



# SRG

## Battery Minerals

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED ON DECEMBER 31, 2022

As of April 14, 2023

TSX-V: SRG

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# SRG Mining Inc.

Management's discussion and analysis for the year ended December 31, 2022

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## SCOPE OF MD&A AND NOTICE TO INVESTORS

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as of April 14, 2023 and complements the audited consolidated financial statements of SRG Mining Inc. (the "Company" or "SRG"), which include: SRG Guinee SARL ("SRG Guinee"), SRG Graphite International Inc. ("SRG Intl"), SRG Liberia Inc. ("SRG Liberia") and SRG Lithium ("SRG Lithium"), its wholly owned subsidiaries, for the year ended on December 31, 2022. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Company has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

Management of the Company is responsible for the preparation and presentation of the annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The audited consolidated financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on April 14, 2023. These documents and more information about the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results are summarized below under the heading "Risks and Uncertainties".

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

## COMPANY OVERVIEW

The Company was incorporated on April 16, 1996 under the Canada Business Corporations Act. SRG Mining Inc. common shares are currently listed on the TSX-V under the trading symbol "SRG.V". The Company's head office is located at #132 – 1320 Graham boulevard, Mont-Royal, Quebec, Canada, H3P 3C8.

SRG Mining Inc. is a Canadian-based mining company focused on developing the Lola Graphite Project located in the Republic of Guinea, West Africa. The Lola Graphite Project has Proven and Probable Reserves of 40.9Mt at a grade of 4.14% Cg, for 1,7MT of contained graphite. SRG aims to develop a fully integrated source of battery anode material to supply the lithium-ion and fuel cell markets. With attractive operating costs, proximity to end-markets and strong ESG credentials, SRG is poised to become a reliable supplier while promoting sustainability and supply chain transparency. SRG is committed to generating sustainable, long-term benefits that are shared with the host countries and communities where it operates.

The Lola Graphite project has a mining exploitation permit of 94 km<sup>2</sup> with a prospective surface outline of continuous graphitic gneiss extending over a 8.7km strike, hosting one of the largest graphitic surface areas in the world. SRG

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owns 100% of the Lola Graphite Property. **Figure 1** presents the Company's Lola Graphite research permit and the surrounding village along with a map showing the deposit's location in the country and the possible import/export routes.

