



# **Fredonia Mining Inc.**

**FREDONIA MINING INC.**

**Management's Discussion & Analysis  
For the three and six months ended March 31, 2022**

This Management Discussion and Analysis (“MD&A”) provides relevant information on the operations and financial condition of Fredonia Mining Inc. (“Fredonia” or the “Company”) for the three and six months ended March 31, 2022. This MD&A should be read in conjunction with the Company’s interim condensed consolidated financial statements for the three and six months ended March 31, 2022 as well as the audited consolidated financial statements for the years ended September 30, 2021 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All dollar values are expressed in US dollars, unless otherwise indicated. The Fredonia Board of Directors approved both this MD&A and the interim condensed consolidated financial statements for the three and six months ended March 31, 2022 and 2021 on May 26, 2022.

This MD&A provides information that the management of Fredonia believes is important to assess and understand the results of operations and financial condition of the Company. Our objective is to present readers with a view of Fredonia from management’s perspective by interpreting the material trends and activities that affect the operating results, liquidity, and financial position of Fredonia. All monetary amounts unless otherwise specified are expressed in US dollars. This discussion contains forward looking information that is qualified by reference to, and should be read in conjunction, with the “Caution Regarding Forward Looking Statements” below.

### **Caution Regarding Forward Looking Statements**

Readers are cautioned that actual results may differ materially from the results projected in any “forward-looking” statements included in the foregoing report, which involve a number of risks or uncertainties. This MD&A contains “forward-looking statements” and “forward-looking information” within the meaning of the applicable Canadian securities legislation. Forward-looking statements are not historical facts and include statements regarding the Company’s planned development activities, anticipated future profitability, losses, revenues, expected future expenditures, the Company’s intention to raise new financing, sufficiency of working capital for continued operations and other statements regarding anticipated future events and the Company’s anticipated future performance.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “continue”, “anticipates” or “does not anticipate”, or “believes” or a variation of such words and phrases that state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. While Fredonia considers its assumptions to be reasonable and appropriate based on the current information available, there is a risk that they may not be accurate. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievement of Fredonia to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to the integration of acquisitions, as well as those factors discussed in the section entitled “Risk Factors” in this MD&A.

Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, 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. Fredonia does not undertake to update any forward-looking statements that are incorporated by reference herein, except as required by law.

### **Business Overview**

Fredonia Mining Inc. (the “Company”) is a mining extraction company incorporated under the Business Corporations Act (Alberta) on September 19, 2012, under the name Richmond Road Capital Corporation (“RRCC”). On June 24, 2021, the Company completed a transaction (the “Transaction”) whereby RRCC acquired all of the outstanding shares of Fredonia Management Limited, a private corporation registered under the laws of the territory of the British Virgin Islands with mining assets in the country of Argentina. The Transaction constituted a reverse asset acquisition in accordance with IFRS, whereby the shareholders of Fredonia Management Limited took control of RRCC. Following the completion of the Transaction, the Company changed its name from Richmond Road Capital Corporation to Fredonia Mining Inc. References within this MD&A to the “Company” for periods, dates and/or transactions prior to the Transaction are in reference to Fredonia Management Limited, as the corporate entity of interest pre-Transaction.

Alternatively, references within this MD&A to the “Company” for periods, dates and/or transactions subsequent to the Transaction are in reference to Fredonia Mining Inc., as the corporate entity of interest post-Transaction. The comparative periods reflected in this MD&A are those of Fredonia Management Limited. The Company is a publicly-traded company with its shares listed on the TSX Venture Exchange (“TSXV”). The Company operates from its primary office in Toronto, Ontario, Canada. Its registered head office is located at 350 Bay St. # 700, Toronto, Ontario, M5H 2S6.

The Company, directly or indirectly, owns a 100% interest in certain license areas, all within the Deseado Massif geological region in the Province of Santa Cruz, Argentina. The Company’s only material property is the advanced El Dorado-Monserrat Project. The Company also owns the El Aguila, Hornía (Petrificados), and Anita properties.

