



# **XPLORE RESOURCES CORP.**

## Management's Discussion and Analysis

For the Six Months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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#### **FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS**

This report on results for the six months ended December 31, 2023 contains forward-looking information, including forward-looking information about Xplore Resources Corp.'s (the "Company") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

#### **GENERAL**

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the six months ended December 31, 2023 and 2022 should be read in conjunction with the audited consolidated financial statements as at June 30, 2023 and 2022 and for the years then ended, which are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and the condensed consolidated interim financial statement as at December 31, 2023 and 2022 and for the six months then ended, which are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The following information is prepared as at February 28, 2024. The Board of Directors of the Company has approved the disclosure contained in this MD&A.

Additional information related to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company's website at [www.xploreresources.com](http://www.xploreresources.com).

#### **OVERVIEW**

Xplore Resources Corp. was incorporated on February 24, 2017 pursuant to the *Business Corporations Act* of British Columbia and was classified as a capital pool company, as defined in TSX Venture Exchange ("TSX-V") Policy 2.4. On October 30, 2017, the Company completed its Initial Public Offering and the Company's shares commenced trading on the TSX-V under the symbol XPLR. The Company's principal business activities include the acquisition and exploration of mineral property assets located in Canada and Brazil. The Company's head office and principal business address is 1615 – 200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Company's registered and records office is 2501 – 550 Burrard Street, Vancouver, British Columbia, V6C 2B5.

On October 24, 2023, the Company consolidated its common shares on the basis of one new share for every two and one-half pre-consolidation common shares. For all periods presented, common shares, warrants, stock options and any amounts for those instruments that are stated on a per-unit basis have been adjusted for the 2.5-for-1 share consolidation.

#### **EXPLORATION PROJECTS**

##### **Surge Root Project**

##### Surge

On February 18, 2022, the Company entered into an agreement to earn a 100% interest in the Surge property, located in the Patricia Mining District in Ontario. Under the terms of the agreement, the Company must make payments as follows:

- Cash payment of \$20,000 (paid) and issuance of 160,000 common shares of the Company (issued and valued at \$20,000) on signing of the agreement;
- Cash payment of \$25,000 on or before February 18, 2023 (paid);
- Cash payment of \$5,000 for extending the February 18, 2023 payment date to May 15, 2023 (paid);

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- Cash payment of \$30,000 on or before February 18, 2024 (paid subsequent to December 31, 2023); and
- Cash payment of \$35,000 on or before February 18, 2025.

The Company was also required to incur exploration expenditures of \$60,000 on or before February 18, 2023 (incurred).

The vendors retain a 1.5% net smelter return royalty ("NSR") the property. The Company may purchase 0.5% of the NSR for \$800,000.

#### **Surge Extension**

On November 30, 2023, the Company entered into an agreement to acquire additional claims for \$9,500. The vendor of the additional claims retains a 1.5% NSR on the additional claims. The Company may purchase 0.5% of the NSR for \$500,000.

#### **Root Bay North**

On December 22, 2023, the Company entered into an agreement to earn a 100% interest in the Root Bay North property. Under the terms of the agreement, the Company must make payments as follows:

- Cash payment of \$9,000 (paid subsequent to December 31, 2023);
- Issuance of 300,000 common shares of the Company (issued subsequent to December 31, 2023) within five business days of TSX-V approval;
- Cash payment of \$15,000 on or before December 22, 2024;
- Cash payment of \$21,000 on or before December 22, 2025; and
- Cash payment of \$30,000 on or before December 22, 2026.

The vendors retain a 1.5% NSR on the property. The Company may purchase 0.5% of the NSR for \$500,000.

#### **Root Falls**

On December 22, 2023, the Company entered into an agreement to earn a 100% interest in the Root Falls property. Under the terms of the agreement, the Company must make payments as follows:

- Cash payment of \$12,000 (paid subsequent to December 31, 2023);
- Issuance of 600,000 common shares of the Company (issued subsequent to December 31, 2023) within five business days of TSX-V approval;
- Cash payment of \$18,000 on or before December 22, 2024;
- Cash payment of \$21,000 on or before December 22, 2025; and
- Cash payment of \$36,000 on or before December 22, 2026.