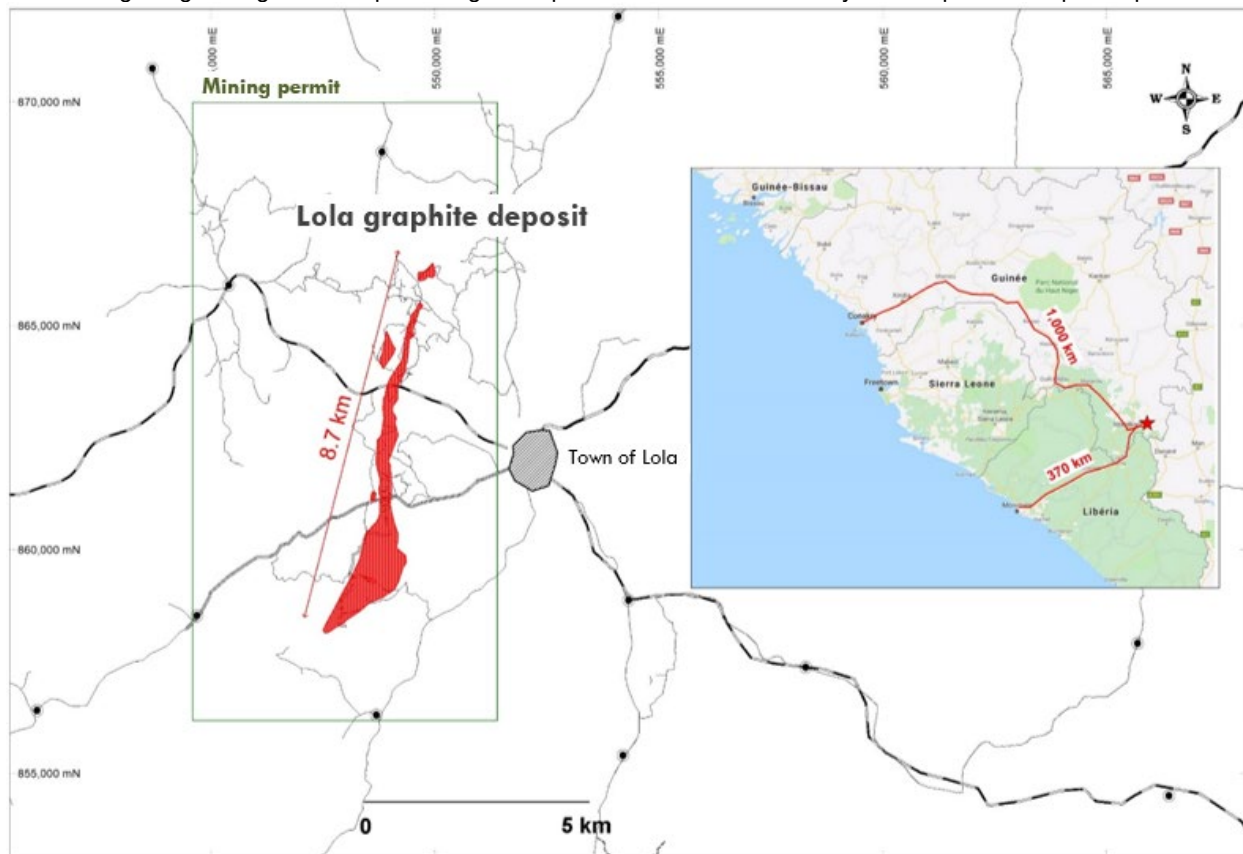


Figure 1 Exploration permits in Guinea

## HIGHLIGHTS

- On February 22, 2022, the Company settled an account payable of \$270,000 in equity, at a price of \$0.54 per common share, issuing 500,000 shares.
- On February 28, 2022, the Company announced the appointment of two experienced senior executives. Matthieu Bos was appointed Chief Executive Officer and President of SRG and Patrick Moryoussef as Chief Operating Officer. The nomination of the executive team coincided with an expansion of SRG's strategic plan to develop its Lola Graphite Project in the Republic of Guinea into a fully integrated supplier of battery anode material. The integrated business model would result in the creation of a mine-to-market active anode material producer, hosting a large high-purity graphite production mine and concentrator in Africa and a value-added, coated spherical purified graphite ("CSPG") conversion facility. This strategy would serve the energy storage markets with high-quality, low-cost African graphite, coupled with the supply chain security of a domestic manufacturer supplier.
- On March 31, 2022, the Company completed a non-brokered private placement for a total of \$12,568,047 issuing 22,442,941 shares to a fund advised by La Mancha Capital Advisory LLP ("La Mancha"), representing approximately 19.9% of the issued and outstanding common shares, establishing it as one of SRG's largest shareholders. Mr. Vincent Benoit, the Co-Chief Investment Officer of La Mancha, joined the Board of Directors. Subsequently, on May 19<sup>th</sup>, 2022, La Mancha acquired an additional 5,000,000 shares from Sama Resources, increasing its shareholding of SRG to 24.3%, making La Mancha SRG's largest shareholder.
- On April 25, 2022, the Company announced that Sprott Private Resource Lending II (Collector), LP ("Sprott"), converted the full outstanding amount of capital owed under the previously announced Sprott convertible debt facility to common shares of the Company. The total principal amount of US\$482,371 was converted at the pre-agreed conversion price of C\$0.69 per share. As a result, SRG issued 881,550 common shares to Sprott. In

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addition to the shares, the Company has paid Sprott accrued interest and certain expenses.

- On May 18, 2022, the Company announced further details on the strategic corporate plan to develop its Lola Graphite Project in the Republic of Guinea into a fully integrated supplier of battery anode material.

In parallel with the start of the Updated Feasibility Study ("UFS"), the Company also announced the start of an independent, preliminary economic assessment ("PEA") of initial options for the start-up of a second transformation step to produce CSPG from the Lola Project graphite concentrate. The PEA will be prepared by Dorfner Analysenzentrum und Anlagenplanungsgesellschaft mbH, a leading consultancy and engineering company for industrial, specialty mineral and metal projects, based in Hirschau, Germany. The PEA is scheduled to be completed in early Q2 2023.

- On November 2, 2022, the Company announced that it has changed its auditors from PricewaterhouseCoopers LLP ("Former Auditor" or "PwC") to Raymond Chabot Grant Thornton LLP, ("Successor Auditor" or "RCGT"). The Former Auditor resigned as auditor of SRG at the Company's request and the Company appointed the Successor Auditor as the new auditor effective October 24<sup>th</sup>, 2022. In addition, the Company announced that the Board of Directors accepted the resignation of Mr. Nikolaos Sofronis as a member of the Board of Directors.
- On February 27, 2023, the Company announced the positive results of an UFS for the high-quality Lola Graphite Project in the Republic of Guinea. The Lola Graphite Project 2023 UFS evaluates a doubling in annual production capacity from the previous 2019 Lola Graphite Project Feasibility Study to an average of 94,000 tonnes of graphite flakes in concentrate per annum over its 17-year life of mine. The UFS was prepared by DRA Global Limited ("DRA").

## OVERALL PERFORMANCE

Over the past 12 months, the Company has focused on arranging financing required for construction, obtaining, and maintaining the necessary permits and regulatory approvals for its Lola graphite project and completing the UFS and PEA.

### Business Objectives and Milestones

As the COVID-19 pandemic impact is receding, in conjuncture with the uncertainty surrounding the war in Ukraine, demand for raw materials for anode battery materials, and graphite specifically, is expected to grow in the medium to long-term, becoming a strategic and critical element for years to come. Following the appointment of new senior management and the closing of the La Mancha private placement in 2022, SRG is in a position to accelerate its updated development plans in 2023. The completion of the UFS has been a critical milestone to advance the project finance and offtake discussions for the Lola Graphite Project.

