



# **COSA RESOURCES CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and six month period ended April 30, 2022

Dated: June 6, 2022

## GENERAL

This management's discussion and analysis ("**MD&A**") is management's interpretation of the results and financial condition of Cosa Resources Corp. ("**Cosa**" or the "**Company**") for the three and six months ended April 30, 2022 and the comparative period from incorporation on November 16, 2020 to April 30, 2021 and includes events up to the date of this MD&A. This discussion should be read in conjunction with the condensed interim financial statements for the three and six months ended April 30, 2022 and the notes thereto (together, the "**Interim Financial Statements**") and other corporate filings, including the audited financial statements for the period from incorporation on November 20, 2020 to October 31, 2021. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. This MD&A contains forward-looking information. Please see "Note Regarding Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions used to develop the Company's forward-looking information. The MD&A is prepared as of June 6, 2022.

### Technical Disclosure

All scientific and technical information in this MD&A has been reviewed and approved by Mr. Keith Bodnarchuk, P.Geo., President, CEO and Director of Cosa. Mr. Bodnarchuk is a qualified person for the purposes of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

## BACKGROUND

### Overview

Cosa was incorporated on November 16, 2020 under the *Business Corporations Act* (British Columbia). Cosa is a Canadian based copper exploration company focused on the exploration of its Heron Project located in northern Saskatchewan. Cosa's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "COSA".

## OVERALL PERFORMANCE

### General

In the period ended April 30, 2022, the Company completed its initial public offering ("IPO") and listing on the CSE, and carried out exploration work on the Heron Property. As an exploration stage company, Cosa does not have revenues and is expected to generate operating losses. As at April 30, 2022, the Company had cash of \$2,383,713, a deficit of \$627,271 and working capital of \$2,137,225.

### Industry and Economic Factors that May Affect the Business

The business of mining for minerals involves a high degree of risk. Cosa is an exploration company and is subject to risks and challenges similar to companies in a comparable stage and industry. These risks include, but are not limited to, the challenges of securing adequate capital, exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary permitting; as well as global economic and commodity price volatility; all of which are uncertain.

The underlying value of the Company's exploration and evaluation assets is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of the Company's exploration and evaluation assets.

In particular, the Company does not generate revenue. As a result, Cosa continues to be dependent on third party financing to continue exploration activities on the Company's properties. Accordingly, the Company's future performance will be most affected by its access to financing, whether debt, equity or other means. Access to such financing, in turn, is affected by general economic conditions, the price of copper, exploration risks and the other factors described in the section entitled "Risk Factors" included below.

## **DISCUSSION OF OPERATIONS**

### **Corporate Activities through Q2 2022**

During the six months ended April 30, 2022, and to the date of this MD&A, the Company:

- Completed the quarter ended April 30, 2022 with \$2,137,225 in working capital, including cash of \$2,383,713.
- Completed its IPO in March 2022 whereby 3,900,000 common shares of the Company were qualified for distribution under the Company's final prospectus at a price of \$0.15 for gross proceeds of \$585,000 and is now listed on the CSE under the symbol "COSA".
- Completed an additional non-brokered private placement financing in April 2022, whereby the Company issued 5,600,000 common shares at \$0.25 per common share and 1,714,285 flow through shares at \$0.35 per flow through share, raising gross proceeds of \$2,000,000.
- Completed phase one of exploration work at the Company's Heron Project, which consisted of ground geophysical surveys designed to follow-up and advance the most prospective targets generated by the 2021 airborne geophysical survey.

Subsequent to April 2022, the Company exercised its option to acquire a 100% interest in the Heron Copper Project and issued 1,000,000 common shares of the Company to complete its remaining obligation under the terms of the agreement, which are subject to a 24 month hold period with 25% being released every three months starting August 2023.

#### *Heron Property*

In April 2021, the Company entered into an option agreement (the "Heron Option Agreement") with private arm's length vendors (the "Heron Vendors") pursuant to which the Company has the exclusive option to acquire a 100% interest in the Heron copper project in Northern Saskatchewan, Canada (the "Heron Project").

Pursuant to the terms of the Heron Option Agreement, the Company issued 1,000,000 common shares to the Heron Vendors in April 2021 with a fair value of \$20,000, which has been recorded as an exploration and evaluation asset, and in addition, the Company has also fulfilled the requirement to incur \$100,000 in exploration expenditures on the project as of October 31, 2021. The option on the Heron Project was exercised by the Company in May 2022 for additional consideration of 1,000,000 common shares of the Company.

The Heron Vendors retain a 2% net smelter return royalty (the "NSR") over the Heron Project. The Company will have the right at any time following the delivery of a feasibility report on the Heron Project to repurchase one half (1%) of the NSR for \$2,000,000 in cash, and the remaining one-half (1%) of the NSR for \$5,000,000 in cash.

