



# ANGEL WING METALS INC

Eau Claire Place II, Box 14, 521 – 3 Avenue S.W., Calgary, Alberta.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial condition and results of operations ("MD&A") of Angel Wing Metals Inc. (formerly Huntington Exploration Inc.) ("Angel Wing" or "the Company") is dated May 27, 2022 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021 and the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2022. These consolidated financial statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all financial measures are expressed in Canadian dollars. This MD&A contains forward looking information based on the Company's current expectations and projections.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Forward Looking Statements** - Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this MD&A contains the following forward-looking statements pertaining to, without limitation, the following: Angel Wing's production volumes and the timing of when additional production volumes will come on stream; Angel Wing's realized price of commodities in relation to reference prices; future commodity prices; the Company's future royalty rates and the realization of royalty incentives; Angel Wing's expectation of reducing operating costs on a per unit basis; the relationship of Angel Wing's interest expense and the Bank of Canada interest rates; increases in general and administrative expenses and recoveries; future development and exploration activities and the timing thereof; the future tax liability of the Company; the depletion, depreciation and accretion rate; the estimated future contractual obligations of the Company and the amount expected to be incurred under its farm-in commitments; the future liquidity and financial capacity of the Company; and its ability to fund its working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

With respect to the forward-looking statements contained in the MD&A, Angel Wing has made assumptions regarding: future commodity prices; the impact of royalty regimes and certain royalty incentives, the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on-stream; future proved finding and development costs; future operating expenses including

processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital and to continually add to reserves through exploration and development; the continued availability of capital, undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and the continuation of the current tax and regulation.

We believe the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management's Discussion and Analysis, as the case may be. The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this Management's Discussion and Analysis: volatility in market prices for oil and natural gas; counterparty credit risk; access to capital; changes or fluctuations in production levels; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; limitations on insurance; changes in environmental or legislation applicable to the Company's operations, and ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and the other factors discussed under "Risk Factors" in the following MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and Angel Wing does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

The financial data presented herein has been prepared in accordance with IFRS. The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures discussed are widely accepted measures of performance and value within the industry and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include operating netback and funds flow from operations. Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales subsequent to the deduction of royalties and operating costs. Funds flow from operations is before changes in non-cash working capital and site restoration expenditures, and is used to analyze operations, performance and liquidity. These measures are not defined under IFRS and should not be considered in isolation or as an alternative to conventional IFRS measures. These measures and their underlying calculations are not necessarily comparable to a similarly titled measure of another entity. When these measures are used, they are defined as "non IFRS" and should be given careful consideration by the reader.

Per barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. BOE's may be misleading, particularly if used in isolation. The boe conversion ratio used is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## **Angel Wing Metals Inc. (formerly Huntington Exploration Inc.) Transition to Mineral Exploration Company**

On March 30, 2022 Angel Wing Metals Inc. announced it had completed the acquisition of its 100% interest in Lago De Oro SA de CV and its El Grande gold and silver exploration project ("El Grande" or the "Project"). The Project covers approximately 55,000 hectares (ha) (550 sq. km.) area in the southern extension of the Sierra Madre Occidental ("SMO") gold-silver belt in the state of Nayarit, Mexico. El Grande covers large areas of altered volcanic rocks and is being targeted for its copper, gold and silver potential. The acquisition represents a unique opportunity for Angel Wing to be the first mover in a potential district-scale gold-silver

system as the project already contains widespread evidence of gold mineralization with no history of modern exploration to date.

The acquisition was completed by way of a definitive purchase agreement with a third party for 100% of the issued and outstanding shares of LOM: 1) Cash payment of US\$500,000; 2) Issuing 4.0 million common shares of HEI; 3) A Net Smelter Return capped at 2%; and 4) Future share-based "milestone payments" based on the incremental addition of gold-equivalent (gold-silver) National Instrument 43-101 mineral resource ounces above a base 500,000 ounces on any given deposit within the property, capped at 20,000,000 shares.