## FINANCING

On March 31, 2022, the Company completed a non-brokered private placement for a total of \$12,568,047 issuing 22,442,941 shares to a fund advised by La Mancha Capital Advisory LLP. Upon completion of the non-brokered private placement, The Fund now owns 19.9% of SRG's issued and outstanding common shares, establishing it as one of SRG's largest shareholders. The net proceeds from the financing were \$12,492,596 as follows:

<u>Source of Funds</u>	<u>Amount</u>
Gross Proceeds from the Offering	\$12,568,047
Less Expenses of the Offering	(108,014)
<b>Funds Available Following Closing</b>	<b>\$12,460,033</b>

## MINERAL PROPERTY PORTFOLIO

The Company's exploration programs are designed, managed and reviewed by Marc-Antoine Audet, P. Geo, PhD, Lead Geologist for SRG. The Company's technical reports and metallurgical tests are managed and reviewed by

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Patrick Moryoussef, P. Eng, COO for SRG. Both individuals are 'qualified persons' ("QP"), as defined by National Instrument 43-101, Standards for Disclosure for Mineral Projects ("NI 43-101") in their respective fields.

## Lola Graphite Property – Mining Exploitation Permit

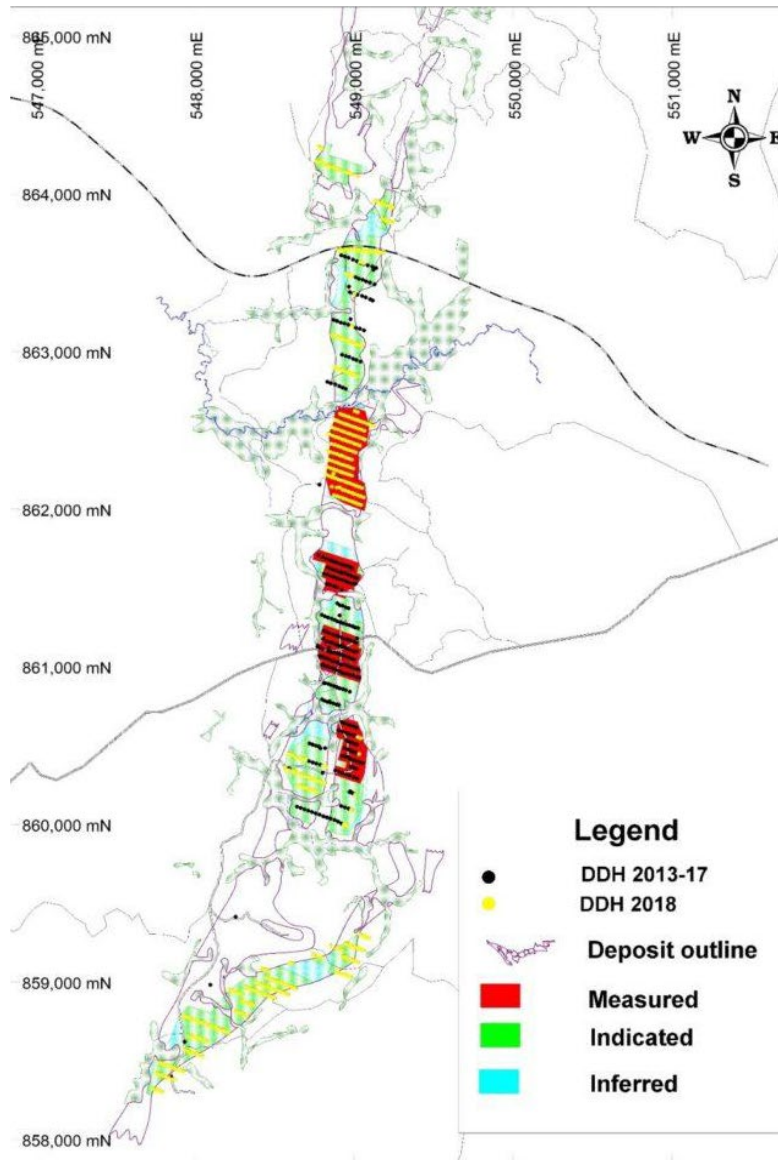
On August 10, 2018, the Government of Guinea awarded SRG Guinée, through ministerial order N°A2018/5349/MMG/SGG, the Lola Graphite research permit, and, as per the legislation, the surface area was reduced to 94.38 square kilometers (from 187 square kilometers).

On November 6, 2019, the Government of Guinea awarded SRG Guinée, through presidential order N°D/2019/291/PRG/SGG the mining permit for its Lola graphite project near the town of Lola in eastern Guinea, West Africa. The fifteen (15) year renewable permit was officially granted by the Government of Guinea through presidential decree number D/2019/291/PRG/SGG. The mining permit covers an area of 94.38 square kilometers. SRG Guinée has agreed to develop the mine and has an obligation to invest US\$110,000,000 within the first year of the permit being granted. The mining permit is subject to the general obligations of the Guinean mining code. In June 2020, the Company asked the Government of Guinea for a deferment due to the ongoing Covid-19 crisis. A number of events since its receipt of the mining permit, namely the COVID pandemic as well as a Coup d'État, each of which the Company considers being a Force Majeur event, rendered impossible the fulfillment of certain obligations by the Company during a significant period of time. Furthermore, on June 5, 2021, the Company and the government of Guinea signed an agreement which stipulates that the Company must begin work on its Lola project within six months of being formally reissued the Gogota permit. The Company remains in active dialogue with the government of Guinea about the development timeline for the Lola Graphite Project and intends to start early development works on the mining permit in Q2 2023.

