



**IC CAPITALLIGHT CORP.**

**Management's Discussion and Analysis (MD&A)**

For the years ended December 31, 2022 and 2021

Expressed in Canadian Dollars

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking information within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans,” “expects,” or “does not expect,” “is expected,” “budget,” “scheduled,” “goal,” “estimates,” “forecasts,” “intends,” “anticipates,” or “does not anticipate,” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur,” or “be achieved”.

Forward-looking information includes, but is not limited to, information with respect to certain expectations regarding the fair value of the Company’s investments and management’s expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management’s current views and are based on certain assumptions and speak only as of the date of this report. These are based on current expectations, estimates and assumptions that involve known and unknown risks, uncertainties and other factors that could cause actual results to vary and, in some instances, to differ materially from those anticipated by the Company and described in the forward-looking statements. These risks include, but are not limited to, access to sufficient capital, legal and accounting risks, potential loss of key personnel, sales and marketing issues, operating cost overruns, technology issues, title disputes and compliance with various regulators. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price of our research products (3) a decreased value of our investments, (4) inability to locate, acquire or divest of mineral property interests, (5) the uncertainty of our operating costs, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control. There is a significant risk that such forward-looking statements will not prove to be accurate.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding the Company’s expected financial and operating performance and the Company’s plans and objectives and may not be appropriate for other purposes.

The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled “Risk Factors” below.

## INTRODUCTION

This Management’s Discussion and Analysis (“MD&A”) dated May 1, 2023 of IC Capitalight Corp. (“Capitalight”, “we”, “our” or “the Company”) should be read in conjunction with Company’s Consolidated Financial Statements (“Financial Statements”) for the years ended December 31, 2022 and 2021 that were prepared in accordance with International Financial Reporting Standards (“IFRS”) International Accounting Standard as issued by the International Accounting Standards Board (“IASB”).

All amounts are in Canadian dollars, unless otherwise indicated.

## EXECUTIVE SUMMARY

Capitalight is incorporated under the British Columbia Business Corporations Act and its common shares are listed on the Canadian Securities Exchange (the “Exchange”) under the symbol “IC”. The Company has a fiscal year-end of December 31, and its registered office is at 2200 HSBC Building, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

Capitalight is a merchant bank that pursues value-based investment opportunities in accordance with its investment policies. Business investments consist of Capitalight Research Inc. (“Capitalight Research”), a wholly owned subsidiary that publishes proprietary subscription-based research focused on (1) equity technical analysis, (2) gold, silver, and critical metals sectors, and (3) bonds, and economics. Capitalight Research generates recurring revenues and is expected to generate positive operating cash flows in 2023. Mineral exploration investments consist of the exploration and evaluation stage Blue Lake Cu-Ni-Pt-Pd property near Schefferville, Quebec. Investments of marketable securities consist of the equities of a gold exploration company.

### *Business Strategy*

The business strategy consists of the following:

- Realize value from its investment in Capitalight Research.
- Realize value from its investment in mineral properties.
- Capitalize on other investment opportunities as they arise.

The Company accepts the risks that are inherent to pursuing investment returns. These risks are discussed in greater detail in the *Risk Factors* section of this MD&A.

## HIGHLIGHTS AND MILESTONES

The following section contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws. The Company continues to monitor the implications of the Covid-19 Pandemic. The manner and extent that the pandemic, and measures taken as a result of the pandemic by governments and others, will affect the Company in ways that cannot be predicted with certainty. See the *Cautionary Statement Regarding Forward-Looking Information and Uncertainty due to the Covid-19 Pandemic* in this MD&A for a discussion of assumptions and risks relating to such statements and information and a discussion of certain risks facing the Company relating to the pandemic.

### Highlights

On February 16, 2022, the Company’s wholly owned subsidiary, Capitalight Research Inc., completed the acquisition of the business assets and liabilities of Phases & Cycles Inc. (“P&C”), a private corporation that publishes subscription-based market research, in return for a cash consideration of \$270,000 (the “Transaction”). The primary reason for the acquisition was an expansion of Capitalight Research’s subscription-based research business. The P&C acquisition has contributed revenues of \$201,018 from February 16, 2022 (the date of acquisition) to December 31, 2022. If the acquisition had occurred on January 1, 2022, management estimates that revenues would have been \$232,575 resulting in a net loss of \$9,425.

On July 19, 2022, the Company disposed of Stone debentures for gross proceeds of \$3,519,952 that included a payment of \$183,625 used for the reimbursement of legal expenses and realized a gain of \$1,403,519 on the investment.

### Milestones

During the next 12 months, the Company will focus on the following:

- Grow the Capitalight Research subscriber-base to achieve profitability in 2023.
- Initiate an exploration program at the Blue Lake property.
- Realize value from the investment in marketable equities.

## RESULTS OF OPERATIONS

The Company has three operating segments, consisting of the research business, mineral exploration properties and securities investments.

### Financial Results for the years and three months ended December 31, 2022 and 2021

	Year ended December 31, 2022	Year ended December 31, 2021	Three months ended December 31, 2022	Three months ended December 31, 2021
<b>Research business segment</b>				
Research revenues	\$ 703,323	\$ 388,311	\$ 183,737	\$ 91,561
<b>Research expenses</b>			-	
Payroll and benefits	321,866	256,585	90,811	43,708
Consultants and services	224,412	163,620	70,323	55,846
Share-based compensation	-	47,808	-	(13,302)
Office and administrative	91,092	39,333	18,819	20,265
Sales and marketing	47,014	25,311	10,658	25,311
Rent	19,059		5,502	
Professional and legal fees	11,126	14,099	-	14,099
Travel expenses	16,981	1,657	5,239	119
Insurance expenses	742	-	742	-
Bad debts	14,329	21,238	5,472	222
<b>Total research expenses</b>	746,621	569,651	207,566	146,268
<b>Research business segment income (loss)</b>	(43,298)	(181,340)	(23,829)	(54,707)
<b>Exploration properties segment</b>				
Realized gain on sale of mineral property	-	459,999	-	-
<b>Exploration and evaluation expenses</b>				
Mineral claim renewal fees	6,438	898	635	337
<b>Total exploration and evaluation expenses</b>	6,438	898	635	337
<b>Exploration properties segment income (loss)</b>	(6,438)	459,101	(635)	(337)
<b>Investment segment</b>				
Consulting revenues	27,900	11,137	-	-

