained within the Company's financial statements and MD&A, is complete and reliable.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. For additional information on forward-looking statements and material risks associated with them, please see the "Cautionary Note Regarding Forward-Looking Information" section of this document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- our business plan and investment strategy; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general and administrative as well as other costs;
- general business, economic and market conditions;
- the ability of the Company to obtain the required capital to finance its investment strategy and meet its commitments and financial obligations;
- the ability of the Company to obtain services and personnel in a timely manner and at an acceptable cost to carry out activities;
- the timely receipt of required regulatory approvals; and
- that the regulatory framework for permitting of California mineral resource assets will remain relatively consistent.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as there can be no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially than anticipated and described in the forward-looking information.

The material risks and uncertainties include, but are not limited to:

- meet current and future commitments and obligations;
- general business, economic and market conditions;
- the uncertainty of estimates and projections relating to future costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document.

The foregoing list of risks is not exhaustive. Additional information relating to risk factors are disclosed in the Company's MD&A for the years ended December 31, 2022 and 2021. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of British Columbia, Canada on January 29, 2018. On May 19, 2022, the Company formerly approved a name change from Kapa Capital Inc. to Kapa Gold Inc. The Company's head office and principal address is Suite 1400 - 1199 West Hastings Street, Vancouver, BC, V6E 3T5. The Company is listed on the TSX Venture Exchange ("Exchange") under the symbol "KAPA.V".

Reverse takeover

On September 22, 2020, Kapa Capital Inc. ("KCI") entered into binding acquisition and arrangement agreements (collectively, called the "Transaction") with Quantus Resources Corp. ("Quantus"), whereby KCI would acquire all of Quantus' issued and outstanding common shares via a one-to-one share exchange. Quantus is a mineral exploration company whose principal business activity is in the acquisition and exploration of mineral property interests in the United States. Quantus was incorporated on June 16, 2010, under the laws of British Columbia, Canada.

On May 19, 2022, KCI completed the Transaction with Quantus pursuant to which KCI acquired all of the outstanding shares of Quantus by issuing one common share of Kapa Capital Inc for each common share of Quantus held by the existing Quantus shareholders (the "Quantus Shareholders"). The Quantus Shareholders became shareholders of the combined entity, concurrently, and in conjunction with the Transaction, renamed Kapa Gold Inc. Upon completion of the Transaction, Kapa Gold Inc. continues to carry on the business of Quantus. The Transaction is an arm's length transaction and constitutes a reverse takeover ("RTO") of KCI by Quantus, pursuant to policies of the Exchange.

Prior to the closing of the Transaction, KCI had 5,113,271 common shares outstanding, and Quantus had 50,447,473 common shares outstanding. As a result of the Transaction, KCI issued 50,447,473 common shares to Quantus Shareholders, and the combined entity subsequently had 55,560,744 common shares outstanding, of which 5,613,187 common shares were held in escrow. After the Transaction, the Company had the following securities outstanding: 5,622,600 share purchase warrants, 84,000 agent warrants, and 2,700,000 incentive stock options.

Management determined that the Transaction constituted a reverse acquisition for accounting purposes, whereby Quantus acquired KCI. As a result, Quantus is treated as the accounting acquirer (legal subsidiary), and KCI is treated as the accounting acquiree (legal parent). As Quantus was deemed to be the acquirer for accounting purposes, the financial statements and this MD&A are presented as the continuation of operation of Quantus. The comparative figures are those of Quantus prior to the RTO.

OUTLOOK AND STRATEGIC OBJECTIVES

The Company has commenced the recommended Phase One Exploration Program for the Blackhawk Property with the objective of further identifying and defining targets within the Blackhawk mineral property (the "Property"). The Phase One Exploration Program has the following budget:

Item	Estimated cost
	\$
Geographic information systems (GIS) compilation	10,000
Road access/Rehabilitation	25,000
Induced polarization (IP), geophysics (60 line km)	60,000
Geology-mapping, logging, sampling	125,000
Rock sampling assays at \$85 each	75,000
Travel and accommodation	20,000
Contingency	35,000
	350,000

During the three months ended March 31, 2023, the Company spent \$25,842 for the Blackhawk Property project. The Company will prioritize obtaining road access permits and other permits required for surface drilling to locate the skarn-type mineralization as well as finishing drone airborne magnetic survey. The Company plans the evaluation of high-grade limestone followed by engaging a Californian Certified Underground Mining Engineer to undertake a full underground inspection, survey, and sample program.