### Project Information:

#### MINERAL RESOURCES

The resource estimate was established using data from boreholes drilled and sampled up to December 1, 2018. The total resource estimate of the Lola Project includes Measured and Indicated Resources of 54.0 Mt grading 3.98% Cg, and Inferred Resources of 12.3 Mt grading 3.60% Cg. The resource estimate has been prepared using a cut-off grade of 1.0% Cg for oxides and 1.4% Cg for fresh rock. **Figure 2** depicts the resource locations on the deposit.



**Figure 2 Map of the deposit with resource classification**

MINERAL RESERVES

The Lola Graphite Project is characterized by its oxide surface mineralization, which continues along strike and at depth into the fresh rock bed. For the UFS, mining operations considered the mineralized material contained in the oxide weathered lateritic and saprolitic zones, as well as the mineralized material contained in the fresh rock formation. The total reserve estimate includes Proven and Probable Mineral Reserves of approximately 40.9 Mt grading 4.14% Cg. To access these Mineral Reserves, 35.9 Mt of overburden and waste rock must be mined, resulting in a low life-of-mine strip ratio of 0.88:1.

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**Table 1 Mineral Reserves**

Category	Tonnage (Mt)	Grade (% Cg)	Contained Cg (kt)
Oxide	6.15	4.38	269.5
Fresh Rock	0.28	4.34	12.2
<b>Proven Reserves</b>	<b>6.43</b>	<b>4.38</b>	<b>281.8</b>
Oxide	20.38	4.10	835.5
Fresh Rock	14.12	4.08	576.2
<b>Probable Reserves</b>	<b>34.50</b>	<b>4.09</b>	<b>1,411.1</b>
<b>Total Reserves</b>	<b>40.93</b>	<b>4.14</b>	<b>1,694.7</b>

Notes:

1. Mineral Reserves has been estimated by the Reserves QP.
2. The Mineral Reserves are reported in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.
3. The effective date of the estimate is February 27, 2023.
4. Mineral Reserves are included in Mineral Resources.
5. Pit shell was developed using a 34-degree pit slope in oxide and 42-degree pit slope in fresh rock, concentrate sales price of US\$1,289/t concentrate, average mining costs of US\$3.25 /t ore oxide, US\$3.75 /t ore fresh rock, US\$2.75 /t waste oxide and US\$3.25 /t waste fresh rock, processing costs of US\$12.71 /t processed, G&A cost of US\$1.52 /t processed and transportation costs of US\$50/t concentrate, 84.2% process recovery and 95.4% concentrate grade and an assumed 100,000 tpa concentrate production.
6. The Mineral Reserves are inclusive of mining dilution and ore loss.
7. Contained graphite before processing recovery. Mining loss and dilution applied.
8. The open pit Mineral Reserves are estimated using an optimal cut-off grade of 1.9 % Cg.
9. The strip ratio for the open pits is 0.88 to 1.
10. The Mineral Reserves are stated as dry tonnes delivered at the crusher.
11. Totals may not add due to rounding.

## MINING

The Lola deposit is characterized with its saprolite surface mineralization, which continues at depth into the fresh rock bed. For the UFS, mining operations are a mix of the weathered zone, and fresh rock. On average, the first 32 meters of the deposit represents the weathered material.

The average head grade over the 17-year mine life is 4.14% Cg, and the total average material mined per year is 4.7Mt (ore and waste) with an average strip ratio of 0.88. Mining costs were established at US\$3.28\$/t, considering preliminary pit design and access roads. **Table 2** provides a summary of Mining highlights.

**Table 2 Mining highlights**

Mining costs (US\$/t material mined)	3.28
Average graphite grade (% Cg)	4.14%
Stripping ratio (waste/mineralized)	0.88
Average graphite bearing material mined per year (t/y)	2,565,443
Average waste mined per year (t/y)	2,158,303
Mine of Life (years)	17 years

## PROCESS

The processing plant and waste dump are located on a plateau, west of the main pit, where the land is already conveniently flat and barren of trees. It is currently less than one kilometer from the visual mineralization. This proximity will ensure short cycle times and contribute to the control of production costs.

Efforts were made to keep a simple flowsheet with limited polishing and flotation stages. Saprolite ore beneficiation process has an overall graphite recovery of 73.1%, producing a graphite concentrate grade of 95.4 % Cg. The addition of up to 45% of fresh rock in the feed blend improves the overall graphite recovery to 84.2%. A suitable process

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flowsheet able to handle saprolite as well as a feed blend with fresh rocks has been developed for the updated feasibility study. Reagents used for processing are diesel as a collector and methyl isobutyl carbinol ("MIBC") as a frother, both commonly available and routinely used reagents in the graphite sector. The processing costs are US\$11.69/t of processed material resulting in US\$325/t of graphite concentrate. **Table 3** provides a summary of results.