Realized gain on investments	1,403,519	173,849	2	66,349
Unrealized (loss) gain on investments	(690,062)	500,443	(22,513)	3,050
Investments income	80,672	203,377	16,982	57,852
<b>Total investment segment income (loss)</b>	<b>822,029</b>	<b>888,806</b>	<b>(5,529)</b>	<b>127,251</b>
<b>Total segments income (loss)</b>	<b>772,293</b>	<b>1,166,567</b>	<b>(29,993)</b>	<b>72,207</b>
<b>General and administrative expenses</b>				
Consulting fees	263,305	264,895	52,500	95,095
Professional and legal fees	255,744	286,655	50,246	223,516
Office and administrative	57,513	21,674	33,141	17,825
Public filing fees	6,631	6,520	(8,926)	(9,628)
Insurance expenses	5,328	7,013	2,765	1,583
Rent	-	17,230	-	1,930
<b>Total general and administrative expenses</b>	<b>588,521</b>	<b>603,987</b>	<b>129,726</b>	<b>330,321</b>
Interest expense	295,535	13,389	(15,127)	13,093
Depreciation	403		110	
Amortization of brand value	10,979	12,600	3,137	3,150
Accretion	204,969	34,619	-	12,389
Share-based compensation	113,108	80,700	-	(14,870)
Impairment	224,509	226,800	224,509	226,800
Part XII.6 taxes	-	9,752	-	9,752
Flow through obligation	11,825	45,941	-	45,941
Loss on remeasurement of credit facility	55,499		-	
Realized gain on settlement of debt	-	(34,025)	-	(34,025)
Foreign exchange (gain) loss	2,245	7,255	3,999	4,983
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (735,300)</b>	<b>\$ 165,549</b>	<b>\$ (376,347)</b>	<b>\$ (525,327)</b>

*Discussion of the years ended December 31, 2022 and 2021*

The Company realized a net loss and comprehensive loss of \$735,300 (2021: net income and comprehensive income of \$165,549).

The research business segment generated a loss of \$43,298 (2021: loss of \$181,340). Research revenues increased to \$703,323 (2021: \$388,311) due to increased subscription research fees and the acquisition of P&C. Research expenses increased to \$746,621 (2021: \$569,651) due to increased payroll and benefits, consultants, rent, services, legal fees, and sales and marketing expenses.

The exploration segment generated a loss of \$6,438 (2021: income of \$459,101). The prior year period included the realized gain from the sale of a mineral property.

The investment segment realized income of \$822,029 (2021: \$888,806) that consisted of consulting revenues of \$27,900 (2021: \$11,137), investment income of \$80,672 (2021: \$203,377), realized gains of \$1,403,519 (2021: \$173,849), and unrealized (losses) of \$690,062 (2021: unrealized gain of \$500,443).

General and administrative costs decreased slightly to \$588,521 (2021: \$603,987).

Interest expense increased to \$295,535 (2021: \$13,389) due to the credit facility interest and prepayment fees. Accretion increased to \$204,969 (2021: \$34,619) related to the credit facility obligation fair value. The Company also recognized a loss on remeasurement of the credit facility of \$55,499 (2021: \$nil).

Impairment of goodwill and intangibles related to P&C was \$224,509 (2021: \$226,800).

Share-based compensation increased to \$113,108 (2021: \$80,700).

*Discussion of the three months ended December 31, 2022 and 2021*

The Company realized a net loss and comprehensive loss of \$376,347 (2021: net loss and comprehensive loss of \$525,327).

The research business segment generated a loss of \$23,829 (2021: loss of \$54,707). Research revenues increased to \$183,737 (2021: \$91,561) due to increased subscription research fees and the acquisition of P&C. Research expenses increased to \$207,566 (2021: \$146,268) due to increased payroll and benefits, consultants, rent, services, legal fees, and sales and marketing expenses.

The exploration segment generated a loss of \$635 (2021: loss of \$337).

The investment segment realized a loss of \$5,529 (2021: income of \$127,251) that consisted of investment income of \$16,982 (2021: \$57,852), realized gains of \$2 (2021: \$66,349), and unrealized (losses) of \$22,513 (2021: unrealized gain of \$3,050).

General and administrative costs decreased to \$126,726 (2021: \$330,321) due to a significant reduction in consulting and legal fees.

Impairment of goodwill and intangibles related to P&C was \$224,509 (2021: \$226,800).

Share-based compensation increased to \$nil (2021: gain of \$14,870).

## STATEMENT OF FINANCIAL POSITION

### *Cash and Cash Equivalents*

Cash and cash equivalents increased to \$2,123,977 (2021: \$422,719) and are deposited with major financial institutions in Canada.

### *Accounts Receivable, Amounts Receivable and Prepaid Expenses*

Accounts receivables increased to \$26,648 (December 31, 2021: \$10,630). All accounts receivable over 90 days are fully provisioned as bad debts unless subsequently collected.

Amounts receivables increased to \$58,917 (December 31, 2021: \$50,067) due to an increase in Canadian sales tax receivables. Prepaid expenses increased to \$26,361 (December 31, 2021: \$18,669).

### *Investments*

As of December 31, 2022, the investment portfolio consisted of the following marketable securities:

- 409,333 common shares of Prospector Metals Corp. (TSXV: PPP) with a market value of \$61,400 based on the closing price.

The following transactions occurred during the year ended December 31, 2022:

- On July 19, 2022, the Company disposed of Stone debentures for gross proceeds of \$3,519,952 that included a payment of \$183,625 used for the reimbursement of legal expenses and realized a gain of \$1,403,519 on the investment.