FINANCIAL HIGHLIGHTS

The Company reported a loss and comprehensive loss of \$183,407 during Q1 2023 compared to \$13,567 during Q1 2022. The increase in loss and comprehensive loss in the current period is due to the increase in consulting fees, insurance expense, investor relations costs, legal and professional fees, management fees, and office expenses related to support the expanded exploration activities and the new public listing.

As at March 31, 2023, the Company had \$1,284,901 in cash compared to \$1,548,615, at December 31, 2022. As at March 31, 2023, the Company had a working capital surplus of \$1,233,935 compared to \$1,428,357 as at December 31, 2022.

HIGHLIGHTS SUBSEQUENT TO MARCH 31, 2023

On April 13, 2023, the Company made the initial payment of \$25,000 and issued 50,000 shares to Mr. Guy Delorme following the Exchange acceptance of the option agreement for the Mastodon Nickel Project.

SHARE CAPITAL HIGHLIGHTS

During the three months ended March 31, 2023, the Company had no share capital transactions.

During the year ended December 31, 2022, the Company completed the following transactions:

- On May 19, 2022, pursuant to the closing of the Transaction, the Company issued 5,113,271 common shares of the Company to the shareholders of KCI with a fair value of \$0.25 per share for total fair value of \$1,278,318.
- On May 19, 2022, concurrent with the closing of the Transaction, the Company issued 298,699 common shares of the Company in relation to the special warrants exercised for no further consideration and reclassified \$29,870 from reserves to share capital.
- On May 19, 2022, the Company issued 750,000 common shares of the Company to Blackcali at the fair value of \$0.25 per share for consideration of \$187,500 related to the option agreement.
- On May 19, 2022, concurrent with the closing of the Transaction, the Company issued 11,245,200 private placement units at \$0.25 per unit for gross proceeds of \$2,811,300. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable into one common share of the Company until May 19, 2024, with an exercise price of \$0.40 per warrant. On initial recognition, the warrants had a fair value of \$nil.
- In connection with the private placement, the Company incurred \$30,645 in issuance costs, of which \$21,000 was in cash, and \$9,645 was the fair value of the 84,000 agent warrants issued.
- On July 6, 2022, in connection with the options granted to former directors of KCI and acquired in the RTO, 200,000 stock options were exercised at an exercise price of \$0.10 for cash proceeds of \$20,000, resulting in the issuance of 200,000 common shares. Upon exercise, the \$33,163 fair value attributed to the options exercised was transferred from reserves to share capital.

SUMMARY OF QUARTERLY RESULTS

Selected financial data during the last eight quarters are as follows:

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	\$	\$	\$	\$
Total assets	3,216,917	3,410,914	3,540,231	3,678,505
Total liabilities	181,176	191,766	170,033	169,355
Working capital surplus	1,233,935	1,428,357	1,655,369	1,924,313
Loss and comprehensive loss	(183,407)	(188,550)	(148,452)	(2,348,800)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.04)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
	\$		\$	\$
Total assets	3,033,109	2,938,888	1,660,493	1,522,019
Total liabilities	1,901,934	1,794,146	498,783	284,588
Working capital deficiency	(269,620)	(249,207)	(222,622)	(92,520)
Loss and comprehensive loss	(13,567)	(16,968)	(75,722)	(13,057)
Loss per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

During the last eight quarters, the Company's loss and comprehensive loss has ranged between \$13,057 and \$2,348,800. The loss and comprehensive loss for Q2 2022 was due to the Company closing the RTO on May 19, 2022, leading to the recognition of non-cash listing expense of \$1,592,538, non-cash share-based compensation of \$414,751 and significant investor relations as well as legal and professional fees.

Loss and comprehensive throughout Q3 2022 to Q1 2023 is mainly comprised of consulting fees, legal and professional fees, management fees and office expenses to support the exploration activities for the Blackhawk project as well as to maintain the public listing of the Company.

Total asset increases over the last eight quarters are due to funds received from completed financing which were then spent largely on capitalized exploration expenses.

