

**Bonanza Mining Corporation**  
**Management's Discussion & Analysis**  
**May 31, 2023**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following Management's Discussion & Analysis ("MD&A") of Bonanza Mining Corporation ("Bonanza" or the "Company") for the three months ended May 31, 2023, should be read in conjunction with the Company's condensed interim financial statements as at and for the period then ended and its annual audited consolidated financial statements for the year ended February 28, 2023, and related notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A are expressed in Canadian dollars, unless otherwise indicated.

Bonanza was incorporated on November 24, 2016 under the laws of the Province of British Columbia, Canada. The Company's head office is located at 423 East 10<sup>th</sup> Street, North Vancouver, British Columbia, V6L 2E5, and its registered and records office is located at Suite 1710 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 2L3. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "BNZ.V".

The information contained herein is presented as at **July 20, 2023** (the "MD&A Date"), unless otherwise indicated.

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Bonanza's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements"), within the meaning of applicable Canadian securities laws, which are based upon the Company's current internal expectations, estimates, projections, assumptions, and beliefs. All information, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this MD&A and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: the use of the net proceeds from financings; the performance of the Company's business and exploration activity; the intention to grow the business and/or exploration activities, regulatory changes; the competitive conditions of the industry and the Company's competitive position in the industry; the Company's business plans and strategies; the anticipated benefits of the Company's option partners and/or joint venture opportunities; the applicable laws, regulations and any amendments thereof; and any anticipated future exploration results.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of exploration activity, performance, or achievements. There are risks, uncertainties, and other factors, some of which are beyond the Company's control, which could cause actual results, performance or achievements of the Company, as applicable, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this MD&A. Bonanza undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Given these uncertainties, the reader of the information included herein is cautioned not to place undue reliance on such forward-looking statements. Refer to "Risk Factors" below for details of certain risks.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Information provided in this MD&A and the financial statements is the responsibility of management. In the preparation of the financial statements, estimates are sometimes necessary to make a determination of the carrying value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## **QUALIFIED PERSON**

Christopher Graf, P.Eng., Vice-President Exploration, and a Company Director, is a qualified person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* and has approved the scientific and technical information and disclosure contained in this MD&A.

## **DESCRIPTION OF BUSINESS**

The Company's main business activity is the acquisition, exploration and evaluation of mineral property interests located in British Columbia, Canada. The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the mineral property interests.

The Company was originally incorporated in 2016 as a Capital Pool Company as defined in the TSX-V Policy 2.4. In March 2021, the Company (formerly Califfi Capital Corp. ("Califfi") until changing its name on August 5, 2021) completed its Qualifying Transaction pursuant to a definitive Share Purchase Agreement (the "Agreement") executed in September 2020 and acquired 1107001 B.C. Ltd. ("7001 BC") (formerly Bonanza Mining Corporation until changing its name on July 21, 2021), a private British Columbia mineral exploration company having interests in properties located in the Skeena, Golden and Liard Mining Divisions in British Columbia.

Pursuant to the Agreement, the Company acquired 100% of the issued and outstanding common shares of 7001 BC in exchange for the issuance of common shares of Califfi on a 2:1 basis (the "Transaction") to the shareholders of 7001 BC. On November 30, 2021, the two companies amalgamated as one company under the name Bonanza Mining Corporation.

### **Mineral Property Interests:**

#### ***MC Property***

The MC property is wholly-owned by the Company and subject to a 1% net smelter return royalty (NSR). The MC property is comprised of gold-silver-lead-zinc mineral claims and is located in the Skeena Mining Division near Stewart, British Columbia (the "MC 1 & 2 Property").

Moose Mountain Technical Services ("MMTS") completed a NI 43-101 compliant technical report on the MC property dated August 28, 2020 (the "MC Report") which has been filed on SEDAR under Bonanza's profile on March 10, 2021. The report recommended a \$325,000 phase 1 exploration program to follow-up on promising targets and Bonanza has received a drilling permit to drill these targets. The details of the recommended exploration program are set out below. Readers are encouraged to review the MC Report in its entirety.

The MC Project hosts historic mineral occurrences containing gold, silver, and base metal elements that is worthy of further exploration. The project is located in the Skeena Mining District of British Columbia, approximately 14km northeast of Stewart.

Mineral exploration in the MC property area was initiated in 1910 and has continued intermittently through to the present. The MC property has been tested by four drillholes, as well as various geophysical surveys and soil, stream, and rock sampling programs. In 2017, Bonanza conducted detailed 3D IP and magnetic surveys on portions of the property as well as two phases of soil sampling and prospecting. In 2019, exploration targets were sampled and assayed with results presented herein.