During the year ended December 31, 2022, the Company:

- Realized a gain on investments of \$1,403,519 (2021: gain of \$173,849) and reversed unrealized gains of \$309,169 recognized in prior years related to the sale of debentures.
- Recognized unrealized losses of \$380,894 on the revaluation of common shares.
- Recognized debenture interest income of \$80,672 (2021: \$203,377).

As of December 31, 2022, the investment portfolio consisted of the following:

	As at December 31, 2021	Purchases (Non-Cash)	Purchases (Cash)	Disposition Net Proceeds	Realized Gains (Losses)	Unrealized Gains (Losses)	As at December 31, 2022
Common shares	\$ 442,294	\$ -	\$ -	\$ -	\$ -	\$ (380,894)	\$ 61,400
Debentures	2,425,602	-	-	(3,519,952)	1,403,519	(309,169)	-
Total	\$ 2,867,896	\$ -	\$ -	\$ (3,519,952)	\$ 1,403,519	\$ (690,063)	\$ 61,400

### *Property, Plant and Equipment*

	Exploration & Evaluation Properties	Equipment	Total
Balance, December 31, 2020	\$ 2	\$ -	\$ 2
Dispositions	(1)	-	(1)
Balance, December 31, 2021	\$ 1	\$ -	\$ 1
Additions	-	1,760	1,760
Depreciation	-	(403)	(403)
Balance as of December 31, 2022	\$ 1	\$ 1,357	\$ 1,358

### *Goodwill and Intangible Assets*

On February 16, 2022, the Company recognized goodwill upon the business acquisition of P&C and is primarily related to personnel and future growth. None of the goodwill arising from the acquisition is deductible for tax purposes. Goodwill is tested for impairment at the end of each reporting date using the value-in-use valuation model. The key assumptions are those related to discount rates and revenue growth rates. The model used revenue growth rates of 11% and a long-term growth rate of 2.0%. The after-tax weighted average cost of capital was determined to be 22% (pre-tax of 25%) and is based on a risk-free rate, an equity premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on the capital structure of publicly traded companies. Goodwill was tested for impairment on December 31, 2022 based on revised cash flow expectations for the P&C cash generating unit resulting in the recognition of impairment of \$207,264.

Movement in

	<b>Goodwill</b>
Balance as of December 31, 2020	\$ 189,000
Impairment	(189,000)
Balance as of December 31, 2021	\$ -
Recognition on acquisition of P&C (Note 7)	207,264
Impairment	(207,264)
Balance as of December 31, 2022	\$ -

On February 16, 2022, the Company recognized the value of the P&C brand. During the year ended December 31, 2022, the Company recognized brand value amortization of \$10,979. Brand value was tested for impairment on December 31, 2022 based on revised cash flow expectations for the P&C cash generating unit and using a 4.5% relief from royalty valuation model amortized over five years resulting in the recognition of impairment of \$17,245.

	<b>Movement in Brand Value</b>
Balance as of December 31, 2020	\$ 50,400
Amortization	(12,600)
Impairment	(37,800)
Balance as of December 31, 2021	\$ -
Recognition on acquisition of P&C	62,736
Amortization	(10,979)
Impairment	(17,245)
Balance as of December 31, 2022	\$ 34,512

#### *Accounts Payable and Accrued Liabilities*

Accounts payable and accrued liabilities decreased to \$350,657 (December 31, 2021: \$624,255).

#### *Short-Term and Long-Term Debt*

Short-term debt of \$40,000 (2021: \$282,342) which consisted of the CEBA loan.

#### *Deferred Revenues*

Deferred revenues decreased to \$116,591 (2021: \$162,378) and will be recognized into revenue over the next 12 months.

#### *Deferred Debenture Obligation*

On March 30, 2020, pursuant to a purchase agreement for Stone debentures, the Company recognized a deferred payment of \$330,000 due to the vendor upon maturity of the debentures, which was expected to occur on December 28, 2021. The deferred obligation was originally measured at amortized cost and the initial fair value was calculated as the present value of the obligation based on a discount rate of 10%. On December 28, 2021, Stone defaulted on the maturity. Since the purchase agreement did not foresee a maturity default event, the obligation will be treated as an on-demand obligation until settled with the vendor.

## **LIQUIDITY AND CAPITAL RESOURCES**

There were no changes in the Company's approach to capital management during the year ended December 31, 2022.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks and to provide shareholders with long-term capital growth by investing in a portfolio of undervalued companies, assets, or equity investment vehicles in the subscription research, mineral exploration and asset management sectors of the North American market, but may also include investments in other sectors.

The Company is not subject to any externally imposed capital requirements.

The Company is generating revenues from the research business but has not generated any revenues from mineral property interests, which are still in the exploration & evaluation stage. To date, the Company has funded its operations by raising equity. To minimize liquidity risk, the Company implemented an operating budget for the research business and limited discretionary expenditures related to the exploration property.

The Company manages its capital structure (consisting of shareholders' equity) on an ongoing basis and in response to changes in economic conditions and risk characteristics of its underlying assets. Changes to the capital structure could involve the issuance of new equity, obtaining working capital loans, issuing debt, the acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and investments.

#### *Capital resource analysis*

As of December 31, 2022, the Company had a working capital surplus of \$1,451,508 (December 31, 2021: deficiency of \$885,514).

	December 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,123,977	\$ 422,719
Accounts receivable	26,648	10,630
Amounts receivable	58,917	50,067
Debenture interest receivable	-	57,317
Investments	61,400	-
Prepaid expenses	26,361	18,669
<b>Total current assets</b>	<b>2,297,303</b>	<b>559,402</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	350,657	624,255
Short-term debt	40,000	282,342
Deferred revenue	116,591	162,378
Deferred obligation	330,000	330,000
Deferred flow-through obligation	8,547	45,941
<b>Total current liabilities</b>	<b>845,795</b>	<b>1,444,916</b>
<b>Working capital (deficit) surplus</b>	<b>\$ 1,451,508</b>	<b>\$ (885,514)</b>

The Company may choose to raise additional capital by issuing new equity, obtaining working capital loans, or construction financing. While the Company has been successful in obtaining funding in the past, there is no assurance that future financings will be available on terms acceptable to the Company. Based on management's assessment of its past ability to obtain required funding, the Company believes it will be able to satisfy its current and long-term obligations as they come due.