SOURCES AND USES OF CASH

	Q1 2023	Q1 2022
	\$	\$
Net cash (used in) provided by operating activities	(237,872)	3,296
Net cash used in investing activities	(25,842)	-
Net cash provided by financing activities	-	70,000
Net change in cash	(263,714)	73,296
Cash, beginning of period	1,548,615	1,365,513
Cash, end of period	1,284,901	1,438,809

Cash used in operating activities increased to \$237,872 compared to cash provided by operating activities of \$3,296 in the prior year comparable period due to the increase of cash spent to support expanding exploration activities at the Blackhawk property and maintain the public listing. The positive cash flow for Q1 2022 was due to the collection of goods and services tax refund.

Cash used in investing activities increased to \$25,842 compared to \$nil in the prior year comparable period. These amounts represent the cash spent on the exploration of the Blackhawk property for field costs and mapping and reports paid for during Q1 2023 and amounts payable from Q4 2022.

Cash provided by financing activities decreased to \$nil compared to \$70,000 in the prior year comparable period. During Q1 2022, the Company received \$70,000 as a subscription for a unit financing which was subsequently closed in May 2022.

RESULTS OF OPERATIONS

Q1 2023 compared to Q1 2022

	Q1 2023	Q1 2022
	\$	\$
Operating expenses		
Consulting fees	14,979	-
Depreciation expense	725	-
Interest expense	-	3,651
Insurance expense	8,443	-
Investor relations	31,375	-
Legal and professional fees	80,252	7,688
Management fees	30,000	4,500
Office expense	13,733	214
Transfer agent and exchange fees	2,643	-
	182,150	16,053
Other expenses (income)		
Foreign exchange gain (loss)	(1,257)	2,486
Loss and comprehensive loss for the period	(183,407)	(13,567)

The Company incurred a loss and comprehensive loss of \$183,407 compared to \$13,567 in the prior year comparable period. The primary drivers of this increase were as follows:

- Consulting fees increased to \$14,979 from \$nil in the prior year comparable period. This increase was mainly due to a logistics and planning consulting agreement, additional administrative duties required for the Blackhawk project, effective in June 2022 for approximately \$5,000 per month.
- Depreciation expense increased to \$725 from \$nil in the prior year comparable period due to the acquisition of two trucks in August 2022 that are utilized for the Blackhawk project.
- Insurance expense increased to \$8,443 from \$nil in the prior year comparable period due to new directors and officers' liability insurance coverage beginning on October 1, 2022.
- Investor relations increased to \$31,375 from \$nil in the prior year comparable period. This increase was mainly due to the Company entering into an investor relations contract requiring monthly payments of \$4,000 starting June 1, 2022. Additionally, the Company increased conference attendance and sponsorship.
- Legal and professional fees increased to \$80,252 from \$7,688 in the prior year comparable period. Current period costs include annual audit fees, legal fees related to the Blackhawk property title, and corporate secretary work related to the public listing.
- Management fees increased to \$30,000 from \$4,500 in the prior year comparable period. After the RTO was completed, the monthly management fees paid to the CEO were increased to \$10,000 from \$1,500.
- Office expense increased to \$13,733 from \$214 in the prior year comparable period due to an increase in administrative, travel and rent costs resulting from the Company being publicly listed and to support the expansion of exploration activities at the Blackhawk property.
- Transfer agent and exchange fees increased to \$2,643 from \$nil in the prior year comparable period. These are costs related to maintaining the public listing.

BLACKHAWK PROPERTY TRANSACTION

On November 6, 2017, the Company entered into an option agreement to acquire a 100% interest in certain claims, patents and leases which comprise the Blackhawk Property located near the Lucerne Valley in San Bernardino County, California, a natural resource exploration project targeting gold and other metals and minerals.

The Company obtained this option to acquire a 100% interest in the Blackhawk Property from Blackcali Ventures Ltd ("Blackcali"), a related party, via assignment of Blackcali's rights and obligations under a pre-existing agreement that Blackcali had with the vendor of the Blackhawk Property (the "Letter of Intent"). Consideration payable by the Company to Blackcali for the assignment of such rights and obligations includes:

- Pay US\$1,500 and allot and issue 25,000 common shares to certain creditors of Blackcali;
- allot and issue 150,000 common shares in the capital stock of the Company to settle pre-existing special warrants previously granted by Blackcali when Blackcali held the option to acquire a 100% interest in the Blackhawk Property;
- pay the amount of all expenses incurred by Blackcali under the Letter of Intent to Blackcali;
- extraction of 10,000 tons of bulk sample for metallurgical work, with royalty applicable to sales on sample, and no commercial activities allowed until all payments and issuances are settled;
- pay a royalty to Blackcali equal to 2% of net smelter returns in regard of any sales of minerals other than gravel, sand or rock derived from any mineral claims in the area of influence of three miles immediately surrounding the perimeter of the Blackhawk Property; and
- pay a royalty to Blackcali equal to 1% in regard of any sales of gravel, sand or rock derived from any mineral claims in the area of influence of three miles immediately surrounding the perimeter of the Blackhawk Property.