The IP survey identified two significant chargeability anomalies on the northern part of the property. The largest anomaly measured 400m by 700m and comes to surface near the historical Dalhousie showings. A multi-element soil anomaly on the southern part of the property is 1,000 m long by 300 m wide and is open to the east and west. Assays from rock samples taken from showings in the soil anomaly returned values up to 10.5g/t gold, 1,503 g/t silver, 5.3% lead, 5.7% zinc, and 0.67% copper.

#### **Recommended Program**

Recommendations for further work on the MC Project includes a multiphase program consisting of: 1) Line cutting; 2) Geophysical surveying; 3) Soil, rock sampling and prospecting; 4) Geological mapping; and 5) Diamond drilling.

#### **Recommended Diamond Drilling**

A Phase 1 drill program totaling 1,000 meters of coring is recommended. A follow-up Phase 2 drilling program of 2,000 meters may also be required depending on results from the Phase 1 drill program.

The Phase 1 drill program recommended in the NI 43-101 report comprises NQ size diamond drillholes on both the north and south areas of the property. Two shorter 100m drillholes are recommended to explore the Dalhousie showing's potential on the northern part of the property, for a total of 200 meters of drilling. On the southern part of the property at least four holes are recommended to be drilled to explore the potential of the main soil anomaly and mineral showings along northwest-striking structural trends. These four holes will average about 200 meters for a total of 800 meters.

The Company received a drilling permit on the MC Project from the BC Ministry of Energy, Mines and Low Carbon Innovation which is effective through to November 2026.

### ***Shag Property***

In August 2021, the Company filed a NI 43-101 report which can be viewed on Bonanza's SEDAR profile.

The Company has an option to acquire a 100% interest in certain zinc-lead-silver mineral claims located in the Golden Mining District in British Columbia, known as the Shag property from Christopher Graf, Vice-President Exploration, and a Company Director by making cash payments and issuing common shares of the Company and incurring minimum aggregate exploration expenditures as detailed within the financial statements.

The Shag Property is located in the BC southern Rockies approximately 24 km northeast of the town of Canal Flats and 35 km east of Radium Hot Springs and is readily accessed by major BC forestry service roads from both towns, however the upper portions of Shag creek valley will require helicopter access.

The Shag property contains twenty separate lead, zinc and silver stratabound MVT style mineral occurrences hosted within three separate horizons in middle Cambrian age dolostone rocks. Since its' discovery 1977 there have been numerous historical exploration programs conducted on the property including soil and rock sampling surveys, IP and VLF-EM geophysical surveys, geological mapping and four separate diamond drilling programs.

The Geological Survey of Canada has conducted a regional airborne magnetic survey over southeastern British Columbia and southwestern Alberta that outlined a 30 km wide magnetic low anomaly that trends northeasterly for approximately 200 km from Canal Flats, British Columbia to Red Deer, Alberta and is called the Red Deer lineament. This anomaly is a major basement fault zone that trends under the Shag property and is named the Red Deer lineament. The style of lead-zinc mineralization on the Shag property is a similar style as the MVT lead-zinc mineralization at Pine Point, Northwest Territories where numerous deposits were located and mined in Devonian age carbonate rocks along a similar basement fault zone named the Great Slave Shear Zone.

The ShagMag claims are located approximately 12 km south of the Shag property and cover a local magnetic high anomaly measuring 3 km long NS and 2 km wide EW within the 30 km wide regional magnetic low and it was also outlined by the regional airborne magnetic survey and may be due to an intrusive body.

There are three zinc-lead mineralized horizons on the Shag property that occur in the Eldon and Waterfowl formations which are higher in the stratigraphic section than the Cathedral formation which hosts the past producing Monarch and Kicking Horse mines along strike near Field, British Columbia and is the most prospective formation in the district.

On the Shag property only the uppermost beds of the prospective Cathedral formation are exposed in the Albert river valley where an IP survey was conducted, and the seismic line is located. The main purpose of these surveys is to locate zinc-lead mineralization targets in the Cathedral formation for drill testing in 2022 (see below). As well, deeper drilling along the previously, shallowly drilled BM, C-4 and Red Bed horizons is also planned for 2022 and an application for a drill permit has been prepared.

In January 2022, the Company announced that the time domain 3D IP survey report (the "2021 3D IP survey") has been received from SJ Geophysics Ltd. In addition, a report has also been received from a ground magnetic survey conducted by SJ Geophysics Ltd. on its ShagMag property located approximately 12 km southeast of the Shag property IP survey location.