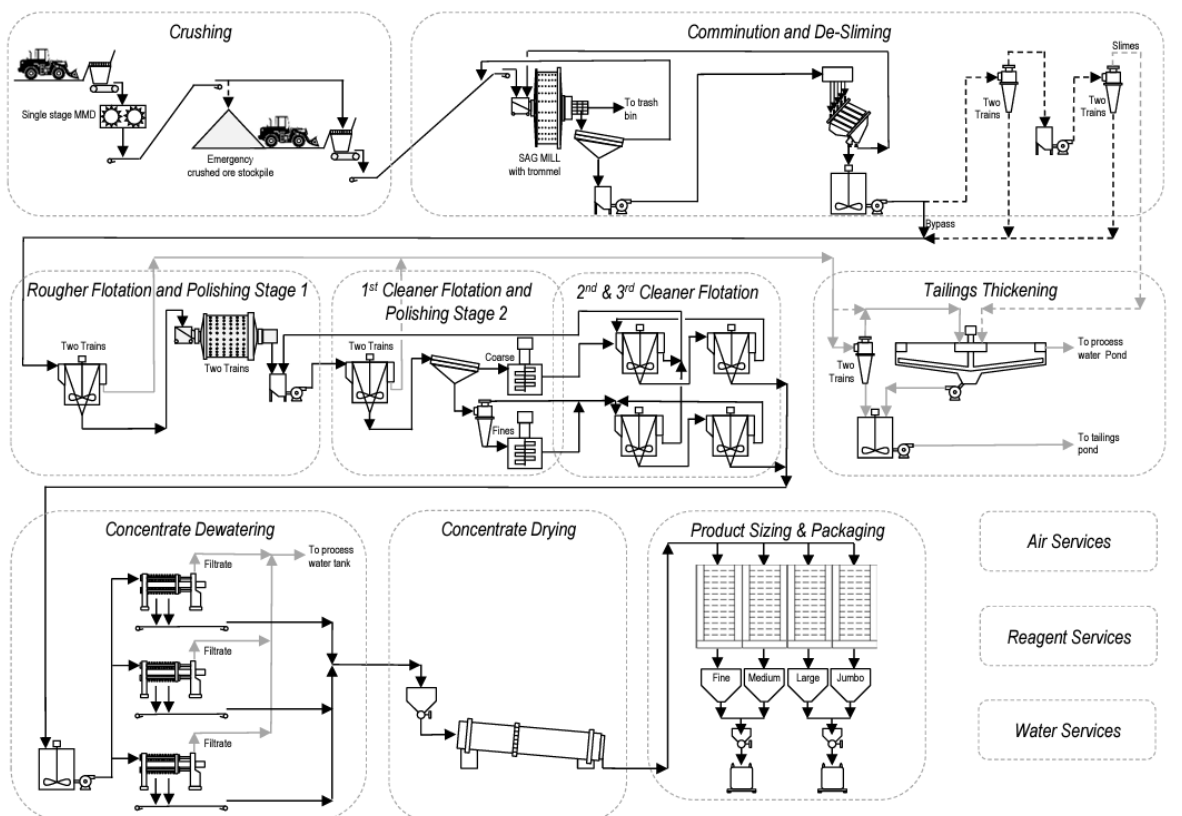
**Table 3 Process highlights**

Processing costs (US\$/t plant feed)	11.69
Processing costs (US\$/t concentrate)	324.57
Average concentrate grade (%Cg)	>95%
Graphite plant recovery	84%
Average material fed to the plant (t/year)	2,565,443

## Process description:

The mineral processing plant consists of a crushing area and a concentrator where material beneficiation and concentrate dewatering, screening, and packaging takes place. The process flowsheet includes crushing, grinding, rougher flotation, polishing, and cleaner flotation. The back end of the concentrator includes tailings thickening, concentrate filtration and drying, dry screening and bagging of graphite products, and material handling. All the tailings from the concentrator will be thickened and pumped to the lined tailings ponds. Reclaiming water from the tailings ponds has been considered in the process design to minimize freshwater makeup to the concentrator.

The graphite concentrate will be recovered by a conventional flotation process at an overall recovery over the life of mine of 83.6 producing a graphite concentrate grade of 95.4 % Cg. The processing plant is expected to produce graphite concentrate divided into four standard-size fractions: +48 mesh, -48+80 mesh, -80+100 mesh and -100 mesh. **Figure 3** provides a summary of the Process flowsheet.



**Figure 3 Process flowsheet**



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## Environment:

The Environmental Baseline Study ("EBS") was launched March 10, 2017. The Company worked with external consultants and the Guinean Environment Services to produce a study which meets Guinea's standards and the International Finance Corporation's ("IFC") 2012 edition of the Environmental and Social Performance Standards. On March 22, 2019, the Company received its Environmental Conformity Certificate from the government of Guinea for its Lola Graphite project. The Company will also develop a resettlement action plan ("RAP"), which will follow IFC Performance Standards, namely PS5 pertaining to land acquisition and resettlement.