On November 9, 2017, in connection with the consideration payable by the Company as outlined above, the Company issued 25,000 common shares, valued at \$10,000, to certain creditors of Blackcali, 150,000 common shares, valued at \$60,000, to settle pre-existing special warrants previously granted by Blackcali, and 162,500 common shares, valued at \$65,000 issued to Blackcali.

As part of the arrangement, the Company agreed to pay the vendors of the Blackhawk Property an aggregate of US\$660,000 over several installments between the date of the option exercise and October 15, 2019. The payments made to the vendor of the Blackhawk Property were:

- \$304,357 (US\$185,000) paid during the year ended December 31, 2017;
- \$264,652 (US\$175,000) paid during the year ended December 31, 2018;
- \$280,652 (US\$212,000) paid during the year ended December 31, 2019; and
- \$232,342 (US\$175,000) paid during the year ended December 31, 2020 as the final cash option payment.

The Blackhawk Mineral Property Option Agreement was amended and restated during the year December 31, 2020, to include the issuance of 750,000 common shares when the Company enters a Statutory Plan of Arrangement.

During the year ended December 31, 2021, the Company entered into an amending agreement with Blackcali, originally dated February 21, 2020, which extends the date of the 750,000 shares to be issued on or before December 31, 2021 (previously September 30, 2021). On December 15, 2021, the Company entered into an amendment agreement to further extend the date of the 750,000 shares to be issued on or before February 28, 2022.

On February 25, 2022, the Company entered into an amendment agreement with Blackhawk Rising to further extend the date to issue the 750,000 share options from February 28, 2022 to April 30, 2022. On May 19, 2022, on the execution of the Transaction, the Company issued 750,000 common shares at \$0.25 per share to Blackcali for a fair value of \$187,500.

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral property interests. The Company has investigated title to its mineral property interests and, to the best of its knowledge, title to the mineral property interests remains in good standing.

BLACKHAWK PROPERTY

Property description and location

The Property comprises of eight patented claims in three non-contiguous groups and an additional Bureau of Land Management claim, separate and to the east. The Property is located in Sections 7, 8, 17, 18, 19, 20; Township 3 North; Range 2 East, in the historic Blackhawk Mining District, San Bernardino County, Big Bear City Quadrangle, State of California, U.S.A. The Property is in the south-eastern part of the State of California, approximately 60 km northwest of Palm Springs. The nearest community of size to the project is Lucerne Valley, California, 20 km to the northwest.

The center of the Property is located at approximately latitude 34° 21' North and longitude 116° 47' West (Universal Transverse Mercator Zone 11N; 519,500 E / 3,800,200 N; North American Datum of 1983). The property stretches roughly 5.3 km northwest to southeast by 2.6 to 3.3 km northeast to southwest, covering approximately 3,555.09 acres (1,438.7 hectares).

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Property is in the south-eastern part of the state of California approximately 60 km northwest of Palm Springs. The Property, which totals about 1438.7 hectares, can be easily accessed from the town of Lucerne Valley, California which is located about 75 km northwest of the city of Palm Springs. The Property is accessible from Lucerne Valley by traveling about 15 km to the east on State Highway 247, then southwards for 8 km via Santa Fe Fire Road. A network of narrow mountain roads and trails, many in disrepair, provides access throughout the property including the areas of historical drilling and underground development.

The Property has a typical dry desert climate with hot summers and cool winters and is best described as semi-arid to arid. The climate is generally amenable to year-round exploration work with adequate preparation.

Depending on the ultimate extent of mineralization identified on the Property, the current claim base seems sufficient to contain all the aspects of a large modern mining operation, including adequate areas for plant, waste and tailings disposal, and other recovery designs.

Water would need to be obtained from privately owned and operated wells in the vicinity; however, expanded operations will likely require purpose-built access to subsurface waters. A 75-gallon-per-minute water well is located on the Cliff claim but needs rehabilitation or re-drilling. An active power line runs along the junction of State Highway 247 and the Santa Fe Fire Road, approximately 8 km from the center of the area of known gold mineralization.