#### *Cash Flows from operating, investing and financing activities*

The following are the Company's cash flows from operating, investing and financing activities for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
<b>Operating activities</b>		
Net (loss) income	\$ (735,300)	\$ 165,549
<i>Add (deduct) items not affecting cash:</i>		
Accretion	204,969	34,619
Loss on remeasurement of credit facility	55,499	-
Depreciation	403	-
Amortization of brand value	10,979	12,600
Impairment	224,509	226,800
Share-based compensation for stock options	113,108	80,700
Share-based compensation for restricted share units	-	114,231
Cash settlement for conversion of restricted share units	(60,384)	-
Realized gain on settlement of debt	-	(34,025)
Realized gain on investments	(1,403,519)	(173,849)
Realized gain on mineral property	-	(459,999)
Unrealized gain on investments	690,062	(500,443)
Subtotal	(899,674)	(533,817)
<i>Change in non-cash working capital balances:</i>		
Increase (decrease) in accounts receivable and debenture income receivable	32,449	(13,369)
(Increase) decrease in prepaid expenses	(7,692)	3,961
(Decrease) increase in accounts payable and accrued liabilities	(106,771)	392,236
(Decrease) increase in flow through obligation	(37,394)	45,941
(Decrease) increase in deferred revenue	(45,787)	27,686
<b>Net cash used in operating activities</b>	<b>\$ (1,064,869)</b>	<b>\$ (77,362)</b>

<b>Investing activities</b>		
Purchase of debentures	-	(353,540)
Purchase of equipment	(1,760)	-
Acquisition of P&C	(270,000)	-
Disposition of debentures	3,519,953	-
Disposition of mineral property	-	100,000
Disposition of warrants	-	77,970
Purchase of common shares	-	(23,300)
Disposition of common shares	-	307,519
Net cash from investing activities	\$ 3,248,193	\$ 108,649
<b>Financing activities</b>		
Proceeds from short-term debt	278,640	315,256
Repayment of short-term debt	(760,706)	-
Net cash (used in) from financing activities	\$ (482,066)	\$ 315,256
<b>Net increase in cash and cash equivalents</b>	1,701,258	346,543
Cash and cash equivalents, beginning	422,719	76,176
<b>Cash and cash equivalents, ending</b>	\$ 2,123,977	\$ 422,719

Net cash used in operating activities was \$1,064,869 (2021: \$77,362) from increased operating expenditures and a reduction of working capital. Net cash from investing activities was \$3,248,193 (2021: \$108,649) from the disposition of the debentures less the acquisition costs of P&C. Net cash used in financing activities was \$482,066 (2021: net cash provided \$315,256) from the drawdowns and repayment of the credit facility.

#### *Contractual Obligations and Commitments*

The Company has contractual obligations and commitments relating to the deferred debenture obligation and deferred flow through obligation.

#### *Off-balance sheet arrangements*

The Company does not have off-balance sheet arrangements including any arrangements that would affect the liquidity, capital resources, market risk support and credit risk support or other benefits.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Company's financial obligations and in the management of its assets, liabilities and capital structure.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while obtaining sufficient funding to meet its obligations as they come due. The Company manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. The main factors that affect liquidity include working capital requirements, capital-expenditure requirements, and equity capital market conditions. The Company's liquidity requirements are met through a variety of sources, including cash and cash equivalents and equity capital markets.

As of December 31, 2022, the Company was not exposed to liquidity risk since it had a cash and cash equivalents balance of \$2,123,977 (December 31, 2021: \$422,719) to settle current liabilities of \$845,795 (December 31, 2021: \$1,444,916). Based on management's assessment of its past ability to obtain required funding, the Company believes that it will be able to satisfy its current and long-term obligations as they come due. The Company has disclosed in Note 2 to these consolidated financial statements the existence of circumstances which may cast significant doubt on its ability to continue as a going concern.

#### *Credit risk*

The Company has credit risk arising from accounts receivable from the sale of research business services to commercial customers. The Company manages this risk by reviewing the credit worthiness of material new customers, monitors customer payment performance, has weekly meetings to discuss uncollected accounts, and, where appropriate, reviews the financial condition of existing customers.

Other than accounts receivables, the Company has credit risk arising from potential of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions, whereas any offshore deposits are held with reputable financial institutions.

#### *Interest rate risk*



This is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that are subject to variable interest rates.

#### *Commodity price risks*

This is the sensitivity of the fair value of, or of the future cash flows, from mineral assets. The Company manages this risk by monitoring mineral prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.

#### *Currency risk*

This is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company transacts with customers and suppliers in currencies other than the Canadian dollar, including the US dollar. The Company also has monetary and financial instruments that may fluctuate due to changes in foreign exchange rates.

As of December 31, 2022, the Company estimated that a 10% decrease of the CAD versus foreign exchange rates would result in a gain of \$3,540 (2021: gain of \$2,512).

	December 31, 2022	December 31, 2021
Cash and cash equivalents (USD)	\$ 20,315	\$ 3,801
Accounts receivable (USD and EUR)	28,656	22,652
Accounts payable and accrued liabilities (USD)	(13,574)	(1,332)
Net foreign exchange exposure	\$ 35,397	\$ 25,121
Impact of 10% change in foreign exchange rates	\$ 3,540	\$ 2,512

## OUTSTANDING SECURITIES

As of December 31, 2022 and December 31, 2021, the Company had the following outstanding securities:

	December 31, 2022	December 31, 2021
Common shares	93,085,715	90,419,146
Warrants	1,306,504	1,333,333
Stock options	6,000,000	4,200,000
Restricted Share Units (RSUs)	461,540	1,769,232
<b>Fully Diluted Common Shares</b>	<b>100,853,759</b>	<b>97,721,711</b>

## SHARE CAPITAL

The Company's common shares have no par value and an authorized share capital of an unlimited number of common shares. As of December 31, 2022, the Company had 93,085,715 common shares issued and outstanding (December 31, 2021: 90,419,146).