## Estimated expenditures

The current estimate for expenditures on the Lola Graphite Property (both corporate and capitalized expenditures) for the next year is approximately \$8,000,000. The estimated expenditures will be used for the following work:

- Corporate and local general and administration;
- Completion of PEA for second transformation;
- Additional metallurgical test work;
- Early work on site; and
- Negotiate and finalize a mining convention with the Government of Guinea.

## MARKET INFORMATION

### Graphite:

The natural flake graphite market in 2022 was approximately 1.3 million tonnes, of which battery demand comprised about half. The take-up of electric vehicles ("EV") will drive robust demand growth from this segment over the next 5-10 years. Benchmark Minerals' assessment of demand growth is that ~650ktpa of graphite is required by 2024 and 4Mtpa by 2030 for the lithium-ion battery market only. Both natural flake graphite from mining & synthetic graphite will continue to compete on cost vs performance. Graphite mine supply will need to expand substantially to meet this need at an acceptable cost. It is estimated that 1Mt of new flake mine supply will be needed by 2025.

## SELECTED FINANCIAL INFORMATION

### Financial Position Analysis

	December 31, 2022	December 31, 2021
	\$	\$
Total assets	11,645,922	4,965,281
Total liabilities	940,713	3,189,809
Total equity	10,705,209	1,775,472
Working capital*	10,380,457	1,455,848

\*Working capital is a measure of current assets less current liabilities.

### Assets

Total assets as at December 31, 2022 were \$11,645,922 compared to \$4,965,281 at December 31, 2021, an increase of \$6,680,641 mainly due to an increase of \$6,530,440 in cash, an increase of \$84,179 in sales taxes receivables and an increase of \$70,394 in prepaid expenses and deposits. These were offset by a decrease in property and equipment of \$4,372 as amortization was greater than acquisitions. The increase in cash is related to the items listed in the "Financing" section.

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## Management's discussion and analysis for the year ended December 31, 2022

### Liabilities

Total liabilities as at December 31, 2022 were \$940,713 compared to \$3,189,809 at December 31, 2021, a decrease of \$2,249,096. The decrease is mostly related to the payment of \$749,780 of accounts payable, as well as full repayment of short-term loans, conversion of convertible debt and repayment of interests payable.

### Equity

As at December 31, 2022 the Company had an equity balance of \$10,705,209 compared to \$1,775,472 at December 31, 2021, an increase of \$8,929,737. The increase is related to the items listed in the "Financing" section. The increase was offset by the comprehensive loss of the year of \$5,901,534.

### **Operating Results analysis**

	Three-month period ended December 31, 2022	Three-month period ended December 31, 2021	Twelve-month period ended December 31, 2022	Twelve-month period ended December 31, 2021
	\$	\$	\$	\$
Revenues	-	-	-	-
Net loss	1,941,521	780,043	5,868,970	2,664,578
Net loss per share	0.02	0.01	0.05	0.03

### TWELVE-MONTH PERIOD DECEMBER 31, 2022, COMPARED TO THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2021.

For the twelve-month period ended December 31, 2022, the Company recorded a net loss of \$5,868,970 compared to \$2,664,578 for the same period in 2021, an increase of \$3,204,392.

Exploration and evaluation expenses increased by \$1,569,818 from the same period in 2021, due to an increase in engineering study by \$1,258,980, health, safety, environment and community relations expenditure on site by \$146,943, in camp operations, field supplies and other expenses by \$103,942 and in salaries and wages by \$64,428.

General and administrative expenses increased by \$1,078,462 from the same period in 2021. Most of the increase is due to an increase in salaries and benefits by \$465,085, in consulting fees by \$402,677, in travel and representation by \$130,646 and in general and office expenses by \$77,785, offset by decrease in professional fees by \$58,216.

Share based payments increased by \$778,420 from the same period in 2021.

### THREE-MONTH PERIOD ENDED DECEMBER 31, 2022, COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2021.

For the three-month period ended December 31, 2022, the Company recorded a net loss of \$1,941,521 compared to \$780,043 for the same period in 2021, an increase of \$1,161,478.

Exploration and evaluation expenses increased by \$724,776 from the same period in 2021, due to an increase in engineering study by \$628,861, in camp operations, field supplies and other expenses by \$53,403, in health, safety, environment and community relations expenditure on site by \$24,816 and in salaries and wages by \$11,544.

General and administrative expenses increased by \$345,413 from the same period in 2021. Most of the increase is due to an increase in salaries and benefits by \$156,758, in consulting fees by \$119,747, in travel and representation by \$48,745.

Share based payments increased by \$176,734 from the same period in 2021.

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## Cash Flows analysis

	Three-month period ended December 31, 2022	Three-month period ended December 31, 2021	Twelve-month period ended December 31, 2022	Twelve-month period ended December 31, 2021
	\$	\$	\$	\$
Cash (required) by operating activities	(747,278)	(719,084)	(4,904,250)	(1,353,865)
Cash (required) generated by investing activities	(68,782)	(28,524)	(162,934)	45,651
Cash (required) generated by financing activities	(420,598)	4,889,023	11,597,624	5,361,039

### TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2022, COMPARED TO THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2021.