On July 27, 2021, Angel Wing completed the acquisition of the Winora Project. The Winora Project consists of 17 patented mining claims covering an area of approximately 354 ha located in the District of Kenora, Northern Ontario. The Winora Project is located 500 metres east of the historical Lingman Lake Gold Mine, developed in the late 1940s that, for a variety of reasons, has never reached commercial production.

The terms of the Winora acquisition agreement involved a consideration of 4,000,000 common shares of the Company at a deemed price of \$0.304 per share and a 2% NSR to the vendor. Furthermore, Angel Wing has granted the vendor a pro rata right of subscription. The common shares issued in connection with the acquisition will be subject to a hold period of eighteen months from the date of closing.

On January 15, 2021, the Company announced the acquisition of the Quartz Lake mineral exploration property. The exploration area that comprises the Quartz Lake Property is located approximately 80 kilometers northeast of Red Lake. The acquisition consolidated positions held by the two arm's length third party vendors, which in total cover an area of 11,280 ha - this region has drawn new attention driven recent discoveries of significant high grade gold mineralization by Great Bear Resources at their Dixie Project and by improved commodity pricing. Following the completion of the acquisition, Angel Wing now owns a critical mass of contiguous exploration opportunities with an exploration workplan currently in development for 2021. The Company completed the acquisition of the Quartz Lake Project on February 8, 2021.

The Quartz Lake Property is underlain by mafic to felsic metavolcanics of the Birch-Uchi greenstone belt and more than 10 km of the Swain Lake deformation zone. There are a total of 29 historic mineral showings on Angel Wing's property with notable results including a drill intercept of 63.5 g/t over 0.7 m at Surprise Lake Northwest, 30.6 g/t Au over 1.3 m in a channel sample at the Heine showing and a grab sample of 15.8 g/t Au at the East Peanut Lake showing.

## Summary of Quarterly Results

	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021
<i>(\$ thousands, except per share amounts)</i>				
Revenue	21	33	23	17
Net income (loss)	(224)	(19)	(267)	(1,385)
Per share – basic and diluted	(0.004)	(0.003)	(0.016)	(0.003)
Total assets	11,130	10,572	10,602	9,430
	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020
<i>(\$ thousands, except per share amounts)</i>				
Revenue	20	16	15	12
Net income (loss)	(259)	(86)	(27)	(29)
Per share – basic and diluted	(0.006)	(0.004)	(0.001)	(0.001)
Total assets	1,339	1,450	372	392

## Lands and Rights Held As At March 31, 2022

A summary description of Angel Wing's major producing and exploration properties is set out below. References to gross volumes refer to total production. References to net volumes refer to Angel Wing's working interest share before the deduction of royalties payable to others. These properties are all located in the Alberta, Canada.

### Warwick Alberta

Angel Wing Exploration owns a 50% working interest in two wells located on one section of land. The Company share of production from these wells in the fourth quarter of 2021 was 5,848 mcf or 64.98 mcf/day.

## Production and Operating Costs

	For the Three Months Ended March 31,	
	2021	2021
Total boe production	1,260	1,146
BOE/day	14.00	12.59
Working interest revenue (\$)	18,667	19,961
Revenue / boe (\$)	17.92	17.42
Royalties (\$)	3,641	3,178
Royalties / boe (\$)	3.50	2.77
Production costs (\$)	12,907	29,103
Production costs/boe (\$)	12.39	25.40
Operating net back (\$)	2,119	(12,320)
Operating net back/boe (\$)	2.03	(10.75)

With respect to the revenues, royalties and production costs in the current period are in the line with expectations.

## Depletion and Depreciation Expense

The depletion expense in 2021 and 2020 comparative periods is in line with expectations.

## General and Administrative Expense

A detailed breakdown of general and administrative expenses is as follows:

	Three months ended March 31	
	2022	2021
Professional fees	\$ 123,712	\$ 88,867
Shareholder communication	27,041	2,650
Consulting fees	35,389	100,500
Insurance	8,929	6,336
Fees and Licenses	18,540	34,132
Rent	1,429	1,586
Evaluation fees	-	-
Software lease	895	3,345
Other	14,966	3,170
Total	\$ 230,899	\$ 245,586

The increase in general and administrative expenses is in line with expectations as a result of a new management team and the costs related to the transition to a Mineral Exploration Company.