The Company has not yet established whether its mineral properties contain resources or reserves that are economically recoverable. The recovery of amounts capitalized as mineral properties is dependent upon the discovery of economically recoverable resources or reserves, the ability of the Company to arrange appropriate financing to complete the development of properties, and upon future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company’s future performance depends on, among other things, its ability to discover and develop ore reserves at commercially recoverable quantities, the prevailing market price of commodities it produces, the Company’s ability to secure required financing, and in the event ore reserves are found in economically recoverable quantities, the Company’s ability to secure operating and environmental permits to commence and maintain mining operations.

### **Brokered Private Placement**

On April 27, 2022, the Company announced the closing of a brokered private placement (the “Offering”), consisting of a total of 22,606,779 units of the Company at a price of \$0.18 per unit for aggregate gross proceeds to the Company of approximately \$4,069,220, which included the exercise of an option to increase the size of the Offering from the proposed base size.

Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.28 per common share for a period of five years from the closing date of the Offering.

The agent received compensation consisting of 1,485,213 units (“Broker Units”) in lieu of cash. Each Broker Unit consists of one common share and one warrant. The Company also granted the Agent 1,582,475 broker warrants entitling the agent to acquire one common share at a price of \$0.18 per common share for a period of 24 months from the closing date of the Offering.

### **Mineral Properties**

#### El Dorado-Monserrat Project:

The El Dorado-Monserrat Project is located in an area of low rolling hills in the Deseado Massif of Santa Cruz Province, close to a number of known mines and prospects. Santa Cruz Province is part of the region of Patagonia which has the Andes Mountains to the west and the Atlantic coast to the east. In general, the area is very sparsely populated, and a large proportion of employment is in sheep farming which is managed from widely scattered ranches called ‘estancias’.

The nearest major centres to the Fredonia licences are Puerto Deseado (population 10,000), Puerto San Julian (population 6,000), Caleta Olivia (population 36,000) to the northeast, Gobernador Gregores in the southwest and Comodoro Rivadavia (population 140,000). Rio Gallegos (population 79,000), the capital of Santa Cruz Province, lies to the south of the project areas. These major centres can provide basic goods and services, and the national power grid serves these centres. Comodoro Rivadavia and Rio Gallegos are serviced with national airports. A well-maintained concrete airstrip is located at Puerto Deseado, serviced via small to mid-size charter aircraft. Workers are readily available from the surrounding area.

The drilling data collected by the Company and the historical drilling, trenching and other data collected by previous operators has been reviewed by competent geological advisory professionals (“Qualified Persons”) who have concluded that the El Dorado-Monserrat Project is a Property of Merit with clear potential for low sulphidation epithermal vein style gold-silver mineralisation. The El Dorado-Monserrat Project is strategically located near to the major Cerro Vanguardia gold mine and is underlain by significant amounts of Chon Aike Formation rhyolitic volcanic rocks and by Bajo Pobre Formation. These formations are the principal host to mineralisation in the Deseado Massif.

There is significant potential and the drilling, trenching and surface exploration conducted on the other prospects by prior operators are adequate to demonstrate the overall potential of the El Dorado-Monserrat Project. Additional exploration, including surface sampling, trenching, re-assaying of available drill core and additional drilling will be required to fully assess the potential of the Main Vein area and other prospects. In addition, a thorough review of historical data is recommended.

The Exploration Target for the Main Vein area shows possible tonnages of mineralisation in this area with reasonable prospects of economic extraction are in the range of 3.5 to 6.5 million tonnes, with possible average gold grades above a 0.5 g/t cut off of 0.6-1 g/t and silver grades of 20 to 35 g/t. Based on this, possible contained metal is in the region of 100,000-200,000 Oz of gold and 3-6 MOz of silver (ounces are troy ounces).