Property Geology

The Property is underlain by deformed basement gneisses which have been intruded by Mesozoic granitoids, Mississippian and Pennsylvanian carbonate strata and Miocene arkosic sediments. The deformed Mississippian and Pennsylvanian carbonates are the preferred host rocks for the gold-silver mineralization on the Property.

a) Cliff to Lookout zones

The Cliff Zone is exposed along the north-northwest wall of a major north to northeast-trending canyon and along the adjacent steep-north facing slope of the Northern Frontal Thrust System. The contact of this basement unit with the overlying supracrustal breccias is a zone of intense cataclasis, a chlorite schist up to 2-3 meters thick. The supracrustal section structurally above the schistose detachment plane was mapped along a north-south section through the Cliff Zone thrust for approximately 1.0 km and through a vertical distance of ~100 metres. Breccias assigned to the Monte Cristo limestone comprise >90% of the Cliff Zone structural section. The southern and structurally highest level of the Cliff Zone is comprised of gray white carbonate breccia and massive beds of the Bird Spring Formation.

The Lookout Zone which is approximately 240 meters south of the Cliff Zone is comprised of white, gray and black carbonate breccias of the Bird Springs Formation and is equated with similar breccias at the southern exposed area of the Cliff Zone.

b) Gully Prospect

High runoff from the winter snow melt, coupled with anomalous amounts of spring rainfall lead to erosional incising of the alluvial gravels in the ephemeral creeks that drain northward off Blackhawk Mountain. A major erosion of the alluvial gravels in a canyon immediately north of the Cliff Zone exposed an east-facing wall of Hematized Monte Cristo brecciated limestone. The vertical height of Hematization in the creek wall is approximately 3 meters at its eastern end and extends southward, for about 30 meters. The Hematized zone extends southward, upslope along the creek wall for approximately 30 meters and has been disrupted by a series of normal faults with north side down. Breccia clasts from the Hematized breccia are locally coated with malachite, minor azurite and relict sulphide with limonite.

Thinning of the newly exposed hematite zone southward along the east-facing creek wall is due to alluvial gravels and its position upstream from the thickest exposed segment. This newly exposed Hematized zone is positioned at an elevation of about 1,316 meters. The significance of this Hematized zone is that it is the structurally lowest alteration zone identified on the property. Consequently, altered Hematized breccia have been identified through a vertical distance of approximately 550 meters, this vertical distance is the cumulative vertical distance of separate carbonate-hosted mineralized zones through the imbricated thrust stack.

c) Santa Fe Zone

The Santa Fe zone, which hosted the past-producing Calle d'Or mine, is located at an elevation of ~1,450 meters near the crest of the northern slope top of the Northern Frontal Thrust System.

The Santa Fe zone is positioned within the upper structural level of the Northern Frontal Thrust System and because of this higher structural level the intensity of cataclasis of the carbonate strata is markedly lower compared to structurally lower zones i.e. Cliff to Lookout zones.

The Santa Fe thrust is exposed along a sub vertical north-facing wall having a strike length of approximately 750 meters. The deformed Santa Fe supracrustal rocks are in tectonic contact with basement biotite quartzofeldspathic augen gneiss with subordinate monzonitic to granitic dykes. The contact is characterized by a 3-6 meter-thick chlorite schist which is comparable mineralogically and in style of deformation to the schist below the deformed supracrustal rocks in the Cliff Zone.

d) Round Mountain Prospect

The Round Mountain prospect is an isolated dome-shaped hill at the base of the Northern Frontal Thrust System. Five adits inclined at 20-30 degrees to the south in carbonate breccia are located along the north- eastern and northern edge of the erosional break away, interpreted carbonate-basement tectonic contact. The east striking south dipping Hematitized carbonate breccia and schist define a prospective zone along the carbonate-basement contact.

This style of mineralization and the structural position near or at the base of the deformed carbonate sequence with basement is directly comparable to mineralization in the Cliff and Santa Fe zones.

e) Hill Top Prospect

The Hilltop prospect is well exposed due to recent artisanal mining and is located in a structural panel above and south of the structural panel that hosts mineralization at Round Mountain. The Hill Top prospect is a silicified fault breccia hosted in brecciated blue-gray Monte Cristo carbonate strata. This mineralized fault breccia dips north at moderate attitude and is atypical when compared to the willowly south-dipping mineralization in carbonate breccias near and adjacent to basement in each thrust panel.