## Income Taxes

Presently the Company does not expect to pay current taxes into the foreseeable future based on existing tax pools, planned capital activities and current forecasts of taxable income. However, the current tax horizon will ultimately depend on several factors including commodity prices, future production, corporate expenses, and both the type and amount of capital expenditures incurred during the remainder of the year and in future reporting periods.

## Working Capital, Liquidity & Capital Resources

The financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern management has taken into account available information about the future, which is at least, but not limited to, one year from December 31, 2021.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19” was declared a global pandemic by the World Health Organization on March 11, 2020. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown.

Governments and central banks have reacted to the global pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the governments and central bank interventions.

## Outstanding Share Data

The Company has authorized an unlimited number of Common shares, Non-voting shares and First and second preferred shares, assumable in series. The Company currently has 95,320,817 common shares outstanding.

The following details the share capital structure as of the date of this MD&A.

	Expiry Date	Exercise Price	Number	Total Number
Common shares				95,820,817
Warrants	November 2022	\$0.05	16,850,000	
	June 2023	\$0.40	14,285,464	31,135,464

## Critical Accounting Estimates

A summary of the Company’s significant accounting policies is contained in note 3 to the financial statements. These accounting policies are subject to estimates and key judgments about future events, many of which are beyond Angel Wing’s control. The following is a discussion of the accounting estimates that are critical to the financial statements.

### *Share-based compensation*

The Company measures equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

### *Exploration and Evaluation Expenditure*

The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information become available

#### *Valuation of account receivable*

The valuation of accounts receivable is based on management's best estimate of the provision for expected credit losses.

#### *Decommissioning and Abandonment Provisions*

Decommissioning and abandonment provisions have been created based on the Company's knowledge as at December 31, 2021 and 2020. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standard and techniques will result in changes to provisions from period to period. Actual decommissioning costs will ultimately depend on future market prices for the decommissioning costs which will reflect the market conditions at the time of the decommissioning costs are actually incurred. The final cost of the currently recognized decommissioning provisions may be higher or lower than currently provided for.

#### *Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

#### *Reserves*

The estimate of reserves is used in forecasting the recoverability and economic viability of the Company's oil and gas properties, and in the depletion and impairment calculations. The process of estimating reserves is complex and requires significant interpretation and judgment. It is affected by economic conditions, production, operating and development activities, and is performed using available geological, geophysical, engineering, and economic data. As of December 31, 2020, the Company no longer carries any oil and gas assets that have been assigned economic reserves.

#### *Going Concern*

The Company must assess its ability to continue as a going concern. In making the assessment that the Company is a going concern, management has taken into account available information about the future, which is at least, but not limited to, one year from December 31, 2021. Factors that affect this determination include, but are not limited to, current cash and investments, budgeted expenditures for future periods and the conditions of the markets for exploration companies.

### **Adopted Accounting Pronouncements**

There have been no new accounting pronouncements that the Company needed to adopt prior to March 31, 2022.

#### **Future accounting changes**

Angel Wing has reviewed new and revised accounting pronouncements, including those summarized below, that have been issued but are not yet effective. The adoption of these standards and amendments are not expected to significantly impact the Company.

IAS1 "Presentation of financial statements" – amendments to the classification of liabilities as current.

The objectives of the amendments to the provide clarification on the classification of liabilities and state explicitly than a company classifies a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023

IAS8 “Accounting Policies, Changes in Accounting Estimates and Errors” – amendment. The amendment provides a definition of accounting estimates and provides clarifications to help distinguish between accounting policies and accounting estimates. Accounting estimates are defined as monetary amounts that are subject to measurement uncertainty.