Within the Main Vein area, the Camila C area has higher grade gold and silver mineralisation than other parts of the project area. The Exploration Target of approximately 300,000 to 500,000 tonnes of mineralisation, from surface to 100 m depth, has a grade of 1.5 to 3 g/t Au and 40 to 80 ppm Ag. This presents a potential opportunity for the extraction of shallow, higher grade mineralised zones.

These Exploration target tonnages and grades are conceptual in nature and have been estimated from limited data, some of which has not been verified by the Qualified Persons. There has been insufficient exploration to define a mineral resource and as a result the tonnages and grades presented do not represent an estimation of mineral resource as defined by NI 43-101, Canadian Institute of Mining, Metallurgy and Petroleum (CIM) or a similar Committee for Minerals Reserves International Reporting Standards (CRIRSCO) aligned reporting code. It is uncertain that additional exploration work will result in any part of the exploration target being converted to a mineral resource, and grade and tonnage may increase or decrease as additional information becomes available.

Outside the Main Vein area, there is also considerable potential for additional mineralised zones to be identified. Follow-up exploration at Monserrat West, Abanico, La Herradura and Beethoven will enable an improved understanding of the geometry and extent of the mineralised zones in these areas. Further to this, additional exploration of the Monserrat East and Bajo Pedernal areas will determine the potential for significant mineralised zones.

Further exploration outside of the main vein area included the completion of two phases of the drilling program at the flagship Eldorado Monserrat property. On the La Herradura project 1,583.5m of drilling were completed. Additionally, 1,841m was drilled on the Monserrat Oeste project.

Phase one of the La Herradura drilling consisted of six HQ diamond drill holes for a total of 1,583.5m. Over 1,142 samples (including standards, blanks and duplicates) were submitted for gold fire assays and multi-element inductively coupled plasma (ICP) to an independent certified laboratory. The anomalous, potentially ore grade, gold-silver intersections confirm and expand the area of interest identified by historic drilling and demonstrate wide low-grade Au-Ag intersections and ‘included’ higher grade zones.

The drill holes at La Herradura were drilled to target both the roughly east west mineralised trend including the central diatreme at La Herradura ‘hill’ and to expand the gold anomalism identified in the historic drilling which extends over 1100m to depths of >200m.

The current drilling, while of limited meters, has enhanced the project’s potential and confirmed the presence of wide intersections of 1g/t AuEqv. material with higher grade inclusions. The system remains open in all directions and Fredonia believes more drilling is warranted.

The recent drilling at Monserrat West consisted of five HQ diamond drill holes and an additional one drill hole in

Bajo Pedernal, (subparallel and ~200m west of Monserrat West) for a total of 1,841m. More than 567 samples (including standards, blanks and duplicates) were submitted for gold and silver fire assays and multi-element ICP to an independent certified laboratory.

All six holes drilled intersected the target structure and contained anomalous to significant gold / silver with isolated high grade. The drilling has confirmed the geological model has merit. The gold-silver intersections have enlarged the area of known mineralisation identified by historic drilling and demonstrate the potential for further strike and down dip extension and the possibility of further high grade Au-Ag zones.

Monserrat Oeste requires further drilling to define the project's true extent – currently open all directions. Interpretation of drill sections, integrating historic drilling into the new sections is underway. This will provide the foundation for further exploration drilling and the targeting of potential high grade zones.

#### El Aguila Project:

On September 15, 2016 an Arm's length purchase agreement (the "Winki Agreement") between the Company and Winki Sociedad Anonima wherein the Company agrees to acquire the following properties - Winki: "Winki II", "Petrificados", "Aguila I" and "Aguila II", in the Province of Santa Cruz, Argentina (collectively, the "El Aguila Project") for the sum of \$1,400,000.00, and 1% of the net profit interest of the Company during the production/exploitation phases of the project (the "Royalty").