#### *Shares issued during the year ended December 31, 2022*

- On July 29, 2022, the Company completed a share for debt settlement to settle total indebtedness of \$166,827 by issuing 2,566,569 common shares with a market value of \$166,827 on the settlement date. This was completed pursuant to certain employment agreements that contain provisions for the issuance of shares as part of the annual compensation of the employees.
- On December 27, 2022, a total of 100,000 RSUs were converted into 100,000 common shares.

#### *Shares issued during the year ended December 31, 2021*

- On February 15, 2021, the Company completed a share for debt settlement to settle total indebtedness of \$221,161 by issuing 3,402,479 common shares, which had a market value of \$187,136 on the settlement date resulting in a gain on settlement of debt of \$34,025. This was completed pursuant to certain employment agreements that contain provisions for the issuance of shares as part of the annual compensation of the employees.
- On October 22, 2021, a total of 769,231 RSUs were converted into common shares, which had a fair value of \$42,308 that was reclassified from contributed surplus to equity upon the conversion.

## WARRANTS

As of December 31, 2022, the Company had 1,306,504 common share purchase warrants issued and outstanding (December 31, 2021: 1,333,333) with a weighted average expiration of 4.02 years (December 31, 2021: 3.95) which are exercisable into 1,306,504 common shares (December 31, 2021: 1,333,333) at a weighted average exercise price of \$0.078 (December 31, 2021: \$0.079).

Issued Date	Expiration Date	Exercise Price	As at			As at December 31, 2022
			December 31, 2021	Issued	Expired or Cancelled	
November 3, 2020	November 3, 2022	\$ 0.075	333,333	-	(333,333)	-
December 23, 2021	December 23, 2026	\$ 0.080	1,000,000	-	-	1,000,000
February 18, 2022	February 18, 2027	\$ 0.070	-	306,504	-	306,504
<b>Totals</b>			1,333,333	306,504	(333,333)	1,306,504

Issued Date	Expiration Date	Exercise Price	As at			As at December 31, 2021
			December 31, 2020	Issued	Expired or Cancelled	
November 3, 2020	November 3, 2022	\$ 0.075	333,333	-	-	333,333
December 23, 2021	December 23, 2026	\$ 0.080	-	1,000,000	-	1,000,000
<b>Totals</b>			333,333	1,000,000	-	1,333,333

### Warrants issued during the year ended December 31, 2022

- On February 18, 2022, in relation to the second drawdown from the credit facility, the Company granted 306,504 common share purchase warrants exercisable at a price of \$0.07 per share for a period of 5 years. The warrants vested immediately and were valued at \$20,745 using the Black-Scholes valuation model based on a risk-free rate of 1.75%, expected term of 5 years and volatility of 189%.

### Warrants issued during the year ended December 31, 2021

On December 23, 2021, in relation to the initial drawdown from the credit facility, the Company granted 1,000,000 common share purchase warrants exercisable at a price of \$0.08 per share for a period of 5 years. The warrants vested immediately and were valued at \$77,533 using the Black-Scholes valuation model based on a risk-free rate of 1.25%, expected term of 5 years and volatility of 192%.

## OPTIONS

As of December 31, 2022, the Company had 6,000,000 stock options issued and outstanding (December 31, 2021: 4,200,000) with a weighted average expiration of 3.08 years (December 31, 2021: 3.47 years) which are exercisable into 6,000,000 common shares (December 31, 2021: 4,200,000) at a weighted average exercise price of \$0.058 (December 31, 2021: \$0.055). All stock options that are outstanding vested on their grant date.

Award and Vesting Date	Expiration Date	Exercise Price	As at			As at December 31, 2022
			December 31, 2021	Awarded	Expired or Cancelled	
January 24, 2020	January 24, 2025	\$ 0.050	2,700,000	-	-	2,700,000
February 12, 2021	February 12, 2026	\$ 0.065	1,500,000	-	-	1,500,000
July 29, 2022	July 29, 2027	\$ 0.065	-	1,800,000	-	1,800,000
<b>Totals</b>			4,200,000	1,800,000	-	6,000,000

Award and Vesting Date	Expiration Date	Exercise Price	As at			As at December 31, 2021
			December 31, 2020	Awarded	Expired or Cancelled	
January 24, 2020	January 24, 2025	\$ 0.050	2,700,000	-	-	2,700,000
February 12, 2021	February 12, 2026	\$ 0.065	-	1,500,000	-	1,500,000
<b>Totals</b>			2,700,000	1,500,000	-	4,200,000

### Options granted during the year ended December 31, 2022

- On July 29, 2022, the Company granted 1,800,000 stock options under the LTIP. Each option is exercisable for a period of 5 years and has an exercise price of \$0.065. The options were valued at \$113,108 using the Black-Scholes pricing model based on a risk-free rate of 2.66%, a term of 5 years, volatility of 188% and a market price of \$0.065. These stock options vested on the grant date.

### Options granted during the year ended December 31, 2021

- On February 15, 2021, the Company granted 1,500,000 stock options exercisable at a price of \$0.065 for a period of five years. The options were valued at \$80,700 using the Black-Scholes pricing model based on a risk-free rate of 0.5%, a term of 5 years, volatility of 208% and a market price of \$0.055. These stock options vested on the grant date.

