

**KP3993 Resources Inc.**

(A Capital Pool Company)

Management Discussion and Analysis

For the three and nine months ended April 30, 2022

(Expressed in Canadian Dollars)

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The following management's discussion and analysis of financial conditions and results of operations (the "MD&A") has been prepared by management and provides a review of the activities, results of operations and financial condition of KP3993 Resources Inc. (the "Company" or "KP3993"). This discussion dated June 28, 2022, complements and supplements the Company's unaudited condensed interim financial statements and associated notes for the three and nine months ended April 30, 2022, and should be read in conjunction with the audited annual financial statements for the year ended July 31, 2021. Please also refer to the cautionary statement of forward-looking information at the end of this document. All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") and reported in Canadian dollars unless otherwise noted. Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**1. COMPANY OVERVIEW**

KP3993 was incorporated pursuant to the provisions of the Canada Business Corporations Act on July 2, 2021. The Company has applied for status as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSX Venture Exchange ("TSX Venture"). On January 17, 2022, the Company completed its IPO and that its shares were listed for trading on the TSXV. The Company's head office is located at Suite 2209 - 1111 Alberni Street, Vancouver, British Columbia, Canada, V6E 4V2.

As at April 30, 2022, the Company has no business operations. As a CPC, the Company's principal business objective will be to identify and evaluate assets, properties or businesses with a view to a potential acquisition or participation by completing a Qualifying Transaction subject, in certain cases, to shareholders' approval and acceptance by the TSXV. There is no assurance that the Company will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, additional funds may be required to complete the acquisition or participation and the Company may not be able to obtain such financing on terms which are satisfactory to the Company.

**2. INITIAL PUBLIC OFFERING**

On January 17, 2022, the Company completed its Initial Public Offering ("IPO") of 2,500,000 common shares at \$0.10 per share (\$250,000). The Company paid a cash commission of 7% of the gross proceeds to Research Capital Corp. (the "Agent"), and granted the Agent warrants to acquire 7% of the common shares issued in the IPO exercisable for a period ending 24 months from the closing of the IPO, exercisable at \$0.10 per share. The Company also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the IPO. Cash issuance costs of \$61,306 were associated with these issuances and the value attributed to warrants granted to the Agent is \$9,243.

**3. RESULTS OF OPERATIONS**

During the three months and nine months period ended April 30, 2022, the Corporation operated as a Capital Pool Company.

**4. REVIEW OF FINANCIAL RESULTS**

The Company incurred a loss of \$8,149 and \$86,853, respectively for the three and nine month periods ended April 30, 2022 compared to net loss of \$22,005 for the period ended July 31, 2021. The loss resulted from expenses and costs relating to the Prospectus and the Offering, including listing fees, Agent's work fee, legal fees, audit fees and expenses.

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**5. LIQUIDITY AND CAPITAL RESOURCES**

As a CPC, the Company's principal business is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject to, in certain cases, shareholder approval and acceptance by the Exchange. Where an acquisition or participation (the "Qualifying Transaction") is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. Under the CPC policies of the Exchange, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company's shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Company's shares from trading should it not meet these requirements. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. Such an acquisition will be subject to regulatory approval and, if required, shareholder approval.

As at April 30, 2022 the Company had a cash balance of \$415,959, and working capital of \$420,977.

**Cash Flows****Investing Activities**

During the nine months ended April 30, 2022, there were no investing activities.

**Financing Activities**

During the nine months ended April 30, 2022, the Company completed its Initial Public Offering ("IPO") of 2,500,000 common shares at \$0.10 per share, total \$250,000. The Company paid a commission of 7% of the gross proceeds to Research Capital Corp. (the "Agent") for the amount of \$17,500, also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the IPO for \$43,806, total cash issuance costs of \$61,306 were associated with these issuances.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Related Party Transactions**

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

On July 12, 2021, the Company issued 2,100,000 common shares to key management at a price of \$0.05 per common share for a total gross proceed of \$105,000.

**Proposed Transactions**

There are no proposed transactions.

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**Changes in Accounting Policies**

There are no changes in accounting policies

**Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Additional Disclosure for Venture Issuers without Significant Revenue**

Detail regarding material items within general and administrative expenses has been provided throughout this document.

**Outstanding Share Data**

Common Shares:

Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

A total of 8,800,000 common shares were outstanding at April 30, 2022. Out of these shares, 6,300,000 are subject to an escrow agreement in accordance with the Exchange Policy 2.4. The shares will be released as follows: 25% upon the issuance of notice of final acceptance of a Qualifying Transaction by the TSX Venture Exchange, and the remainder in three equal tranches of 25% every six months thereafter for a period of 18 months.

**Stock options**

The Company has established a stock option plan (the "Plan") for its directors, executive officers, employees and consultants under which the Company may grant up to 10% of the total issued and outstanding common shares of the Company after the completion of the qualifying transaction.

On January 17, 2022, the Corporation granted 350,000 options to its directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.61%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$26,141.

**Warrants**

On January 17, 2022, the Corporation granted 175,000 warrants to the Agent, which are exercisable within two years from the closing of the IPO at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.61%, expected volatility of 100% and an expected life of 2 years. The value attributed to these options was \$9,243.

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**6. RISKS AND UNCERTAINTIES**

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this interim report in evaluating the Company and the business before making any investment decision in regards to the common shares of the Company. The business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair the business operations.

(a) The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction;

(b) until Completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;

(c) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;

(d) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;

(e) Completion of the Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval.

***Ability to Raise Funds***

As at April 30, 2022, the Company had positive working capital of \$420,977, however, it is limited in financial resources, and has no assurance that additional funding will be available. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

***Markets for Securities***

There can be no assurance that an active trading market in the securities will be established and sustained. The market price for the securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of the peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company.

***Reliance on Key Individuals***

The success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

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**7. INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

**8. CRITICAL JUDGEMENTS AND ESTIMATES**

The consolidated financial statements are prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The critical judgment that the Company's management has made in the process of applying the Company's accounting policies that has the most significant effect on the amounts recognized in the Company's financial statements is related to the assumption that the Company will continue as a going concern. For a summary of significant accounting policies, please refer to Note 2 of the interim financial statements. Management believes it has made estimates that best reflect the facts and circumstances; however, actual results may differ from estimates.

**9. FORWARD-LOOKING INFORMATION**

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the Company's intention to complete a "Qualifying Transaction" (as defined by policy 2.4 (the "CPC Policy") of TSX Venture Exchange Inc. (the "Exchange")). Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include the ability of the Company to obtain necessary financing and complete a Qualifying Transaction. Forward-looking information contained in this MD&A is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, except as required by law.

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**Additional Information**

Additional information relating to the Company may be obtained from the SEDAR website

([www.sedar.com](http://www.sedar.com)).

On behalf of the Board of Directors

***“Signed”***

Terry Wong

***CEO, CFO & Director***

June 28, 2022