On November 11, 2016, the Company and an arm's length party who is a 50% participant under the Winki Agreement (the "Partner") reached an agreement to jointly participate in the development of Fredonia Management on the basis of a partnership in equal parts. Under this agreement, the Company provided its structure and know-how in the mining industry, as well as access to the capital market and the Partner agreed to accept 50% of the share capital of the Company in exchange for their rights under the Winki Agreement to receive half of the purchase proceeds and half of the Royalty from the purchase and sale of the Aguila Project.

On January 24, 2022, Fredonia Mining paid US\$150,000 in cash and issued 2,200,000 common shares to the other participant at Winki to satisfy the outstanding portion of the Purchase. The vendor retained 0.5% Net Profit Interest.

El Aguila is currently owned 100% by Fredonia Mining Inc or its subsidiaries.

The El Aguila project is located in the eastern sector of the Deseado Massif and comprises three licence blocks that cover 9,124ha. The project is located 70 km northeast of Cerro Vanguardia mine and 45 km west of Cerro Moro.

The geological interpretation of the Aguila project area is a 'failed' caldera environment. Structures define both ring fractures at the margins of the caldera striking as well as radial fractures hosting gold silver mineralisation within the ring structure. The North-west orientation is strike-slip faults with dextral movements, and North-south fractures are tensional. Post-mineral event East-north-east striking fault system displaces part of the vein-like mineralized structures.

El Aguila has distinct styles of mineralisation from classic low sulphidation epithermal quartz veining hosting gold-silver as well as stockwork and breccias (draped around a felsic dome complex) and a new exploration target represented by veins in sandstone.

Drilling on the project is scout exploration style and is neither advanced nor grid style systematic. However, based on the geochemical data generated to date and the interpretation of geology hosting the identified mineralisation, of the five main sectors identified to date, Aguila Main is considered the most prospective. The Company conducted a limited diamond drilling programme of 2,428 meters for 11 holes throughout the project, focusing on Aguila Main.

#### Hornía Project (previously Petrificados):

The oldest rocks in the property are andesitic flows, volcanic breccias and tuffs from the Bajo Pobre Formation, exposed in the southern part of the area. This unit is overlaid and partially in fault contact with coarse grained-partially

welded rhyolitic crystal tuff, from the Chon Aike Formation exposed along the western side of the property. This unit is covered and partially inter-fingered with layered fine-grained ash fall tuffs and volcanoclastic sediments assigned to La Matilde Formation (both belonging to Bahía Laura Group), largely exposed in the western and northern portions of the property. These are the three most prospective formations in the Deseado.

Alteration and mineralization coincides primarily with strongly silicified N°30-N°60 west-trending tabular structures. The silicified zones contain veins, veinlets, stockworks and hydrothermal breccias hosted in welded rhyolitic tuffs. Veins and breccias show a variety of textures indicative of multiple episodes of brecciation and silica deposition, including carbonate replacement textures and massive to banded veins with chalcedony, jasper and fine grained saccharoidal white to gray silica, interpreted as being formed at shallow depths within the hydrothermal system.

Gold mineralisation is associated with anomalous values of ‘pathfinder’ elements. Arsenic (As), mercury (Hg), antimony (Sb), these are typical vectors to epithermal gold mineralisation.

The Company intends to undertake a thorough review of the historical data before embarking on a project wide exploration programme of surface reconnaissance and geophysics prior to an anticipated scout exploration drill programme.

### **Drilling Programme for 2022**

The exploration activities planned for the current year includes 3,500 diamond drilling, which will include the following target areas:

La Herradura: continued infill and extension drilling

Monserrat Oeste: drilling to the north of the current drill area

Main Veins: drilling to the north of the ‘resource’ area and targeting hi-grade intersections

Monserrat Este: drilling below any anomalous zones identified in the current reconnaissance programme.

### **Review of Financial Results**

The following tables set forth selected financial information with respect to the Company’s interim condensed consolidated financial statements for the period ended March 31, 2022 and 2021. The following should be read in conjunction with the said financial statements and related notes that are included elsewhere in this Filing Statement.