The vendors retain a 1.5% NSR on the property. The Company may purchase 0.5% of the NSR for \$600,000.

#### **Exploration – Surge Property**

The Surge property (3,416 hectares ("ha")) is located in the Slate Falls area, Patricia Mining District, Ontario. The property is road accessible.

The Surge property lies within the Pakwash – Lake St. Joseph rare element pegmatite field, an east-west trending, 20-kilometre wide, 100-kilometre long trend containing multiple peraluminous (aluminum rich) granitic intrusions, rare earth pegmatites and lithium-bearing pegmatites. The property is 12 kilometres east of the Root Lake pegmatite group, which hosts the McCombe lithium deposit (historic mineral resource of 2.3 million tonnes averaging 1.3% lithium oxide ("Li<sub>2</sub>O") – (Mulligan R. Geological Survey of Canada, 1965). Ardiden (2015) reported 5.0 metres averaging 2.1% Li<sub>2</sub>O from continuous channel samples collected in 2016, approximately 5 kilometres west of the property boundary. Historical mapping (1963) identified seven distinct pegmatites, scattered peripheral to a central, east-west trending peraluminous granite that

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transects the Surge property claims. The Company considers the Surge property to be prospective for lithium-caesium-tantalum ("LCT") type pegmatites.

In June 2022, the Company contracted Prospectair Geosurveys to complete a high-resolution, heliborne magnetic ("MAG") survey of the Surge property. A total of 758-line kilometres were completed. Traverse lines were spaced 50 metres apart with control lines spaced every 500 metres. Flight lines were oriented N179°. Sensor height was 21 metres above ground.

In fiscal Q4 2022, the Company completed an initial reconnaissance program evaluating access and exposure at Surge to assist in planning 2023 exploration. The contract geological team commissioned to complete this field evaluation was asked to locate, describe and, if warranted, sample any outcrops of interest noted during the survey, particularly outcrops of pegmatite. The survey confirmed excellent road access to and from the Surge property and extensive logging has produced excellent exposure throughout the claim block. Eight distinct pegmatite bodies were identified and four were sampled and submitted for multi-element geochemical analysis with the objective of determining if the property offers prospectivity for LCT pegmatite development. Sample results indicate anomalous lithium grades, but none of the sampled outcrops returned lithium grades of economic interest.

A series of outcrops associated with the Lake St. Joseph fault system were noted to contain disseminated to massive sulphide mineralization along an approximate 1,500 metre strike length. Anomalous gold (up to 48 parts per billion ("ppb")), copper (up to 141 parts per million ("ppm")) and zinc (up to 393 ppm) were returned from sawn channel samples collected along this sulphide trend.

The Company proposes an exploration drill program at the Surge property to evaluate the potential for a stacked lithium-bearing pegmatite system similar to the Root Bay and Root Bay East discoveries.

The Company has applied for an Early Exploration Permit at the Surge property and plans to drill at the property in 2024.

#### **Perrigo Lake Property**

On August 13, 2021, the Company entered into an agreement to earn a 100% interest in the Perrigo Lake Property, located in the Red Lake Mining Division in Ontario. Under the terms of the agreement, the Company must make payments as follows:

- Cash payment of \$18,000 on signing of the agreement (paid);
- Issuance of 48,000 common shares of the Company (issued and valued at \$9,000) within five days of TSX-V approval;
- Cash payment of \$20,000 (paid) and issuance of 48,000 common shares of the Company (issued and valued at \$6,000) on or before September 9, 2022;
- Cash payment of \$28,000 (paid) on or before September 9, 2023; and
- Cash payment of \$30,000 on or before September 9, 2024.

The vendors retain a 1.75% NSR on the property. The Company may purchase 0.5% of the NSR for \$600,000. The remaining 1.25% NSR is subject to a pre-existing agreement with an arm's length third party.

#### **Exploration Perrigo Lake Property**

The Perrigo Lake property (3,370 ha) is located in the McNaughton Township, Red Lake Mining Division, Ontario. The property is road accessible. The Perrigo Lake claims lies five kilometres due west of the Allison Lake batholith, a focal point for lithium exploration in northwest Ontario. The Company believes that Perrigo offers potential for LCT type pegmatites.