The ground magnetic survey confirmed a previous airborne magnetic anomaly identified by the Geological Survey of Canada (the "GSC") and a one day follow up ground investigation found it occurs within altered, zebroid textured Cambrian carbonate rocks but no igneous rocks were located. The anomalous area needs to be further explored by expanding the ground magnetic survey area, soil sampling, prospecting, and geological mapping to locate a potential igneous body and any associated sulfide mineralization.

The main purpose of the 3D IP survey was to locate high chargeability potential zinc-lead mineralized targets in the blind, subsurface Cathedral formation for drill testing. The high chargeability anomalies identified by the time domain 3D IP survey are very significant, high priority road accessible drill targets that Bonanza intends to drill test, and in respect of which, the Company has previously submitted a Notice of Work application to the BC government to conduct the drill program.

A 2D vibroseis seismic survey consisting of one 7 km long seismic line was also completed along the Albert valley forest service road where the IP survey was conducted. This survey was planned to provide information to a depth of 4,000 feet to 5,000 feet below the surface and outline the various sedimentary units within and below the lead-zinc-silver prospective Cathedral formation.

In late October and early November 2022, the Company contracted a drilling company that cored two diamond drill holes that totaled 1,118.37 meters in length. These holes were designed to intersect and test two separate geophysical 3D IP high chargeability anomalies that had been outlined by the 2021 3D IP survey (discussed below). Both drill holes intersected intervals of pyrite mineralization but no zinc or lead mineralization.

### ***Frog Property***

In October 2021, the Company filed a NI 43-101 report which can be viewed on Bonanza's SEDAR profile.

The Company has an option to acquire a 100% interest in certain zinc-lead-silver-copper mineral claims located in the Liard Mining District in British Columbia, known as the Frog property from Christopher Graf, Vice-President Exploration and Director, and an arm's length party (with 50% of the cash and common share consideration payable by the Company to each individual). The Company can acquire the property by making cash payments and issuing common shares of the Company and incurring minimum aggregate exploration expenditures as detailed within the financial statements.

The Frog property is located approximately 170 km east of Imperial Metals – Newcrest's Red Chris mine near Dease Lake, BC and about 70 km east of the major Kutcho Creek copper-zinc massive sulfide project that is being developed by Capstone Mining Corp's subsidiary Kutcho Copper Corp. There is an airstrip at Kutcho, and a 100 km long road connects the project to the town of Dease Lake and paved highway 37.

The Frog zinc-lead-silver-copper property dates back to the 1950's when an area of massive argentiferous galena-sphalerite-chalcopyrite-rhodochrosite boulders roughly 180 meters by 120 meters was discovered in sedimentary rocks there. The property was held by Conwest Mining Ltd. from that time until the early 1970's and subsequently by Cominco Ltd. through the 1970's until 1989. In the early 1960's Conwest dug two hand trenches across the zone of massive sulfide boulders and excavated ~ 30 tons of high-grade mineralization and assayed several samples which averaged 29.7% lead, 6.8% zinc, 16.6 oz/t silver, 0.6% copper and 0.01 oz/t gold.

In 2005 the BC government funded a regional airborne magnetic survey that covered the area where the Frog property is located and published the results in Open File # 3198 titled Cassiar Geophysics. Importantly an isolated, discreet aeromagnetic high anomaly measuring 10 km by 10 km was outlined and its 2 km by 2 km central peak area is centered directly under the mineralized area of the Frog property, indicating strong potential for the discovery of a porphyry copper and/or a large skarn deposit below the higher-level lead-zinc-copper-silver-manganese mineralization.

The Company has received a permit to explore and to drill targets located on the property.

In September 2022, the Company reported that the previously announced IP survey had concluded. The survey consisted of surveying seventeen 2 km long lines spaced 200 meters apart (34 line km) covering an area of 6 km<sup>2</sup> where historical 1970's and 1980's IP, gravity and magnetic surveys as well as trenching and soil sampling have identified significant poly-metallic sulfide mineralization. Three separate chargeability anomalies were identified and 8.1 line km of detailed IP surveying was subsequently conducted on infill lines spaced 100 meters apart over the most significant chargeability anomaly that measures 1 km by 1.5 km.