### **Statement of Financial Position**

	<b>As at March 31, 2022</b>	<b>As at September 30, 2021</b>
Assets		
Current assets	1,481,589	3,562,837
Exploration and evaluation assets	3,785,862	1,748,697
Property, plant and equipment	1,938	2,318
Total Assets	5,269,389	5,313,852
Liabilities		
Current liabilities	319,131	1,280,048
Shareholders' equity	4,950,258	4,033,804
Total liabilities and shareholders' equity	5,269,389	5,313,852

## Results of Operations

The Company reported a net income of \$417,849 during the six months ended March 31, 2022, compared to net loss of \$332,225 during the six months ended March 31, 2021. The net income for the second quarter of 2022 fiscal year was primarily on account of gains realized on the exchange of US dollar contributions to the Argentine subsidiaries for Argentine pesos through third-party financial markets in contrast to the Argentina national posted currency rates. The difference between the official bank rate and the market rate obtained resulted in significant gains of \$910,673 for the six-month period ended March 31, 2022. This was partially offset by \$220,861 of general corporate expenses incurred in the period primarily consisting of salaries and wages, professional fees and administrative and office expenses.

## Summary of Quarterly Results

The following table sets out selected quarterly financial information of the Company and is derived from unaudited quarterly financial data prepared by management in accordance with IFRS:

	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net income (loss)	91,664	326,185	(1,136,862)	(1,653,324)
Comprehensive income (loss)	91,802	324,652	(1,136,141)	(1,653,324)
Net income (loss) per share (basic & diluted):				
Net income (loss)	0.001	0.002	(0.026)	(0.006)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net income (loss)	(319,638)	(12,587)	(25,661)	(22,117)
Comprehensive income (loss)	(319,638)	(12,587)	(25,661)	(22,117)
Net income (loss) per share (basic & diluted):				
Net income (loss)	(0.003)	(0.000)	(0.000)	(0.000)

## Financing Activities

The Company completed the Concurrent Financing in connection with the Qualifying Transaction on February 24, 2021. Each Fredonia Subscription Receipt was sold at a price of C\$0.17 per subscription receipt, with each Fredonia Subscription Receipt entitling the holders to receive one Fredonia common share and one-half of one Fredonia common share purchase warrant. Funds raised under the private placement were held in escrow pending the satisfaction or waiver of certain escrow release conditions. The Concurrent Financing was completed on both a brokered and non-brokered basis for an aggregate of 37,445,310 Fredonia Subscription Receipts for gross escrowed proceeds of approximately C\$6,365,703.

On June 24, 2021, the Transaction was fully approved, funds released the escrow and Subscription Receipts converted into shares and warrants.

On July 27, 2021, the Company granted 9,750,000 stock options pursuant under its Stock Option Plan to certain directors, officers, and consultants of the Company. The options vested immediately, are exercisable at a price of C\$0.17 per share and have a term of five years from the grant date. The fair value of the options was estimated at C\$1,192,427 using the Black-Scholes option pricing model with the following assumptions: expected volatility of 95.39%; risk-free interest rate of 0.77% and an expected life of 5 years.

## Restructuring transaction and Funding

### *Reverse Take Over:*

The Qualifying Transaction was completed pursuant to a business combination agreement (the “Agreement”) dated June 24, 2021, between the Company, formerly RRCC, and a corporation existing under the laws of the British Virgin Islands, Fredonia Management Limited (the “Target”). As an initial step to be taken in connection with the Qualifying Transaction, the issued and outstanding RRCC shares and RRCC stock options were consolidated by a factor of 0.73529 (the “Consolidation”), resulting in 4,411,764 post-Consolidation RRCC shares and 441,176 post-Consolidation RRCC stock options. Following the Consolidation of RRCC shares, the Qualifying Transaction was effected by way of a “three-cornered” amalgamation, in which: (a) the BVI subsidiary of RRCC was amalgamated with the Target to form an amalgamated company (“Amalco”); (b) all issued and outstanding shares of the Target were exchanged for 109,006,378 post Consolidation RRCC shares; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed as Fredonia Management Ltd. Following the completion of the Transaction, the Company changed its name to “Fredonia Mining Inc.” and carried on the business previously carried on by the Target.