In August 2021, the Company contracted Prospectair Geosurveys to complete a high-resolution, MAG survey of the Perrigo Lake property. A total of 740-line kilometres were completed. Traverse lines were spaced 50 metres apart with control lines spaced every 500 metres. Flight lines were oriented N088°. Sensor height was 22 metres above ground.

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Analysis of the airborne dataset identified numerous anomalies within the claim group that warrant follow-up evaluation. Anomalies of interest include:

- a) Target A – a magnetic high response in the centre of the claims interpreted to be associated with ultramafic rocks. The contact area between the ultramafics and the metasedimentary rocks to the east may be prospective for gold mineralization;
- b) Targets B and C – strong, linear magnetic response coincident with felsic volcanics trending north-northeast along the western boundary of the claims; and
- c) Target D – a second, strong, linear magnetic response interpreted to be parallel to the contact between the mafic to intermediate volcanic sequence and the metasedimentary rocks that define the eastern boundary of the property.

The Company considers all the identified targets as potentially prospective for gold, but notes that the Perrigo block lies approximately three kilometres west of the Allison Lake batholith, a primary target of ongoing lithium exploration in the region. The Company believes that Perrigo Lake may offer exploration opportunity for the discovery of lithium-bearing pegmatites given its preferential location relative to the Allison Lake batholith.

#### **Valk Property**

On March 31, 2019, the Company finalized an asset purchase agreement to acquire a 100% interest in the Valk property, located in the Nanaimo Mining Division in British Columbia. The agreement was amended on February 7, 2020 and subsequently on November 2, 2020.

The Company acquired a 100% interest in the property by making the following cash payments and share issuances:

- Cash payment of \$50,000 (paid in September 2019);
- Cash payment of \$100,000 (paid in November 2020);
- Issuance of 600,000 common shares of the Company (issued September in 2019); and
- Issuance of 400,000 common shares (issued in November 2020).

The Company entered into a finder's fee agreement on February 13, 2019, which was further amended on October 26, 2020 (the "Finder's Agreement"). Pursuant to this Finder's Agreement, the Company made a payment of \$5,000 cash, issued 60,000 common shares (issued in September 2019) and made a final payment of \$5,000 cash (paid in November 2020).

The Company has granted a 2% NSR, which is effective on all future production from the Valk Property. The Company may repurchase 1% of the NSR for \$1,500,000.

#### **Exploration - Valk Property**

The 1,614 ha Valk property is situated in northern Vancouver Island, a region prospective for copper and gold mineralization. The Valk property is dominated by rocks of the Karmutsen Formation, known to host anomalous copper mineralization. Regional scale faults trend in a northeasterly direction across the Valk property. These faults can be traced to the Island Copper Mine, a porphyry copper, gold molybdenum deposit that operated from 1971 through 1995, producing over 1.2 million tonnes of copper and 1.2 million ounces of gold. Mineralization at the Island Copper Mine was closely associated with rocks of the Island Plutonic Suite, which are mapped 3 kilometres to the south west of the Valk property.

A technical report titled *Technical Report on the Valk Property* with an effective date of March 6, 2021, prepared under the supervision of Warren Robb, P.Geo., is available on the Company's website and is filed on SEDAR for reference.

In Q2 2021, the Company commissioned Longford Exploration Services Ltd. ("Longford") to conduct prospecting and geochemical sampling through the central portion of the property where road construction had exposed mineralized outcrop not previously sampled and where historical geochemical soil sampling indicated gaps in the coverage. Longford's 2021 field work included:

- a) 673 surface soil samples;

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- b) 50 rock samples;
- c) 63 chip-grab samples; and
- d) 6.0 metres of channel rock samples.

Longford prepared an Assessment Report titled *Assessment Report on the Valk Property* with an effective date of May 9, 2022, which was submitted to the British Columbia Ministry of Energy, Mines and Low Carbon Innovation seeking an assessment credit of \$105,620. Assessment credits attributed against the Valk claims are sufficient to maintain the claims in good standing to October 29, 2028.