## RESTRICTED SHARE UNITS (RSUs)

As of December 31, 2022, the Company had 461,540 RSUs issued and outstanding (December 31, 2021: 1,769,232) with a weighted average expiration of 2.0 years (December 31, 2021: 2.26) which entitle the holders to receive 461,540 common shares (December 31, 2021: 1,769,232) for no additional consideration if they satisfy their vesting conditions prior to the vesting date.

Award Date	Vesting Date	Expiration Date	As at		Expired or Cancelled	Settled or Converted	As at December 31, 2022
			December 31, 2021	Awarded			
<i>Vested RSUs</i>							
February 12, 2021	February 28, 2021	December 31, 2023	1,207,692	-	-	(1,207,692)	-
February 12, 2021	December 31, 2021	December 31, 2023	100,000	-	-	(100,000)	-
<i>Unvested RSUs - Milestone vesting condition</i>							
June 23, 2021	December 31, 2023	December 31, 2024	461,540	-	-	-	461,540
<b>Totals</b>			1,769,232	-	-	(1,307,692)	461,540

Award Date	Vesting Condition	Vesting Date	As at		Cancelled	Settled or Converted	As at December 31, 2021
			December 31, 2020	Awarded			
February 12, 2021	Employment (vested)	February 28, 2021	-	1,207,692	-	-	1,207,692
February 12, 2021	Gross sales (vested)	December 31, 2021	-	600,000	(500,000)	-	100,000
June 23, 2021	Employment	July 31, 2021	-	769,231	-	(769,231)	-
June 23, 2021	Gross sales targets	December 31, 2023	-	461,540	-	-	461,540
<b>Totals</b>			-	3,038,463	(500,000)	(769,231)	1,769,232

The following occurred during the year ended December 31, 2022:

- On November 30, 2022, a total of 1,207,692 RSUs were settled in cash through a payment of \$60,385.
- On December 27, 2022, a total of 100,000 RSUs were converted into 100,000 common shares.

The following occurred during the year ended December 31, 2021:

- On February 15, 2021, the Company announced the completion of a shares for debt settlement whereby the Company settled total indebtedness of \$78,500 by granting 1,207,692 RSUs. This was completed pursuant to certain employment agreements that contain provisions for the issuance of shares as part of the annual compensation of the employees. The RSUs vested on February 28, 2021, are convertible into common shares for no additional consideration and will expire on December 31, 2023.
- On February 15, 2021, the Company granted 600,000 RSUs pursuant to an employment agreement of a new sales consultant for Capitalight Research. The RSUs would vest on December 31, 2021, provided that certain gross sales milestones relating to the subscription research division have been achieved between January 1, 2021, to December 31, 2021. As of, December 31, 2021, based on the gross sales milestones achieved, 500,000 of the RSUs were cancelled. Vested RSUs will be convertible into common shares for no additional consideration and will expire on December 31, 2023.
- On June 23, 2021, the Company granted 769,231 RSUs pursuant to an employment agreement for Capitalight Research. The RSUs vested on July 31, 2021. On October 22, 2021, a total of 769,231 RSUs were converted into common shares.
- On June 23, 2021, the Company granted 461,540 RSUs pursuant to an employment agreement for Capitalight Research. The RSUs will vest on December 31, 2023, provided that certain gross sales milestones relating to the subscription research division have been achieved between January 1, 2021, to December 31, 2023. Vested RSUs will be convertible into common shares for no additional consideration and will expire on December 31, 2024. These RSUs have not satisfied their vesting conditions.

## TRANSACTIONS WITH RELATED PARTIES

Parties are related if one party has the direct or indirect ability to control or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Other related parties include companies controlled by key management personnel. Key management personnel are composed of the Board of Directors, Chief Executive Officer and Chief Financial Officer of the Company.

A transaction is considered a related party transaction when there is a transfer of economic resources or financial obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value. Balances and transactions between the Company and its wholly owned subsidiary, which is a related party of the Company, have been eliminated and are not disclosed in this note.

The following key management related party transactions occurred during the following reporting periods:

	Year ended December 31, 2022	Year ended December 31, 2021
Management consulting fees	\$ 263,305	\$ 223,200
Professional and legal fees	27,450	21,600
Share-based compensation	87,973	57,342
Total	\$ 378,728	\$ 302,142

The following key management related party balances existed as of December 31, 2022, and December 31, 2021:

	As of December 31, 2022	As of December 31, 2021
Accounts payable and accrued liabilities due to companies controlled by key management	\$ 138,329	\$ 157,308
Amounts receivable from companies controlled by key management	\$ -	\$ 14,500

## SUBSCRIPTION RESEARCH BUSINESS

Capitalight Research Inc. operates a proprietary subscription research business which is focused on the gold and silver fundamentals, bonds and economics. Capitalight Research publishes weekly and monthly research under several brands. Customers typically subscribe on an annual basis for several of the research products. Our subscriber base consists primarily of gold and silver mining companies interested in our commodity price forecasts and investment funds and wealth management companies interested in our bond and economic forecasts. Our clients use our research products to inform their investment decisions, make capital allocation decisions, complete treasury operations and complete business risk assessments.

As of December 31, 2022, Capitalight Research had five employees plus several writing consultants including Tom Brady, Dr. Martin Murenbeeld, Ron Meisels and Patricia Mohr.

The following are our subscription research brands:

### *Murenbeeld Gold Monitor*

The internationally distributed Gold Monitor, founded by Martin Murenbeeld, has been published weekly for nearly 40 years. The Gold Monitor integrates a quantitative analysis of the bullish and bearish factors driving the price of gold with deep insights drawn from many years of experience monitoring gold markets. The report also features a scenario-based gold price forecast that is updated each quarter. The Gold Monitor assists mining sector companies, investment advisors and individual investors with their investment decisions.

### *Phases & Cycles*

Phases & Cycles, founded by Ron Meisels, has been published daily for over 30 years. The P&C report provides independent short- and long-term oriented technical and behavior analysis of North American securities and indices (S&P 500, S&P 100, DOW, S&P/TSX, and TSE Indices). The report is published over 200 times per year and provides critical early warnings and alerts to potential price movements before they even occur. The P&C report assists investment advisors and individual investors with their investment decisions.