The opposing dip direction of this mineralized fault may be interpreted as a syn-mineralization back thrust.

Mineralization

The Blackhawk alteration and mineralization is visually dramatic because the varying amounts of hydrothermal red-pink to brick red to purple-red hematite impregnated through deformed carbonate strata is in sharp contrast to the gray, blue-gray, black and white hues in deformed and weakly deformed Mississippian and Pennsylvanian carbonate rocks.

The distribution of mineralization related hematite has two geometrical forms. The first style of hematization occurs as sub horizontal bands parallel to sub parallel to the regional south-dip of the Northern Frontal imbricate thrust fan. Hematization is concentrated along and near the deformed carbonate basement detachment contact. Hematite altered zones vary from wispy discontinuous bands of hematite-cemented breccia, hematite impregnated mylonite and fractured carbonate with thickness to one metre to hematite-cemented breccias up to several metres in thickness.

The second geometrical style of hematization within the carbonate breccia is concentrated along moderate south-dipping faults that are inferred to be ramps that crosscut panels of carbonate breccia. These ramps provided the structural release to tectonically thicken individual thrust slices and provided the structural pathways for hydrothermal fluids to migrate to higher structural levels within a thickened thrust slice.

Hematized, structurally-linked, flat-ramp structures which are well exposed in walls of the past-producing Bessemer limestone quarry in the area of the Lester Dale gold mine area illustrate the structural control of hydrothermal fluid and the migration pathway through the imbricate thrust fan. The quarry face is located about 2.0 km east of the Santa Fe mine portal and at the approximate same tectonic level. Flat faults are outlined by hematite and significantly the volume of hematite metasomatized rock increases markedly on both sides of the ramp that connects flat faults. This increased volume of altered rock implies pooling or damming of the hydrothermal fluid during transmission to a higher structural level.

These same structural-alteration attributes are present in the imbricate panels that host the Santa Fe and Cliff prospects. The Santa Fe thrust is a composite of numerous parallel to sub-parallel anastomosing willow to sub-horizontal faults comprised of hematized mylonite, crushed carbonate and related fracture band with interconnecting hematized ramps. The multi-level Calle d'Or Zone, which was developed over a vertical distance of about 90 meters within the Santa Fe mine, reportedly exploited a ramp-flat complex within the Santa Fe thrust (Ely, 1982). Similar hematized flat-ramp complexes are present in the Cliff Zone. Consequently, the same structural style with alteration and gold mineralization is present in separate thrust slices and extends vertically through the imbricate thrust fan from the Santa Fe mine area near the top of Blackhawk Mountain to Round Mountain near the base of the Northern Frontal Thrust System.

Exploration

A rock chip sampling program was conducted from November 3-7, 2016, and April 2017 by B. Game, P.Geo. and J. Walther, P.Geo. A total of 96 samples were collected along accessible road cut exposures, benches and outcrops covering portions of the Cliff, Lookout and Santa Fe zones.

The purpose of the sampling program was to map the distribution of surface gold values associated with various geometries of mineralization, fracture densities, hematite concentration and alteration and to confirm the tenor of historical gold values. Gold values ranged from <0.05 ppm to highs of 2.10 ppm in the Lookout Zone, 41.3 ppm in the Cliff Zone and 4.66 ppm in the Santa Fe Zone. In general, samples containing higher gold values occur in discrete, stacked parallel zones with increased fracture/fault density and accompanying strong to intense brick-red to purple-red hematization. Higher gold values are associated with elevated Ag, As, Cd, Cu, Mo, Pb, Sb and Zn values, trace elements commonly associated with epithermal gold mineralization. During October 2016, a test geophysical interpretation utilizing lightning strike data was conducted by Dynamic Measurements LLC of Cedar City, Utah.

This work was to determine if this method would aid in defining faults and improve the understanding of the subsurface geology.

MASTADON NICKEL PROJECT

On February 13, 2023, the Company entered into an option agreement with Mr. Guy Delorme (the "Optionor") to acquire 100% interest in mineral claims located in British Columbia, Canada (the "Mastodon Nickel Project"). The option agreement requires a series of cash payments, exploration expenditures and share consideration as follows:

- An initial deposit of \$25,000 (paid on April 13, 2023)
- 10% of exploration expenditures, capped at \$975,000, payable within ninety days of the completion of the exploration activities.
- Incurring a minimum of \$150,000 of exploration expenditure within twelve months the effective date of the option agreement.
- Preparation and delivery of the technical report to the Optionor within twelve months the effective date of the option agreement.
- Issuance of a 1,200,000 common shares of the Company issued as follows: 50,000 common shares to be issued (issued on April 13, 2023), 150,000 common shares to be issued on the first anniversary of the option agreement, and 200,000 common shares to be issued on each anniversary of the option agreement for five years thereafter.