The Qualifying Transaction constituted a reverse take over and did not constitute a business combination in accordance with IFRS 3. These consolidated financial statements are presented as a continuation of the Target but are issued in the name of the Company as a legal parent. The Qualifying Transaction has been measured at the fair value of the shares and options that are deemed to have been issued to the Company’s historical shareholders. Accordingly, the Qualifying Transaction has been recorded in these consolidated financial statements using a basis of accounting as summarized below:

- a) The historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in net loss for the year;
- b) The accumulated deficit and other equity balances presented in these consolidated financial statements are those of the Target;
- c) The assets and liabilities of the Target are included in these consolidated financial statements on a pre-transaction basis of accounting;
- d) The net assets of RRCC were measured at their estimated fair value on the date of the Qualifying Transaction; and
- e) Comparative information presented in these consolidated financial statements is that of the Target. The following summarizes the basis of accounting for the reverse takeover described above.

Under this basis of accounting, as consideration for 100% of the outstanding shares of RRCC by way of reverse acquisition, Target issued 4,411,764 shares on a one for one basis to the shareholders of RRCC, and 441,176 stock option to replace RRCC stock options. The shares were assigned a value of \$0.20 (C\$0.25) per share, the value of the recent financing realized through concurrent financing, and the stock options were assigned a value of \$0.14 (C\$0.17) based on a Black-Scholes valuation, for total consideration of \$950,412 (C\$1,177,941) before transaction costs, which has been allocated first to the fair value of the net assets acquired, with any excess to a non-cash cost of acquisition as follows:



<b>Consideration</b>	
4,411,764 shares at a value of \$0.20 (C\$0.25) per share	889,899
441,176 stock options at a value of \$0.14 (C\$0.17) per share	60,513
Transaction costs	277,236
<b>Total Consideration</b>	<b>1,227,648</b>
<b>Net assets (liabilities) of RRCC</b>	
Accounts payable	(171,573)
<b>Total net assets (liabilities) acquired at fair value</b>	<b>(171,573)</b>
<b>Listing Expense</b>	<b>1,399,221</b>

In parallel with the Qualifying Transaction, the Company completed a concurrent financing (the “Concurrent Financing”) of 37,445,310 subscription receipts for aggregate gross proceeds of \$5,136,117 (C\$6,365,703). Upon completion of the Qualifying Transaction, the units were automatically exchanged for 37,445,310 common shares and 18,722,655 warrants, exercisable at C\$0.25 per warrant to purchase one common share. Broker warrants are exercisable at C\$0.17 per warrant to purchase one common share.

The proceeds of the Concurrent Financing, will fund exploration and development of the Company’s mineral exploration activities, including drilling, resource development and the satisfaction of general operating expenses. Future exploration and development will be financed through additional equity sales, the exercise of warrants or other financial methods deemed appropriate by management.

Upon completion of the Qualifying Transaction, the Company’s Board is consisting of Estanislao Auriemma, Dr. Ricardo Auriemma, Dr. Waldo Perez, and Michael Doolan. Management consists of Estanislao Auriemma, Chief Executive Officer; Carlos Espinosa, Chief Financial Officer; and Ali Mahdavi, Chairman of the Board. All directors and officers of RRCC resigned at the closing of the Qualifying Transaction. Key members of the Company’s management team and Board have experience running business operations in emerging markets, including specifically in Argentina.

### **Arm’s Length Qualifying Transaction**

The Merger was an Arm’s Length Qualifying Transaction in accordance with the policies of the TSXV. No Non-Arm’s Length Parties to RRCC had any interest in Fredonia or in the Properties or were insiders of Fredonia, nor was there any relationship between or among the Non-Arm’s Length Parties to the Issuer and the Non-Arm’s Length Parties to the Qualifying Transaction, whether or not the proposed Qualifying Transaction constitutes a Non-Arm’s Length Qualifying Transaction.