### *Silver Monitor*

The Silver Monitor, authored by Dr. Tom Brady and Chantelle Schieven, features a monthly deep dive analysis into the underpinnings of the silver market. The Silver Monitor integrates quantitative analysis of market supply and demand factors driving the price of silver with macroeconomic factors and events. Past topics include interest rates, inflation, government policy, recessions, market volatility and the US dollar movements. The report also features a scenario-based silver price forecast that is updated each quarter. The Silver Monitor assists mining sector companies, investment advisors and individual investors with their investment decisions.

### *Critical Metals for a Sustainable World*

Critical Metals for a Sustainable World, authored by Patricia M. Mohr, provides quantitative assessments of copper, nickel, lithium and rare earth metals that are critical for the electrification of the global economy. Focusing on copper and nickel market developments, the report features 18-month price forecasts that are updated quarterly. Copper is critical for electrification and e-mobility. Nickel and lithium are critical for high-performance electric vehicle batteries. Rare earths including neodymium, praseodymium and dysprosium are critical

for permanent magnets driving electric vehicle motors and wind turbine generators. The Critical Metals report assists mining and renewal sector companies, infrastructure stakeholders, investment advisors and individual investors with their investment decisions.

### *Economic Monitor*

The monthly Economic Monitor is designed to give clients an overview of all aspects of the US and Canadian economies. The report features discussions of trending topics, interest rate and exchange rate forecasts, chart-based deep dives into the current state of the Canadian and US economies, and an analysis of GDP, employment data, inflation, housing market, and monetary policy. The report also features our proprietary equity market valuation models, which are based on the principles of Benjamin Graham “the father of value-investing” where we model the S&P 500 index and TSX Composite index along with the ten GICS sectors for both indices. Subscribers also have access to our web-based interactive dashboards to aid in visualizing and evaluating data. The Economic Monitor assists investment advisors and individual investors with their investment decisions.

The Company ceased publishing the Canadian Preferred Share Research report in July 2022.

## **MINERAL EXPLORATION PROJECTS**

### *Blue Lake Property (Cu-Ni-Pt-Pd)*

On June 30, 2008, the Company entered into an option agreement to earn a 100% interest in the Blue Lake (formerly the Retty Lake Property) copper-nickel-PGM exploration property, which is located northeast of Schefferville, Quebec. On February 12, 2013, the Company completed the earn-in by completing a 2,377-line km VTEM and a 1,767-line km ProspecTEM airborne survey, which showed anomalous EM responses in the region of the historic Blue Lake mineral deposit (this historic deposit is hosted on claims not held by the Company). These claims are subject to a 3% net smelter return royalty (“NSR”), which is subject to a buy-back right to repurchase the NSR for \$3,000,000 and a 30-day right-of-first-refusal by the Company to acquire all or part of the NSR on the same terms and conditions as set out in a notice provided to the Company by the holder (the “NSR ROFR”). In 2014, after obtaining additional VTEM airborne and Pt-Pd sampling data from Anglo American Exploration (Canada), the Company staked the Blue Lake South property to the southeast of the historic Blue Lake mineral deposit. During the year ended December 31, 2017, the Company elected to write-down the carrying value of the Blue Lake claims to \$1 and most of the Blue Lake South claims were allowed to lapse. On July 21, 2020, the Company announced it staked 194 high priority claims in the Blue Lake South area and renamed all of the claims as the Blue Lake Property. As of December 31, 2022, the Blue Lake Property consisted of 263 claims covering 12,724 hectares.

## **LEGAL PROCEEDINGS**

The Company is not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

## **DIVIDENDS**

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

## **RISK FACTORS**

Much of the information included in this report includes or is based upon estimates, projections, or other forward-looking statements. Such forward-looking statements include projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

### ***Risks Related to Subscription Research Business***

*As the Company faces competition in the proprietary research sector, we will have to compete with the Company's competitors for clients and qualified employees.*

The Company's competition includes larger proprietary research companies with substantial capabilities and with greater financial and technical resources than the Company. As a result of this competition, the Company may have to compete for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for qualified employees, the Company's expansion into new research products may be slowed down or suspended, which may cause the Company to be unprofitable.

*Research revenues are exposed to the cyclicity of the stock markets.*

The Company's revenues are exposed to the cyclicity of stock markets. As a result, subscriber revenues may decline due to increased subscription cancellations or from a slowdown of subscriber growth during periods of prolonged stock market declines.

### ***Risks Related to Mineral Exploration***

*Due to the unique difficulties and uncertainties inherent in mineral exploration investments, the Company faces a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intends to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of its properties may not result in the discovery of mineral deposits. Any expenditures that the Company may make in the exploration of any other mineral property that it may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful exploration efforts. If the results of the Company's exploration do not reveal viable commercial mineralization, the Company may decide to abandon some or all of its property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that the Company's exploration activities will result in the discovery of any quantities of mineral deposits on its current properties or any other additional properties the Company may acquire.*

The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to its current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably.

The Company intends at this time to continue exploration on its current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on its current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on its properties, its ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably, and investors may lose all of their investment in the Company.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discovers and exploits mineral deposits, the Company may never become commercially viable.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explores the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving an adequate return on invested capital. These factors may have material and negative effects on the Company's financial performance and its ability to continue to fund exploration and development of mineral properties.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.*

Exploration and exploitation activities are subject to federal, provincial, state and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to federal, provincial, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment.

Environmental and other legal standards imposed by federal, provincial, state or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase its costs of doing so, which would have material adverse effects on its business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those

anticipated, thus causing an adverse effect on the Company. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on its business.

#### *Loss of Interest in Properties*

The Company's ability to maintain an interest in the properties optioned by the Company will be dependent on its ability to raise additional funds by equity financing. Failure to obtain additional financing may result in the Company being unable to make the periodic payments required to keep the property interests in good standing and could result in the delay or postponement of further exploration and or the partial or total loss of the Company's interest in the properties optioned by the Company.