When the IP surveying was completed, a geological crew employed by C.J. Greig and Associates Ltd. was mobilized to conduct a soil, rock, and stream silt sampling survey as well as geological mapping. A total of 1,636 soil samples were collected at 100-meter intervals on lines 100 meters apart over a grid measuring 4 km by 3 km. The soil samples were analyzed in the field by a portable XRF analyzer and subsequently analyzed by a 30 element ICP technique at ALS Labs. The results indicate that a significant lead, zinc, manganese soil anomaly occurs over an area measuring 1 km by 1.5 km that also includes more subdued copper values. This anomaly remains open to the southeast. The anomalous soil values occur both within a strongly altered muscovite granodiorite body and in sedimentary quartzites and phyllites that flank it to the north and east.

### **OVERALL PERFORMANCE**

During the three months ended May 31, 2023, the Company used approximately \$50,000 of cash, of which approximately \$36,000 was used in operating activities, and approximately \$14,000 was used in investing activities including mineral property exploration activities and staking and assessments, net of interest received.

In June 2023, the Company issued 200,000 common shares to the optionors of the Shag and Frog properties, in aggregate, in accordance with the terms of the underlying option agreements. Additionally, the cash portion of the option payments (\$40,000) was deferred by way of amending agreement effective June 23, 2023, to such time that the Company completes an equity financing.

## **DISCUSSION OF OPERATIONS**

For the three months ended May 31, 2023

The following table summarizes the Company's results of operations and cash flows for the three months ended May 31, 2023 (rounded).

|                                   | <b>Three months ended</b> |
|-----------------------------------|---------------------------|
|                                   | <b>May 31,</b>            |
|                                   | <b>2023</b>               |
|                                   | <b>\$</b>                 |
| Revenue                           | -                         |
| Loss and comprehensive loss       | <b>(40,000)</b>           |
| Cash used in operating activities | <b>(36,000)</b>           |
| Cash used in investing activities | <b>(14,000)</b>           |
| <b>Net use of cash</b>            | <b>(50,000)</b>           |

Cash used in investing activities during the three months ended May 31, 2023, includes payments for exploration activities and programs of approximately \$16,000. The Company also earned interest income of approximately \$2,000 on cash held in a high-interest savings

Certain components of the Company's operating expenses for three months ended May 31, 2023, were as follows (rounded):

|                       | <b>Three months ended</b> |
|-----------------------|---------------------------|
|                       | <b>May 31,</b>            |
|                       | <b>2023</b>               |
|                       | <b>\$</b>                 |
| <b>Expenses</b>       |                           |
| Professional fees     | <b>7,000</b>              |
| Salaries and benefits | <b>16,000</b>             |

- Professional fees include accounting and tax services paid to a firm in which the Company's CFO is a principal.
- Salaries and benefits include salaries paid to Christopher Graf, Vice-President Exploration and Director, and Alfredo De Lucrezia, President, CEO and Director, plus other payroll related expenses.

**SUMMARY OF QUARTERLY RESULTS**

| Period ending     | Revenue<br>\$ | Income (loss) and<br>comprehensive income (loss)<br>\$ | Basic and diluted<br>earnings (loss) per<br>share<br>\$ |
|-------------------|---------------|--------------------------------------------------------|---------------------------------------------------------|
| May 31, 2023      | -             | (40,055)                                               | (0.00)                                                  |
| February 28, 2023 | -             | (49,039)                                               | (0.00)                                                  |
| November 30, 2022 | -             | 12,176                                                 | 0.00                                                    |
| August 31, 2022   | -             | (4,662)                                                | (0.00)                                                  |
| May 31, 2022      | -             | (71,187)                                               | (0.00)                                                  |
| February 28, 2022 | -             | (122,925)                                              | (0.00)                                                  |
| November 30, 2021 | -             | (131,927)                                              | (0.00)                                                  |
| August 31, 2021   | -             | (189,221)                                              | (0.00)                                                  |

During the quarter ended May 31, 2021, the Company completed its Qualifying Transaction and converted its listing status on the TSX-V from a "capital pool company", and accordingly incurred a non-cash listing expense which inflated the loss incurred for the quarter. Income for the quarter ended November 30, 2022, included operating expenses of approximately \$87,000 which were more than offset by interest income and a non-cash settlement of flow-through premium liability of approximately \$99,000, in aggregate.