The Heron Property consists of three non-contiguous mineral claims comprising 11,122 ha located approximately 177 km north of La Ronge, Saskatchewan and the target on the Heron Property is sediment-hosted copper mineralization.

### Exploration and Evaluation Spending

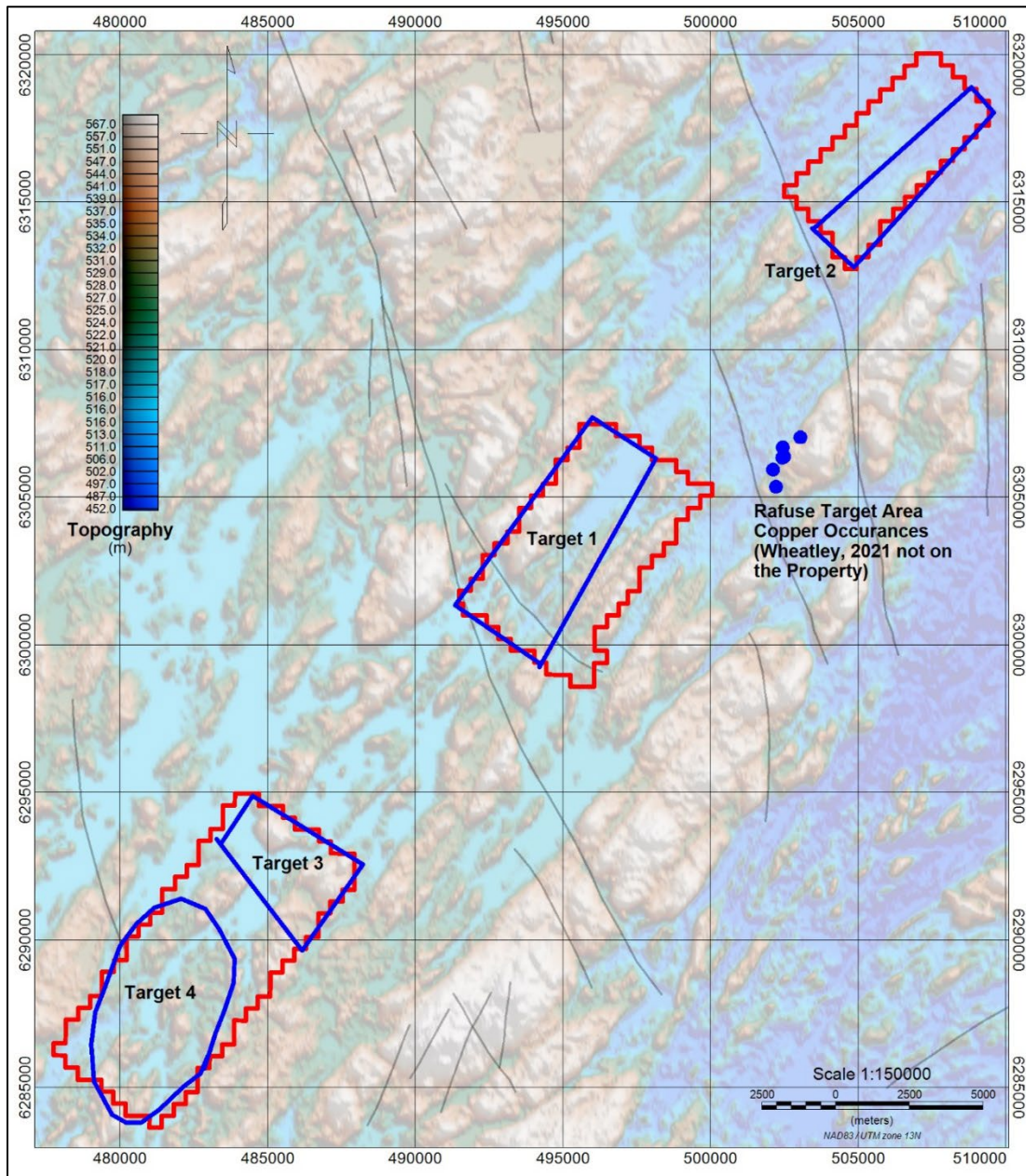
During the period ended April 30, 2022, Cosa completed exploration work on the project, including the following exploration and evaluation expenditures:

	<b>Six months ended April 30, 2022</b>
Consulting fees	\$ 5,166
Geophysical survey	219,252
Geophysical consulting	16,004
Exploration and evaluation expenses	<b>\$ 240,422</b>

During the six months ended April 30, 2022, the winter exploration program at Heron consisted of magnetic and electromagnetic ground geophysical surveys. The surveys were completed in April 2022 and were designed to follow up on the highest priority target area from the 2021 airborne geophysical survey. The primary objective of the geophysical program was to map and characterize the electrical and magnetic properties of the subsurface within the project area to focus future exploration programs for sedimentary-hosted copper deposits. The program consisted of a combined total of 60 km of magnetic and electromagnetic survey coverage with a line spacing of 100 m, tightening to 50 m spacing overtop of the strongest airborne anomalies.