As at the date of this report, the Valk database includes:

- a) 2,801 surface soil samples;
- b) 108 rock samples;
- c) 63 chip-grab samples; and
- d) 23.0 metres of channel rock samples.

Exploration to date at the Valk property has identified anomalous copper, gold and vanadium mineralization in soil, rock and stream sediments. Anomalous copper (>50 ppm), vanadium (>500 ppm) and gold (>10 ppb) define a northeast trend extending for over 3 kilometres along strike across a 1 kilometre width. The northeast trend is coincident with regional scale faulting that traces directly to the Island Copper Mine, a former producing mine approximately 20 kilometres to the southeast.

The source of the copper mineralization is currently unknown. The Company believes that the copper mineralization may be related to a buried intrusive complex and that the Valk property may be prospective for both copper-gold porphyry and epithermal gold mineralization.

### **Brazil Properties**

#### **Acquisition of Baru Exploração Mineral Ltda. ("Baru")**

On July 28, 2023, the Company completed the acquisition of 100% of the share capital of Baru, a Brazilian-based exploration company, for US\$10,000 (\$13,663) and the issuance of 200,000 common shares of the Company (issued during the year ended June 30, 2022 and valued at \$30,000).

Management has concluded that the transaction will be accounted for as an asset acquisition and not as a business combination, as based on the stage of the properties, it does not meet the definition of a business in IFRS 3, *Business Combinations*.

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The provisional fair values of identifiable assets acquired and liabilities assumed of Baru as at the date of acquisition were:

<b>Consideration</b>	
Cash	\$ 13,663
Equity (200,000 common shares)	30,000
	<u>43,663</u>

	<u>Fair value</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Financial assets	\$ -
Financial liabilities	-
	<u>-</u>
Exploration and evaluation assets on acquisition	43,663
	<u>\$ 43,663</u>

Exploration costs of \$45,385 incurred in fiscal 2023 relating to the Brazil properties were expensed to pre-exploration and evaluation costs.

### Pompeia East

On September 4, 2020, Baru acquired through staking three tenements (3,435 ha) within the Ouro Preto district, Minas Gerais, Brazil. The tenements are collectively known as the Pompeia East Properties.

The Pompeia East Properties are all greenfield properties with minimal exploration work completed to date. Surface trenching and shallow drill holes on the adjacent tenement to the west have identified a 400-metre zone of anomalous gold mineralization that has returned values of up to 15 grams per tonne over intervals of up to 1.5 metres.

### Energia

On September 22, 2022, Baru acquired through staking four tenements (4,585 ha) within the Eastern Brazilian Pegmatite Province ("EBPP"), Minas Gerais, Brazil. The tenements are collectively known as the Energia Lithium Properties.

The EBPP is a 200-kilometre-wide, 800-kilometre-long "S" shaped area, elongated along an NNE-SSW axis that transects the states of Bahia, Minas Gerais and Rio de Janeiro. The EBPP is recognized as a premium exploration district for LCT pegmatites.

The Company has not, as yet, mobilized field crews to the Energia property to conduct initial reconnaissance exploration.

### Borborema

On December 6, 2022, Baru acquired through staking seven tenements (9,120 ha) in the Borborema Pegmatite Province ("BPP"), Rio Grande do Norte, Brazil. The tenements are collectively known as the Borborema Lithium Properties.

The Borborema Lithium Properties are all greenfield properties with minimal exploration work completed to date. The properties are located approximately 150 kilometres west of Natal in the state of Rio Grande do Norte in the northeastern region of Brazil. Rio Grande do Norte offers excellent year-round road access and established infrastructure.

The BPP is one of the largest granitic, pegmatite provinces in South America, extending over 150 kilometres along a north-northeast trend through the states of Rio Grande do Norte and Paraíba, and measuring more than 75 kilometres in width. The BPP was an important source of tantalum and beryl from the late 1940s through the 1970s and the area was known for

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“specimen” quality samples of tantalum, beryl and niobium. Over 700 rare earth element pegmatites have been recorded throughout the BPP and more recent research has confirmed LCT-type pegmatites are common as well.