**TRANSACTIONS BETWEEN RELATED PARTIES**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's executive officers and Board of Director members.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

|                           | Transactions<br>three months ended<br>May 31,<br>2023<br>\$ | Transactions<br>three months ended<br>May 31,<br>2022<br>\$ | Balances<br>outstanding<br>May 31,<br>2023<br>\$ | Balances<br>outstanding<br>February 28,<br>2023<br>\$ |
|---------------------------|-------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------|
| Chris Graf                | 7,500                                                       | 15,000                                                      | -                                                | -                                                     |
| Alfredo De Lucrezia       | 7,500                                                       | 15,000                                                      | -                                                | -                                                     |
| DBM CPA                   | 6,750                                                       | 13,500                                                      | 4,725                                            | 2,362                                                 |
| Yeadon Law Corp., net     | -                                                           | -                                                           | 76,912                                           | 76,912                                                |
| C.J. Greig and Associates | 5,253                                                       | -                                                           | -                                                | -                                                     |
|                           | <b>27,003</b>                                               | <b>43,500</b>                                               | <b>81,637</b>                                    | <b>79,274</b>                                         |

All related party balances are unsecured and are due within thirty days without interest.

The Company transacted with the following related parties:

- (a) Christopher Graf is the Company's Vice-President Exploration, and a Company Director. His salary is included within salaries and benefits.
- (b) Alfredo De Lucrezia is the Company's President and CEO, and a Company Director. His salary is included within salaries and benefits.
- (c) Dan Martino is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA, Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services which are recorded within professional fees.
- (d) Glenn Yeadon is the Company's Corporate Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services which are recorded within either professional fees or share issue costs as a reduction to share capital.
- (e) Charles Greig is a Director of the Company. He controls C.J. Greig and Associates Ltd. ("C.J. Greig and Associates"), which provides the Company with geological services which are capitalized to mineral property interests.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at May 31, 2023, the Company had working capital of approximately \$90,000 and available cash of approximately \$198,000, of which approximately \$22,000 is committed to being spent on flow-through exploration work by December 31, 2023. The Company's primary source of liquidity has been the proceeds raised from the financing concurrent with the Qualifying Transaction, in March 2021.

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to maintain appropriate cash reserves on hand to meet ongoing operating costs, and to invest excess cash in highly liquid financial instruments such as guaranteed investment certificates or high-interest savings accounts. In order to maintain or adjust its capital structure, the Company may issue new shares. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to capital management during the three months ended May 31, 2023.

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets.

## **SHARE CAPITAL INFORMATION / OUTSTANDING SHARE DATA**

The authorized capital of the Company consists of unlimited common shares without par value. All issued common shares are fully paid.

### Common shares:

- As at the MD&A Date the Company has 50,142,202 common shares issued and outstanding.

### Stock options:

- As at the MD&A Date, the Company has 4,300,000 stock options outstanding (all of which are exercisable as at the MD&A Date) at an exercise price of \$0.15 each, expiring on various dates during 2026.

### Warrants:

- As at the MD&A Date, the Company has 3,729,000 share purchase warrants outstanding at an exercise price of \$0.15 each, expiring in October 2024.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and judgments.

The information about significant areas of estimation uncertainty and judgment considered by management in preparing the financial statements are described in Note 2 within the financial statements for the year ended February 28, 2023.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, reclamation deposits, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying values of these instruments approximate their fair values because of the short-term nature of these instruments.

As at May 31, 2023 and February 28, 2023, there were no financial instruments measured at fair value within the financial statements. The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk. Details of these risks and related assessments are included in the Company's financial statements for the three months ended May 31, 2023, within Note 9.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions as at the MD&A Date.

## **CHANGES IN ACCOUNTING POLICIES AND INITIAL ADOPTION**

During the three months ended May 31, 2023 and the three months ended February 28, 2023, there were no changes to the Company's significant accounting policies, nor any new accounting policies adopted.



## **RISK FACTORS**

The Company's securities should be considered high risk and speculative due to the nature of the Company's business. An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. An investment in the Company Shares and the shares of the Company should be considered highly speculative, not only due to the nature of the Company's existing and proposed business and operations, but also because of the uncertainty related to the business of the Company. In addition to the other information, an investor should carefully consider each of, and the cumulative effect of, the following factors, which assume the completion of each of the Acquisition and the Financing.

The following risk factors are not an exhaustive list of risk factors with respect to the Company and an investment in the Company. Additional risk factors are disclosed within the Company's Filing Statement as filed on SEDAR on March 10, 2021. The following risk factors are those that management has determined are the most significant and/or relevant at this time in respect of the Company's business activities.