During the period ended October 31, 2021, Terraquest Ltd. of Markham, Ontario carried out an airborne geophysical survey totaling 1375.75 km over the Property. The magnetics mapping survey was conducted over the full extent of the Heron Property at a nominal line spacing of 100 m. Four targets based on residual magnetics data and structural context were identified for follow-up exploration.

Figure: Exploration Targets



## SELECTED FINANCIAL INFORMATION

Management is responsible for the Interim Financial Statements referred to in this MD&A. The Audit Committee of the Company's Board of Directors has been delegated the responsibility to review the Interim Financial Statements and MD&A and make recommendations to the Company's Board. It is the Board which has final approval of the Interim Financial Statements and MD&A.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Based on the nature of the Company's activities, both presentation and functional currency is Canadian dollars.

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The Company's Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting and should be read in conjunction with Iso's Annual Financial Statements, which have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on its ability to obtain financing and achieve future profitable operations.

### Results of Operations

During the three and six months ended April 30 2022, the Company was completed its IPO and continued exploration on the Heron Project, while for the comparative period, there were no operations as the Company was relatively inactive until April 2021 when it signed the Heron Property option agreement. As a result, the operations were fairly limited in nature outside of exploration expenditures and were primarily related to professional fees for general establishment of the Company and the Heron Property agreement.

	Three months ended April 30, 2022		Six months ended April 30, 2022	
<b>Operating costs</b>				
Exploration & evaluation expenses	\$	232,691	\$	240,422
Management fees		13,163		13,163
Office and administrative		11,035		26,940
Professional and consultant fees		17,144		49,616
Public company costs		30,177		30,17
Share-based compensation		132,489		132,489
<b>Loss and comprehensive loss for the period</b>	<b>\$</b>	<b>(436,699)</b>	<b>\$</b>	<b>(492,807)</b>

During the three and six months ended April 30, 2022, the Company's expenses increased primarily in connection with becoming publicly listed and increased activity. See the Exploration and Evaluation Spending section of the report for a discussion of exploration and evaluation expenses.

### SUMMARY OF QUARTERLY RESULTS

The following table shows selected quarterly financial information for each of the last 6 quarters since the Company's incorporation on November 16, 2020:

	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021	January 31, 2021
<b>Net Income (loss)</b>	(\$436,699)	(\$56,108)	(\$91,735)	(\$42,729)	\$nil	\$nil
<b>Loss per share – basic &amp; diluted</b>	(\$0.02)	\$0.00	\$0.00	\$0.00	-	-

### LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2022, the Company had total assets of \$2,424,976, a deficit of \$627,271 and working capital of \$2,137,225. The Company has not yet achieved profitable operations. This condition indicates the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance future exploration and development, potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which may differ materially from their carrying values. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at April 30, 2022 or as at the date hereof.

## OUTSTANDING SHARE DATA

The authorized capital of Cosa consists of an unlimited number of common shares. As of the date of this MD&A there were 29,425,079 common shares outstanding, 2,100,000 stock options and 334,164 warrants, as detailed below:

	<b>Number of instruments</b>	<b>Exercise price</b>	<b>Expiry date</b>
Stock options	2,100,000	\$0.33	March 30, 2027
Warrants	228,822	\$0.15	March 18, 2024
Warrants	94,200	\$0.25	April 22, 2024
Warrants	11,142	\$0.35	April 22, 2024

## SHARE RESTRICTIONS

### *Escrowed Shares*

In connection with the Company's IPO, 5,375,000 common shares held by management and the Company's Board of Directors were placed into escrow subject to an escrow agreement with the Company's transfer agent, Odyssey Trust Company, whereby the shares will be released as follows:

March 21, 2022	537,500
September 21, 2022	806,250
March 21, 2023	806,250
September 21, 2023	806,250
March 21, 2024	806,250
September 21, 2024	806,250
March 21, 2025	806,250
	<b>5,375,000</b>

### *Heron Share Payments*

In May 2022, the Company exercised its option to acquire a 100% interest in the Heron Copper Project and issued 1,000,000 common shares (the "Option Shares") to complete its remaining obligation under the terms of the agreement. The Option Shares are subject to a 24-month hold period, with 25% being released every three months commencing in August 2023.

### *Pooling Agreement*

Inclusive of the shares held in escrow, a total of 17,100,000 common shares are subject to a voluntary pooling restriction and will be released, no earlier than 12 months after the listing date in March 2023.

## COMMITMENTS

The Company has raised funds through the issuance of flow-through shares. Based on Canadian tax law, the Company is required to spend this amount on eligible exploration expenditures by December 31 of the year after the year in which the shares were issued.