#### Operating Activities

For the twelve-month period ended December 31, 2022, operating activities required cash flows of \$4,904,250 compared to \$1,353,865 for the same period in 2021, an increase of cash consumption of \$3,550,385. The variation is mostly due to an increase in the net loss after adjustments for items not affecting cash, which went from \$1,649,772 in 2021 to \$4,236,231 in 2022 and in change in non-cash working capital items, which went from \$295,907 in 2021 to \$668,019 in 2022, mostly due to an increase in the accounts payable and accrued liabilities, which went from \$241,733 in 2021 to \$513,446 in 2022.

#### Investing Activities

For the twelve-month period ended December 31, 2022, investing activities required cash flows of \$162,934 compared to an increase in cash flows of \$45,651 for the same period in 2021, an increase of cash consumption of \$208,585. The variation is mostly due to the acquisition of two vehicles for the Guinean operations.

#### Financing Activities

For the twelve-month period ended December 31, 2022, financing activities generated cash flows of \$11,597,624 compared to \$5,361,039 for the same period in 2021, a variation of \$6,236,585 due to the non-brokered private placements financing of \$12,838,047 completed in March 2022, as well as the repayment of a loan to a related company.

### THREE-MONTH PERIOD ENDED DECEMBER 31, 2022, COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2021.

#### Operating Activities

For the three-month period ended December 31, 2022, operating activities required cash flows of \$747,278 compared to \$719,084 for the same period in 2021, an increase of cash consumption of \$28,193. The variation is mostly due to an increase in the net loss after adjustments for items not affecting cash, which went from \$807,647 in Q4 2021 to \$1,519,310 in Q4 2022, offset by a decrease in the change in non-cash working capital items, which went from \$88,562 in Q4 2021 to \$772,032 in Q4 2022.

#### Investing Activities

For the three-month period ended December 31, 2022, investing activities required cash flows of \$68,782 compared to \$28,524 for the same period in 2021, an increase of cash consumption of \$40,258. The variation is mostly due to the acquisition of a vehicle for the Guinean operations.

#### Financing Activities

For the three-month period ended December 31, 2022, financing activities required cash flows of \$420,598 compared to generated cash flows of \$4,889,023 for the same period in 2021, an increase of cash consumption of \$5,309,621. The variation is mostly due to no financing taking place during the period in 2022.

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## Quarterly Results Trends

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our financial statements for the year ended December 31, 2022.

	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenues	-	-	-	-	-	-	-	-
Net loss	(1,941,521)	(1,629,995)	(1,401,809)	(895,645)	(780,044)	(582,579)	(553,495)	(840,050)
Net loss per share	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

## RELATED PARTIES TRANSACTIONS

### Transactions with related parties

During the year ended December 31, 2022 and 2021, the following related party transactions occurred in the normal course of operations:

- Management and consulting fees of \$71,788 (2021 – \$63,333) to Groupe Conseils Grou, La Salle Inc., a company owned by the Company's Executive Chairman and a director. As at December 31, 2022, \$nil (December 31, 2021 - \$64,110) was due to that company.
- Exploration and Evaluation expenses to Sama Resources Inc. and its subsidiaries of \$3,833 (2021 - \$1,487). As at December 31, 2021, no amount was due to Sama Resources Inc. and its subsidiaries.
- In 2019, SRI loaned the Company \$1,000,000 which has been fully repaid as at December 31, 2022 (2021 – \$752,796).

### Remuneration of key management personnel

Key management personnel are the members of the Board of Directors, and executive officers of the Company. During the year ended December 31, 2022 and 2021, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	2022	Year ended December 31, 2021
	\$	\$
Salaries and benefits	117,333	117,333
Management consulting and professional fees	705,928	145,555
Share-based payments	1,025,247	201,851
	1,848,509	464,739

As at December 31, 2022, consulting fees of \$214,500 are due to key management personnel (2021 - \$394,324).

### Termination and change of control provisions

Certain agreements between the executive team and the Company contain termination without cause and change of control provisions. Assuming that these agreements would be terminated without cause during the year ending December 31, 2023, the total amounts payable in respect of severance would amount to \$1,496,000. If a change of control would occur during the year ending December 31, 2023, the total amounts payable in respect of severance, if elected by the executive members, would amount to \$2,323,750.

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## COMMITMENTS

The Company must pay \$9,585 in superficial rights every year for the next twelve years to the government of Guinea to retain the rights of its mining title.

Minimum annual payments relating to the above commitments in the next five fiscal years and thereafter are as follows:

Year	\$
2023	9,585
2024	9,585
2025	9,585
2026	9,585
2027	9,585
Thereafter	57,509

## OUTSTANDING SHARE DATA

	Number of Shares Outstanding (Diluted)
<b>Outstanding as of April 14, 2023</b>	113,822,338
Shares reserved for issuance pursuant to warrants outstanding	9,713,623
Shares reserved for issuance pursuant to stock options outstanding	8,735,500
Shares reserved for issuance under the deferred stock unit plan	382,163
Shares reserved for issuance under the restricted stock unit plan	1,750,000
	<u>134,403,624</u>