### Capitalization and Commercial Viability

The Company will require additional funds to further explore and, conditional upon exploration success, potentially develop and mine its properties. The Company has limited financial resources, and there is no assurance that additional funding will be available to it to carry out the completion of all proposed activities, for additional exploration, or for financing the high-cost development typically required to place a property into commercial production. Although Bonanza has in the past been successful in obtaining financing through the sale of equity securities, there can be no assurance that the Company will in future be able to obtain adequate financing on acceptable terms. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development of its properties, the loss of part or all of its ownership position in its properties and declines in the price of the Company's securities.

### Current Global Financial Conditions

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

### Exploration and Development

Mineral exploration and development involves a high degree of risk. Very few properties which are explored, ultimately develop into producing mines.

The Company's properties do not presently contain mineral "resources" or "reserves", as those terms are defined in National Instrument 43-101 (NI 43-101), nor is there any guarantee that they ever shall. The process of confirming, or alternatively disproving, the presence of resources or reserves on the Company's properties will require following an exploration and development pathway comprised of sequential steps, the execution of each of which is fraught with risk and predicated on successful results from the step immediately prior to it. Failure at any step generally, though not always, puts an end to exploration or development activities. As the exploration and development pathway is followed, the metal or mineral content of the area under exploration is quantified and assessed to an increasing degree of certainty, generally by increasing the density of drilling and the amount of sampling and assaying, coupled with volume and grade modelling. With increasing certainty comes, initially, "Inferred" level resources, followed by resources in the "Indicated" and "Measured" categories, none of which have demonstrated economic viability. Only through the later application of technical (metallurgical, mining, processing, environmental etc.) and economic parameters appropriate to the resources under study, and the completion of pre-feasibility and ultimately, feasibility studies by qualified geologists, engineers and geoscientists, can resources potentially be converted to "reserves" ("ore"), which by definition would be potentially economic to mine and process, under the technical and economic criteria utilized in the feasibility study or studies applied to them. These steps and activities are costly. Should ore reserves ultimately be demonstrated to exist on the Company's properties, a positive decision to take the ore reserves thus demonstrated to commercial production would not be a given. In addition to the steps and studies detailed above, a positive production decision would require environmental approvals, the securing of various permits, and consideration and evaluation of additional factors including, but not limited to: (1) the cost of construction of production facilities; (2) the availability and cost of financing; (3) anticipated ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) the political climate and/or governmental regulation and control.

The ability of the Company to sell, and profit from the sale of any eventual production from any of the Company's properties will be subject to the prevailing conditions in the marketplace at the time of sale. Many of these factors are beyond the control of the Company and therefore represent a market risk which could impact the long-term viability of the Company and its operations.

#### Title Matters, Surface Rights and Access Rights

While the Company has performed its own due diligence with respect to title to all of its properties, this should not be construed as a guarantee of title. The Company's properties may be subject to prior unregistered agreements of transfer or indigenous land claims, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of any of the Company's properties and any othermining or property interests derived from or in replacement or conversion of or in connection with the mineral tenures or the size of the area to which such claims and interests pertain.

Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mineral exploration and development activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are local populations or landowners, it is necessary, as a practical matter, to negotiate surface access. There is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. There can be no assurance that the Company will be successful in acquiring any such rights.

#### First Nation Rights and Title

The nature and extent of First Nation rights and title remains the subject of active debate, claims and litigation in Canada and including with respect to intergovernmental relations between First Nation authorities and federal, provincial and territorial authorities. There can be no guarantee that such claims will not cause permitting delays, unexpected interruptions or additional costs for the Company's projects.

#### Competition

The mining industry is highly competitive. Many of the Company's competitors for the acquisition, exploration and development of mineral properties, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them than the Company.

#### Environmental Risks

All phases of the exploration and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that mines and facility sites be operated, maintained, abandoned, and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations and permits governing operations and activities of mineral resource companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at any future producing properties or require abandonment or delays in the development of new mining properties.

#### Permits and Licenses

The operations of the Company will require various licenses and permits from various government authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

The activities of the Company are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances, and other matters, including issues affecting local First Nation populations. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production, or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations, and financial performance of the Company. Further, the exploration and mining licenses and permits issued in respect of its projects maybe subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

#### No History of Earnings

The Company has no history of earnings, and there is no assurance that any of its mineral properties will generate earnings, operate profitably, or provide a return on investment in the future. The Company expects to incur losses and negative operating cash flow for the foreseeable future as it conducts its exploration activities on its properties. The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future.

#### Negative Operating Cash Flow

Since inception, the Company has had negative operating cash flow and incurred losses. The negative operating cash flow and losses are expected to continue for the foreseeable future. The Company may never achieve positive operating cash flow.