The completion of the Qualifying Transaction was not subject to the approval of RRCC’s Shareholders, however, the Name Change and the Consolidation were approved by RRCC Shareholders at the RRCC Meeting.

No finder’s fee or commission was paid or is payable in relation to the Qualifying Transaction.

### **Liquidity and Capital Resources**

As of March 31, 2022, the Company had cash of \$1,361,051 and a working capital surplus of \$1,162,458. During the six months ended March 31, 2022, net cash received from operating activities was \$214,536, net cash used in investing activities was \$2,187,165 related to exploration and evaluation costs incurred as well as the lump sum cash payment to the seller of the El Aguilar property, net cash used in financing activities was \$13,300 which was payments made on loans from related parties.

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within

a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

The interim condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At March 31, 2022, the Company had accumulated losses of \$6,746,194 and expects to incur further losses in the development of its business. The continuation of the Company is dependent upon obtaining necessary financing to meet its ongoing operational levels of exploration and corporate overhead. The ongoing impact of COVID-19 on the Company's operations and future financial performance is uncertain. The continued impact of COVID-19 will depend on future developments that are uncertain and unpredictable, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge COVID-19 continues to present uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results. These events and conditions indicate a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Additional funds will be required to enable the Company to continue its operations and there can be no assurance that financing will be available on terms which are acceptable to the Company.

### **Related Party Transactions**

During the six months ended March 31, 2022 and 2021, the Company incurred the following related party transactions:

#### **i) Transactions:**

- a) Professional services charged by key management personnel and directors for the period ended March 31, 2022 were \$8,167 (2021: \$1,997) and are included as part of professional fees on the consolidated statement of loss.
- b) Interest expense incurred for the periods ended March 31, 2022 from a loan payable to a director and shareholder were \$370 (2021: \$1,145 of interest income).
- c) Rent expense incurred for the periods ended March 31, 2022 charged by a company controlled by Directors of the company were \$9,000 (2021: \$9,000).

#### **ii) Period-end balances:**

- a) As at March 31, 2022, trade and other receivables included \$nil (September 30, 2021 – \$110,223) receivable from a director of the Company.
- b) As at March 31, 2022, trade and other payables included \$20,000 (September 30, 2021 - \$20,000) payable to a company related to a director for payments made on behalf of the Company.
- c) As at March 31, 2022, trade and other payables included \$5,971 (September 30, 2021 - \$3,552) payable to a company related to a director in relation to the rent of the administrative office.
- d) As at March 31, 2022, trade and other payables included \$nil (September 30, 2020 - \$78,620) payable to directors and key management,

All related party transactions were in the normal course of operations.

## **Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loans from related parties. Unless otherwise noted, management' is of the opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company's cash is recorded at its fair value, and the fair values of these accounts payable and accrued liabilities, and loans from related parties approximate their carrying values due to their short-term nature.

## **Critical Judgments and Estimates**

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

*i) Impairment of property, plant and equipment and exploration and evaluation assets*

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future precious metals prices, future costs, discount rates, market value of land and other relevant assumptions.

*ii) Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

*iii) Income taxes*

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

### ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

*i) Share-based payments*

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

*ii) Tax provisions*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

*iii) Determination of functional currency*

As the Company has entities in multiple jurisdictions, the determination of functional currency involves certain judgements in establishing the primary economic environment in which these entities operate. In Argentina, the transactions may be denominated in Argentine pesos or USD. The functional currency is determined by the currency, being presently USD, wherein management's judgement the majority of the operating expenditures are denominated in.

## **Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### ***Property, plant and equipment and exploration and evaluation assets***

The fair value of property, plant and equipment and exploration and evaluation assets recognized in a business combination and in assessing the recoverable value for impairment testing, is based on market values. The market value of property, plant and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of precious metals interests included in property, plant and equipment is estimated with reference to the discounted cash flows expected to be derived from precious metals production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value for exploration and evaluation assets is determined based on quoted market prices for similar assets, if available, or discounted cash flows expected to be derived from precious metals production based on available resource reports. The discount rate is specific to the exploration and evaluation asset with reference to general market conditions.