The premium received for a flow-through share, which is the price received for the share in excess of the market price of the share, is recorded as a flow-through share premium liability. This liability is subsequently reduced when the required exploration expenditures are made, on a pro rata basis, and accordingly, a

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recovery of flow-through premium is then recorded as a reduction in the deferred tax expense to the extent that deferred income tax assets are available.

As of April 30, 2022, the Company is obligated to spend \$600,000 by December 31, 2023 on eligible exploration expenditures.

The flow-through share premium liability for the period ended April 30, 2022, is comprised of:

	<b>2022</b>
Balance, opening	\$ -
Liability incurred on flow-through shares issued	171,429
Balance, closing	\$ 171,429

## RELATED PARTY TRANSACTIONS

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

Remuneration attributed to key management personnel is summarized as follows:

<b>Six months ended April 30, 2022</b>	<b>Short term compensation</b>	<b>Share-based compensation</b>	<b>Total</b>
Expensed in the statement of loss and comprehensive loss	\$ 13,163	\$ 97,790	\$110,953

As of April 30, 2022, \$nil (October 31, 2021– \$nil) was included in accounts payable and accrued liabilities owing to directors and officers.

## CAPITAL MANAGEMENT

In the management of capital, the Company considers all types of equity and is dependent on third party financing, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company. The properties in which the Company currently has an interest are in the exploration stage. As such the Company, has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it determines that there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, and accounts payable.



## **Fair Value Measurement**

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of the Company's cash and accounts payable approximate their carrying value, due to their short-term maturities or liquidity.

## **Financial instrument risk exposure**

As at April 30, 2022, the Company's financial instrument risk exposure and the impact thereof on the Company's financial instruments are summarized below:

### **(a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at April 30, 2022, the Company has cash on deposit with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote.

### **(b) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its obligations under financial instruments. The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital to meet short-term obligations. As at April 30, 2022, the Company had a working capital balance of \$2,137,225, including cash of \$2,383,713.

### **(c) Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

#### **(i) Interest Rate Risk**

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value of the Company's cash and cash equivalent balances as of April 30, 2022.

#### **(ii) Foreign Currency Risk**

The functional currency of the Company is the Canadian dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the Canadian dollar in relation to other currencies impact the fair value of financial assets, liabilities and

operating results. The Company does not have transactions and balances denominated in foreign currencies and therefore is not subject to significant foreign currency risk.

**(iii) Price Risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact of movements in individual equity prices or general movements in the level of the stock market on the Company's financial performance. Commodity price risk is defined as the potential adverse impact of commodity price movements and volatilities on financial performance and economic value. Future declines in commodity prices may impact the valuation of long-lived assets. The Company closely monitors the commodity prices of copper, individual equity movements, and the stock market.

**RISK FACTORS**

The operations of the Company are speculative due to the high-risk nature of its business which is the exploration of mining properties. See the risk factors disclosed in the Company's Prospectus dated and filed on February 25, 2022 for a detailed discussion of the Company's risk factors.

**COVID-19**

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate our business at this time. While the impact of COVID-19 on the Company to date has been minimal, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2022.

**NOTE REGARDING FORWARD-LOOKING INFORMATION**

*This MD&A contains "forward-looking statements" (also referred to as "forward-looking information") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that Cosa expects or anticipates will or may occur in the future, including, without limitation, statements about the future exploration activities; sources, and proposed uses, of funds; capital and operating cost estimates, including general and administrative expenses; expectations regarding the ability to raise capital for future activities; and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements.*

*Forward-looking information and statements are based on the then current expectations, beliefs, assumptions, estimates and forecasts about Cosa's business and the industry and markets in which it operates. Forward-looking information and statements are made based upon certain assumptions and other important factors that could cause the actual results, performances or achievements of Cosa to be materially different from future results, performances or achievements expressed or implied by such information or statements. Such information and statements are based on numerous assumptions including, among others, that the results of planned exploration activities are as anticipated, the price of copper, the anticipated cost of planned exploration activities, that general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that third party contractors, equipment, supplies and governmental and other approvals required to conduct Cosa's planned exploration activities will be available on reasonable terms and in a timely manner.*

*Forward-looking information and statements involve known and unknown risks, uncertainties and other*

*factors which may cause the actual results, performance or achievements of Cosa to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to the negative operating cash flow and dependence on third party financing; the uncertainty of additional financing; the limited operating history of Cosa ; the lack of known mineral resources or reserves; the influence of a large shareholder; copper prices; aboriginal title and consultation issues; risks related to exploration activities generally; reliance upon key management and other personnel; title to properties; uninsurable risks; conflicts of interest; permits and licences; environmental and other regulatory requirements; political regulatory risks; competition; and the volatility of share prices, all as more particularly described in the "Risk Factors" above.*

*Although Cosa has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*