#### Raggy Creek, Aerial Lake and Cathy Creek Properties

On December 22, 2023, the Company entered into an agreement to earn a 100% interest in the Raggy Creek, Aerial Lake and Cathy Creek properties. Under the terms of the agreement, the Company must make payments as follows:

- Cash payment of \$30,000 (paid subsequent to December 31, 2023);
- Issuance of 900,000 common shares of the Company (issued subsequent to December 31, 2023) within five business days of TSX-V approval;
- Cash payment of \$36,000 on or before December 22, 2024;
- Cash payment of \$54,000 on or before December 22, 2025; and
- Cash payment of \$84,000 on or before December 22, 2026.

The vendors retain a 1.5% NSR on the property. The Company may purchase 0.5% of the NSR for \$500,000.

#### SELECTED ANNUAL INFORMATION

The following table presents selected financial information for each of the most recent three fiscal years:

	June 30, 2023 \$	June 30, 2022 \$	June 30, 2021 \$
Revenue	-	-	-
Net loss	(457,329)	(196,670)	(623,676)
Basic and diluted loss per common share	(0.03)	(0.01)	(0.05)
Total assets	945,879	1,403,406	1,351,542
Long-term debt	-	-	-
Dividends	-	-	-

#### SELECTED QUARTERLY INFORMATION

The following table presents selected financial information for each of the most recent eight quarters:

For the periods ending	December 31, 2023 \$	September 30, 2023 \$	June 30, 2023 \$	March 31, 2023 \$
Revenue	-	-	-	-
Net loss	(243,064)	(17,561)	(40,677)	(316,067)
Basic and diluted loss per common share	(0.01)	(0.00)	(0.00)	(0.02)
Total assets	1,666,796	931,183	945,879	963,972
Non-current financial liabilities	-	-	-	-



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For the periods ending	December 31, 2022 \$	September 30, 2022 \$	June 30, 2022 \$	March 31, 2022 \$
Revenue	-	-	-	-
Net loss	(54,876)	(45,709)	(39,765)	(30,075)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	1,263,274	1,349,007	1,403,406	1,452,382
Non-current financial liabilities	-	-	-	-

All of the Company's mineral property assets are in the exploration and evaluation stage, and as such, the Company does not generate any revenues from operations. To date, the Company has been dependent on attaining working capital from the sale of its common shares.

During the quarter ended December 31, 2023, the Company received bridge loan advances of \$40,000 and issued 320,000 bonus warrants associated with loan. The Company completed its required \$9,500 cash payment for the Surge Extension. The Company incurred exploration and evaluation asset expenditures of \$60,000 on the Surge property and \$5,037 on the Brazil properties.

During the quarter ended September 30, 2023, the Company completed its required \$28,000 cash payment for the Perrigo Lake property. The Company's acquisition of Baru closed on July 28, 2023 resulting in the recognition of Brazil properties' acquisition costs of \$43,663.

During the quarter ended June 30, 2023, the Company invested \$50,789 in its exploration properties, including investments in the exploration of properties in Brazil.

During the quarter ended March 31, 2023, the Company invested \$39,520 in its various properties. The Company announced the termination of the option agreement for the Upper Red Lake and Pringle Lake properties to allow the Company to focus on its portfolio of lithium properties in Ontario and Brazil, as well as the 100% owned Valk copper property in British Columbia. Consequently, the Upper Red Lake and Pringle Lake property assets have been written down to \$nil to reflect the termination of the respective option agreements.

During the quarter ended December 31, 2022, the Company invested \$45,172 in its various properties.

During the quarter ended September 30, 2022, the Company completed its required \$20,000 cash payment and its 48,000 common share issuance for the Perrigo Lake Property. The Company has incurred \$8,446 in expenses related to the pre-exploration of properties in Brazil.

During the quarter ended June 30, 2022, the Company entered into a definitive agreement to acquire a 51% interest in the Diamond Mountain phosphate property from Revival Gold Inc., located approximately 30 kilometres north-east of Vernal, Utah. The agreement called for a non-brokered private placement offering of a minimum of 62,500,000 units at \$0.08 per unit for gross proceeds of a minimum of \$5,000,000. The original agreement was amended August 16, 2022 and ultimately expired, and the financing did not proceed.