The claims are subject to a 1.5% net smelter royalty ("NSR") to the Optionor and 1.5% to Carlium Developments Inc. ("Carlium"). The NSR is subject to a buyback right whereby the Company is entitled to purchase 0.5% of the NSR for a cash payment of \$1,000,000 to each or either of the Optionor or Carlium. There is a further buyback right available within twelve months of the commencement of commercial production whereby the Company is entitled to purchase an additional 0.5% of the NSR for \$1,500,000 to each or either of the Optionor or Carlium. An advance royalty of \$25,000 each per year shall be payable to the Optionor and Carlium on the seventh anniversary of the effective date of this option agreement.

TECHNICAL DISCLOSURE

Allan Miller, PhD, P.Geo, a qualified person under National Instrument 43-101 has reviewed and approved the scientific and technical information disclosed above.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and debt. The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2023, the Company had an accumulated deficit of \$8,480,865 (December 31, 2022 - \$8,297,458), a cash balance of \$1,284,901 (December 31, 2022 - \$1,548,615), and accounts payable and accrued liabilities balance of \$181,176 (December 31, 2022 - \$191,766).

As at March 31, 2023, the Company had a working capital surplus of \$1,233,935 (December 31, 2022 - \$1,428,357).

In addition to the Company's accumulated deficit and historic working capital position, the Company has not generated revenues and does not anticipate generating revenues in the near future to fund its operating and administrative expenses. These circumstances cast significant doubt on the validity of the going concern assumption.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of investigating new potential properties and exploration work on those potential properties, the Company will require additional financing through debt or equity issuances. Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

The Company's financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, and Directors of the Company.

A summary of the Company's related party transactions is as follows:

	Q1 2023	Q1 2022
	\$	\$
Interest expense	-	3,651
Legal and professional fees	40,600	7,688
Management fees	30,000	4,500
	70,600	15,839

Legal and professional fees include fees paid to Invictus Accounting Group LLP, a company which Darren Prins, CFO is a partner. Management fees are paid to Adit Investment, a company owned by the CEO, David Paxton.

Included in accounts payable and accrued liabilities as at March 31, 2023 is \$23,811 (December 31, 2022 - \$12,691) due to officers, directors, and companies controlled by directors of the Company. The amount due to the related parties is payable on demand and is unsecured and non-interest bearing.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of cash and accounts payable and accrued liabilities, approximate their carrying values due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract.

The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required. As at March 31, 2023, the Company had sufficient cash on hand to discharge its financial liabilities as they become due.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies (US\$)

A summary of the Company's financial liabilities that are denominated in US dollars is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Accounts payable and accrued liabilities	6,452	21,774

The Company has not entered any foreign currency contracts to mitigate this risk. A 10% change in exchange rates would result in a foreign exchange gain or loss of approximately \$645.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at March 31, 2023.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has the following securities issued and outstanding:

Type	#
Common shares	55,810,744
Common shares held in escrow	5,159,891
Warrants	5,706,600
Stock options	2,500,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2023 or at the date of this MD&A.

CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity. The Company manages its capital structure based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company may invest its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends and is not subject to any externally imposed capital restrictions.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company has historically relied on the equity capital markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it concludes there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Although the Company has previously been successful in financing its activities, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

PROPOSED TRANSACTIONS

As at March 31, 2023 and the date of this MD&A, the Company has no proposed transactions.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company's significant accounting policies are described in Note 3 of the Company's audited annual financial statements for the years ended December 31, 2022 and 2021.

There have been no changes to accounting policies during the three months ended March 31, 2023.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosures. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

All critical accounting estimates and judgements are fully disclosed in Note 3 of the audited annual financial statements for the years ended December 31, 2022 and 2021.

RISK FACTORS

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the years ended December 31, 2022 and 2021.

OTHER INFORMATION

Additional information about the Company is available on the Company's website at <https://kapagold.com/> and at www.sedar.com.