### ***Financial assets and liabilities***

The fair value of financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date, except for marketable securities which are fair valued based on quoted trading prices.

### ***Stock options***

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option and warrant behaviour), expected dividends, expected forfeiture rate and the risk-free interest rate (based on government bonds).

## **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities or derivative financial obligations.

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

In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52- 109.

## **Company Outlook**

Other than as disclosed in this MD&A, the Company does not anticipate incurring any other material capital expenditures.

Assuming that the Company has expended its exploration expenses in accordance with the recommendations of the technical report on the El Dorado-Monserrat Project, the Company will have achieved one of its material stated business objectives which is to determine whether El Dorado-Monserrat Project contains mineralized deposits and whether the results warrant the Company carrying out further work on the El Dorado-Monserrat Project.

If a further work program is recommended on the El Dorado-Monserrat Project, the Company may be required to raise additional funding to carry out additional exploration programs on its El Dorado-Monserrat project. In addition, should the opportunity to acquire other mineral exploration properties be presented to the Company, whether located in Argentina or elsewhere, then the Company would have to determine the appropriate method of acquiring those properties. In the event that common shares could not be used to acquire the said properties, then the Company may have to look to raise further capital.

### Outstanding Securities

The Company has one class of shares outstanding, being ordinary shares. As of the date of this MD&A, 153,063,452 Fredonia Shares were issued and outstanding.

The following options are outstanding at March 31, 2022:

Number of Options	Exercise Price C\$	Expiry Date
441,176	0.10	November 16, 2022
9,750,000	0.17	July 27, 2026
<b>10,191,176</b>		

The following warrants are outstanding at March 31, 2022:

Number of Warrants	Exercise Price C\$	Expiry Date
18,722,655	0.25	June 24, 2024
2,274,124	0.17	February 24, 2023
<b>20,996,779</b>		

### Shares for Debt Agreement

On September 15, 2016, Fredonia acquired the El Aguila Project, from Winki S.A., which subsequently assigned its rights to the Purchase Price to its two shareholders in equal parts (the "Sellers"). One of the shareholders agreed to accept shares of Fredonia Management Limited in exchange for the cash debt owing prior to completion of the qualifying transaction.

The obligation to pay the remaining cash portion of the Purchase Price to one of the Sellers vested in annual instalments, with the final tranche becoming due September 15, 2021. As at the date of the agreement, \$50,000 had been repaid and the remainder of the cash portion of the Purchase Price represented a cash debt to the Company of \$650,000.

Under the terms of the Shares for Debt Agreement, the Company and one of the Sellers have agreed that the Company may satisfy the outstanding portion of the Purchase Price by issuing 2,200,000 Common Shares and making a lump-sum cash payment of \$150,000. The issuance of 2,200,000 Common Shares in exchange for \$500,000 of debt represents an approximate implied price per Common Share of \$0.2886, using an exchange rate of approximately \$1.00 to C\$1.27, being the average daily exchange rate for United States dollars in terms of Canadian dollars presented by the Bank of Canada on September 16, 2021. The implied price per Common Share represents a 15.44% surplus to

the closing trading price of the Common Shares on the TSXV on September 16, 2021, the trading date immediately prior to the Shares for Debt Agreement date.

On October 13, 2021, TSX Venture Exchange accepted for filing the Company's proposal to issue 2,200,000 shares to the one Seller at a deemed price of \$0.2886 in consideration of the Shares for Debt Agreement dated September 15, 2021, pursuant to the El Aguila Project Agreement dated September 16, 2016.

On January 24, 2022, the Company issued the 2,200,000 shares and made the lump-sum cash payment of \$150,000, satisfying the terms of the agreement.