*Title to mineral properties is a complex process and the Company may suffer a material adverse effect in the event one or more of its property interests are determined to have title deficiencies.*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has either staked property or entered into property option agreements or joint venture agreements on its existing Project interests, the Company cannot give an assurance that title to such property will not be challenged or impugned. Further, the Company cannot give an assurance that the existing description of mining titles will not be changed due to changes in policy, rulings, or law in the jurisdiction where the property is located. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to one or more of its properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

The properties optioned by the Company may now or in the future be the subject of first nations land claims. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's ownership interest in the properties optioned by the Company cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the properties optioned by the Company are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with first nations in order to facilitate exploration and development work on the properties optioned by the Company.

*As the Company faces intense competition in the mineral exploration and exploitation industry, the Company will have to compete with the Company's competitors for financing and for qualified managerial and technical employees.*

The Company's competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company. As a result of this competition, the Company may have to compete for financing and be unable to acquire financing on terms it considers acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the Company's exploration programs may be slowed down or suspended, which may cause the Company to cease operations as a company.

#### ***Risks Related to management and the common shares***

*Because the Company has never made a profit from its operations, the Company's securities are highly speculative, and investors may lose all of their investment in the Company.*

The Company's securities must be considered highly speculative, generally because of the nature of its business and its stage of operations. The Company currently has investments in a subsidiary that is not currently profitable, an investment portfolio that generates coupon interest that offsets a portion of administrative costs and exploration stage properties which may not contain economic mineral deposits. Accordingly, the Company has not generated significant revenues, nor has it realized a profit from its operations to date. Any profitability in the future from the Company's business will be dependent upon improving the profitability of its subsidiary, improving returns from the investment portfolio, and obtaining financing or completing option agreements to advance the exploration properties. The Company may not be able to operate profitably and may have to cease operations, the price of its securities may decline, and investors may lose all of their investment in the Company.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.*

The Company will require additional financing to sustain its business operations if it is not successful in earning sufficient revenues to cover operating expenses. The Company will require additional financing in order to proceed with new investments in its proprietary research division, mineral exploration properties and other sectors. The Company currently does not have any arrangements for further financing, and it may not be able to obtain financing when required. If the Company does not obtain such financing, its business could fail, and investors could lose their entire investment.

The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.

The Company's directors and certain officers are involved in other business activities. As a result of their other business endeavours, the directors and these officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of these other business interests.

A decline in the price of the Company's common shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Company's common shares could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's new investments may be financed through the sale of equity securities, a decline in the price of its common shares could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's shares price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

## SELECTED QUARTERLY RESULTS

The following is selected quarterly information for the eight most recently completed quarters:

	Quarter Ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	\$	\$	\$	\$
Revenues	183,737	185,842	190,314	171,330
Net income (loss) and comprehensive income (loss)	(376,347)	(208,812)	(153,559)	3,418
Basic income (loss) per share	(0.00)	(0.00)	(0.00)	0.00
Diluted income (loss) per share	(0.00)	(0.00)	(0.00)	0.00
Working capital balance	1,451,508	1,660,484	(1,941,471)	(1,528,893)

	Quarter Ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	\$	\$	\$	\$
Revenues	91,561	102,733	97,621	107,533
Net income (loss) and comprehensive income (loss)	(525,327)	9,638	192,350	488,888
Basic income (loss) per share	(0.01)	0.00	0.00	0.01
Diluted income (loss) per share	(0.01)	0.00	0.00	0.01
Working capital balance	(885,514)	(359,297)	(444,087)	(352,716)

The following is selected annual information for the three most recently completed years:

	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
	\$	\$	\$
Revenues	731,223	399,448	296,537
Net income (loss) and comprehensive income (loss)	(735,300)	165,549	(611,625)
Basic income (loss) per share	(0.01)	0.00	(0.01)
Diluted income (loss) per share	(0.01)	0.00	(0.01)
Working capital balance	1,451,508	(885,514)	(705,922)

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established procedures and internal control systems to ensure the timely and accurate preparation of financial, management and other reports. The Chief Executive Officer and Chief Financial Officer certify financial reports. Disclosure controls are in place to ensure all reporting meets statutory reporting requirements. The Company's management is responsible for establishing and maintaining adequate internal controls. These controls have been designed to provide reasonable, but not absolute, assurance with respect to the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal



controls, however well-conceived, will provide only reasonable and not absolute assurance that the objectives of the internal controls over financial reporting will be met. It should not be expected that the disclosure and internal controls and procedures would prevent all errors or fraud.

Due to the small size of the Company's finance department, there are a limited number of personnel handling accounting and financial matters and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures as a whole. Based on their review, including a review of the compensating controls relating to the lack of segregation of duties noted above, they have concluded that the Company's internal controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings of the Canadian Securities Regulators, were effective overall.

## **CRITICAL IFRS ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

The Company's Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Interim Financial Statements follow the same accounting policies and methods of their application as disclosed in Note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2022.

To prepare financial statements in conformity with IFRS, the Company must make estimates, judgements and assumptions concerning the future that affect the carrying values of assets and liabilities as of the date of the consolidated financial statements and the reported values of revenues and expenses during the reporting period. By their nature, these are uncertain and actual outcomes could differ from the estimates, judgments and assumptions. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis. The areas involving significant judgments, estimates and assumptions have been detailed in Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2022.

Management has discussed the development and selection of critical accounting policies and estimates with the Audit Committee, which has reviewed the Company's disclosure in this MD&A.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of December 31, 2022, the end of the period covered by this MD&A, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this MD&A, the Company maintained effective disclosure controls and procedures

### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 or procedures may deteriorate. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in the *COSO Internal Control – Integrated Framework (2013)*.

Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **OTHER INFORMATION**

Additional information related to the Company is available on the Canadian Securities Administrators' SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company website at [www.capitalight.co](http://www.capitalight.co).