As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

	Number outstanding	Number exercisable	Exercise price \$
October 24, 2023	150,000	150,000	1.20
February 20, 2027	1,877,007	1,877,007	0.365
April 25, 2027	100,000	100,000	0.50
June 14, 2027	25,000	25,000	0.36
November 22, 2027	325,000	325,000	1.30
January 14, 2028	125,000	125,000	1.72
August 8, 2028	2,285,000	2,285,000	1.10
May 11, 2030	1,108,493	1,108,493	0.37
June 19, 2030	950,000	950,000	0.51
February 9, 2031	490,000	490,000	0.69
March 1, 2032	1,300,000	433,331	0.70
	<u>8,735,500</u>	<u>7,868,831</u>	

# SRG Mining Inc.

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As at the date of this MD&A, the Company had outstanding warrants enabling holders to acquire common shares of the Company as follows:

Expiry date	Number	Exercise Price \$
July 2, 2023	2,000,000	1.00
July 31, 2023	2,913,623	0.69
November 5, 2023	4,800,000	0.75
Balance exercisable, end of year	9,713,623	0.78 <sup>(1)</sup>

(1) Weighted average exercise price.

## Deferred stock unit plan

On April 26, 2019, the Company adopted a Deferred Stock Unit Plan ("DSU Plan"). Shareholders voted in favor of the DSU Plan on June 20, 2019, and it was accepted by the TSX Exchange on July 31, 2019.

The DSU Plan will be required to be approved and ratified by the shareholders on an annual basis. The DSU Plan is a non-dilutive long-term incentive plan in which employees, including named executive officers, directors and any other person designated by the Board can participate. The DSU Plan is intended to advance the interests of the Company through the motivation, attraction and retention of directors, executive officers, employees, service providers or any other person designated by the Board to participate in the DSU Plan.

A maximum of 6,940,000 shares of the Company may be issued in settlement of DSUs. It is understood that the Company may grant a higher number of DSUs, subject however to having to pay the excess in cash. To date, 382,163 DSUs were granted to directors.

## Restricted stock unit plan

In February 2022, the Corporation adopted a Restricted Stock Unit Plan ("RSU Plan") to reward certain employees, officers and directors of the Corporation (the "Participants"), which was approved by its shareholders at the Corporation's Annual and Special Meeting of Shareholders on June 9, 2022. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Corporation's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan and the DSU Plan. The RSUs are time-based awards and all the amount of RSUs granted will vest upon the continuous employment of the Participants on the third anniversaries of the RSU grant, starting from the date of the grant or such other period not exceeding three years determined by the Board of Directors.

To date, 1,750,000 RSUs were granted to employees and consultants.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Canada Business Corporations Act dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter

# SRG Mining Inc.

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unless otherwise permitted by the Corporations Act. In accordance with the federal laws of Canada, the directors and officers of the Company are required to act honestly, in good faith, and in the best interests of the Company.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is full disclosure of the Company's critical accounting policies and accounting estimates in Note 2 of the audited consolidated financial statements for the year ended December 31, 2022.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2022.

## RISKS AND UNCERTAINTIES

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than interest on cash balances. The Company will rely mainly on equity financing to fund activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### Impact of Epidemics

SRG's operations are subject to the risk of emerging infectious diseases or the threat of viruses or other contagions or epidemic diseases, including COVID-19. Any outbreak or threat of an outbreak of a virus or other contagions or epidemic disease could have a material adverse effect on the Company's business, results of operations and financial condition.

### Early Stage – Need for Additional Funds

The Company has no history of profitable operations, and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### Exploration and Evaluation

Mineral exploration and evaluation is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

The mineral claims to which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral

# SRG Mining Inc.

Management's discussion and analysis for the year ended December 31, 2022

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properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

## Supplies, Health and Infrastructure

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labor, healthy labor, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. In Guinea, power may need to be generated onsite.

## Mining Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to its mining properties in which it has a material interest, there is no guarantee that title to such mining properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, transfers, or native claims, and title may be affected by undetected defects.

## Environmental Regulations, Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labor standards, occupational health, waste disposal, safety and other matters. Environmental legislation in most countries provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

## Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

## Political and Economic Risks of Doing Business in Guinea

The Company's mineral properties are currently located in Guinea. The fiscal laws and practices are well established and generally consistent with Western rules and regulations. However, there is no assurance that future political and economic conditions in this country will not result in its government adopting different policies respecting foreign development and ownership of mineral properties. Any changes in laws, regulations or shifts in political attitudes regarding investment in the Guinea mining industry are beyond its control and may adversely affect its business. The Company's exploration and evaluation activities may be affected in varying degrees by a variety of economic and political risks, including cancellation or renegotiation of contracts, changes in Guinean domestic laws or regulations, changes in tax laws, royalty and tax increases, restrictions on production, price controls, expropriation of property, fluctuations in foreign currency, restrictions on the ability to repatriate earnings and pay dividends offshore, restrictions on the ability to hold foreign currencies in offshore bank accounts, environmental legislation, employment practices and



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Management's discussion and analysis for the year ended December 31, 2022

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mine safety. In the event of a dispute regarding any of these matters, the Company may be subject to the jurisdiction of courts outside of Canada which could have adverse implications on the outcome.

## **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

## **Information Systems Security Threats**

Although the Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## **Operating Hazards and Risks**

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.