During the quarter ended March 31, 2022, the Company issued \$70,500 of share-based payments related to acquisition and exploration of properties and grant of stock options.

Significant general and administrative expenditures incurred over the last eight quarters have consisted of consulting fees, professional fees, promotion and marketing, and transfer agent and filing fees.

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#### **RESULTS OF OPERATIONS**

##### **Three Months Ended December 31, 2023**

During the three months ended December 31, 2023, the Company reported a loss of \$243,064 (2022 - \$54,876). Significant components of the loss were:

- Consulting fees of \$112,600 (2022 - \$nil) were higher due to new consultants engaged in the current period;
- General and administrative of \$4,738 (2022 - \$11,032) decreased as a result of timing of insurance expense;
- Interest accretion of \$25,644 (2022 - \$nil) was higher, as a bridge loan was advanced to the Company during the current period;
- Occupancy cost of \$5,000 (2022 - \$nil) increased as a result of a change in location of office resulting in shared office costs during the current period;
- Pre-exploration and evaluation expenses of \$nil (2022 - \$2,182) decreased, as the Company acquired Baru and the costs related to Brazil properties are now being capitalized;
- Professional fees of \$76,490 (2022 - \$30,240) increased as a result of an increase in legal fees from an increase in corporate activity during the period;
- Promotion and marketing costs of \$6,758 (2022 - \$4,380) increased due to more new release costs; and
- Transfer agent and filing fees of \$11,834 (2022 - \$7,042) increased due to an increase in corporate activity.

##### **Six Months Ended December 31, 2023**

During the six months ended December 31, 2023, the Company reported a loss of \$260,625 (2022 - \$100,585). Significant components of the loss were:

- Consulting fees of \$119,600 (2022 - \$nil) were higher due to new consultants engaged in the current period;
- General and administrative of \$5,570 (2022 - \$12,895) decreased as a result of timing of insurance expense;
- Interest accretion of \$25,644 (2022 - \$nil) was higher, as a bridge loan was advanced to the Company during the current period;
- Occupancy cost of \$5,000 (2022 - \$nil) increased as a result of a change in location of office resulting in shared office expenditures during the current period;
- Pre-exploration and evaluation expenses of \$nil (2022 - \$10,628) decreased, as the Company acquired Baru and the costs related to Brazil properties are now being capitalized;
- Professional fees of \$85,490 (2022 - \$53,090) increased as a result of an increase in legal fees from an increase in corporate activity during the period;
- Promotion and marketing costs of \$7,108 (2022 - \$14,680) decreased, as the Company engaged less independent service providers to promote the Company during the current period; and
- Transfer agent and filing fees of \$12,213 (2022 - \$9,292) increased due to an increase in corporate activity.

#### **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital position as at December 31, 2023 was \$441,982 compared to \$70,784 at June 30, 2023.

On January 2, 2024, the Company closed the second tranche of a non-brokered private placement of 4,250,000 units at a price of \$0.10 per unit for gross proceeds of \$425,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.15 for a period of two years from closing.

As the Company does not currently own any revenue-generating assets, the Company will need to raise sufficient capital to further explore its properties. At this time, the Company will rely on its current working capital and its ability to obtain further equity or debt financing for the foreseeable future. Although the Company has been successful in the past in obtaining financing, there is no guarantee that it will be able to obtain adequate financing in the future or that such terms of financing will be advantageous to the Company.

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#### EVENTS SUBSEQUENT TO DECEMBER 31, 2023

- a) On January 2, 2024, the Company closed the second tranche of a non-brokered private placement of 4,250,000 units at a price of \$0.10 per unit for gross proceeds of \$425,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.15 for a period of two years from closing.
- b) On January 16, 2024, the Company granted 2,300,000 stock options to officers, directors and consultants with an exercise price of \$0.15 per share and a term to expiry of three years.
- c) Subsequent to December 31, 2023, the Company:
  - Paid \$30,000 and issued 900,000 common shares of the Company for the Raggy Creek, Aerial Lake and Cathy Creek properties; and
  - Paid \$51,000 and issued 900,000 common shares of the Company for the Surge Root project.

#### RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel include the directors, the chief executive officer and the chief financial officer, who have the authority and responsibility for planning, directing and controlling the activities of the Company.

These amounts of key management compensation are included in the amounts shown in profit or loss for the six months ended December 31, 2023 and 2022:

	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
<b>Short-term compensation</b>		
Consulting fees	\$ 37,500	\$ -
Exploration and evaluation asset expenditures	7,500	-
Professional fees	5,000	-
	\$ 50,000	\$ -

Short-term compensation was paid or accrued as follows:

- \$37,500 (2022 - \$nil) in consulting fees to a private company controlled by the chief executive officer;
- \$7,500 (2022 - \$nil) in geological fees to a director of the Company; and
- \$5,000 (2022 - \$nil) in professional fees to a private company controlled by the chief financial officer.

As at December 31, 2023, the Company has outstanding amounts payable to an officer of the Company of \$15,750 (June 30, 2023 - \$nil) and to a director of the Company of \$7,875 (June 30, 2023 - \$nil).

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet arrangements, such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments, or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

# XPLORE RESOURCES CORP.

## Management's Discussion and Analysis

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(All amounts expressed in Canadian dollars, unless otherwise stated)

#### FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable. The carrying values of accounts payable and accrued liabilities and loan payable approximate their fair values due to the short term to maturity.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

<b>December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 642,756	\$ -	\$ -	\$ 642,756

  

<b>June 30, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 53,485	\$ -	\$ -	\$ 53,485

There were no changes to the Company's risk exposures during the six months ended December 31, 2023. The Company has exposure to the following risks from its use of financial instruments:

a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balance. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

The Company has minimal credit risk. The maximum exposure to credit risk at December 31, 2023 is the carrying value of cash of \$642,756 (June 30, 2023 - \$53,485).

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The financial liabilities of the Company as of December 31, 2023 total \$263,633 (June 30, 2023 - \$60,114). Accounts payable are due within 30 days of the reporting date.

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#### c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no funds held in foreign currencies, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.
- ii) *Interest rate risk* – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest earned on cash is at nominal interest rates. The Company's loan payable has a fixed interest rate. Accordingly, the Company does not consider interest rate risk to be significant.
- iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant other price risk.

#### d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at December 31, 2023, the Company's shareholders' equity was \$1,403,163 (June 30, 2023 - \$885,765). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. 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 has not generated any revenues and cash flows since its inception, therefore, the Company is dependent on external financing to fund its business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's approach to capital management during the six months ended December 31, 2023. The Company is not subject to externally imposed capital requirements.

## **RISKS AND UNCERTAINTIES**

The Company, and the securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities.

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.

The Company has a limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues following its transition to a mineral exploration and development company. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to

# **XPLORE RESOURCES CORP.**

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

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obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company does not anticipate paying any dividends in the near future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers and may also be affected by undetected defects or the rights of Indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks, which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years, as it is affected by numerous factors that are beyond the Company's control, including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore, the economic viability of the Company's interests in the mineral properties, cannot be accurately predicted. Furthermore, changing conditions in the financial markets and Canadian income tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next fiscal year are included in note 5 of the condensed consolidated interim financial statements.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS – CHANGES IN ACCOUNTING POLICIES**

There were no new accounting standards adopted during the six months ended December 31, 2023.

For details of the Company's future accounting standards, including accounting standards not yet adopted and accounting standards amended, but not yet effective, please refer to note 4 of the Company's audited consolidated financial statements for the year ended June 30, 2023.

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#### **OUTSTANDING SHARE DATA**

The Company had the following securities issued and outstanding:

	<b>February 28, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Common shares	29,261,505	23,211,505	15,681,505
Warrants	12,100,000	8,330,000	3,432,000
Stock options	2,700,000	400,000	720,000
Fully diluted shares	44,061,505	31,941,505	19,833,505

#### **DIRECTORS AND OFFICERS**

The Company is currently governed by the following members of the Board of Directors:

Wesley C. Hanson	Director and Executive Chairman
Dominic Verdejo	Director and Chief Executive Officer
Charles Edgeworth	Director
Richard Boulay	Director
Karly Oliver	Director