## **Risk and Uncertainties**

Mining exploration and oil and gas operations involve certain risks and uncertainties. These risks include, but are not limited to, commodity prices, foreign exchange rates, interest rates, credit, operational and safety.

A summary of certain risk factors relating to our business are disclosed below. The Company will no longer pursue opportunities in the oil and gas sector and will refocus on mining exploration opportunities.

Operational risks are managed through the Company’s external insurance program designed to protect the Company from significant losses arising from risk exposures. Risks associated with commodity prices, interest and exchange rates are generally beyond the control of the Company; however, various hedging products may be considered to reduce the volatility in these areas.

Safety and environmental risks are addressed by compliance with government regulations as well as adoption and compliance of the Company’s safety and environmental standards policy.

## **COVID-19**

On March 11, 2020, the World Health Organization declared the novel coronavirus “COVID-19” a global pandemic. Governments worldwide enacted emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown.

Governments and central banks have reacted to the economic slowdown, caused by the global pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the governments and central bank interventions.

## **Mining Exploration and Development**

Exploration for and development of gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration programs will result in profitable commercial mining operations.

The economic feasibility of the mine is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

## **Commodity Prices**

The natural resources are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Angel Wing. World prices for natural resources have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world prices,

leading to a reduction in the volume of Angel Wing's reserves. Angel Wing might also elect not to produce from certain properties at lower prices. All of these factors could result in a material decrease in Angel Wing's future net production revenue, causing a reduction in its acquisition and development activities. In addition, bank borrowings available to Angel Wing are expected to be determined in part by the borrowing base of Angel Wing. A sustained material decline in prices from historical average prices could limit Angel Wing's borrowing base, therefore reducing the bank credit available to Angel Wing, and could require that a portion of any existing bank debt of Angel Wing be repaid.

In addition to establishing markets for its natural resources, Angel Wing must also successfully market its product to prospective buyers. The marketability and price of the product which may be acquired or discovered by Angel Wing will be affected by numerous factors beyond its control. Angel Wing will be affected by the differential between the price paid by purchasers for the product the grades of product produced by Angel Wing. The ability of Angel Wing to market its product may depend upon its ability to acquire transportation which delivers product to commercial markets. Angel Wing will also likely be affected by deliverability uncertainties related to the proximity of its reserves to transportation and processing facilities and related to operational problems with such transportation and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of product and many other aspects of the oil and natural gas business.

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

#### **Mining Title Risks**

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

#### **Oil and Gas Exploration, Development and Production Risks**

Angel Wing Exploration will no longer pursue exploration opportunities in the oil and gas sector and will work towards the abandonment and reduced liability of its existing oil and gas asset base.

As Angel Wing pursues its goals to abandon its existing oil and gas operations, there could be ongoing delays due to obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Existing operations will continue with diligent well supervision and effective maintenance operations but risk associated with production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition. Angel Wing attempts to minimize these risks by utilizing a technical team of consultants with extensive experience to assure the highest probability of success in its production, suspension and abandonment program.

#### **Prices, Markets and Marketing of Metals, Crude Oil and Natural Gas**

#### **Substantial Capital Requirements; Liquidity**



Angel Wing's cash flow from its production and sales of petroleum and natural gas may not, at all times be sufficient to fund its ongoing activities. From time to time, Angel Wing may require additional financing in order to carry out its mining acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Angel Wing to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Angel Wing's funds from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Angel Wing.

### **Access to Capital**

Access to capital has become limited during these times of economic uncertainty. To the extent the external sources of capital become limited or unavailable, Angel Wing's ability to make the necessary capital investments to maintain or expand its mining activity may be impaired.

### **Credit Exposure**

Recent economic conditions have increased the risk that certain counterparties for the Company's oil and gas sales and our joint venture partners may fail to pay. We mitigate these increased risks through diversification and a review process of the credit worthiness of our counterparties.

Angel Wing's policy to mitigate credit risk associated with product sales is to maintain marketing relationships with large, established and reputable purchasers that are considered creditworthy. Angel Wing has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within two to three months of the joint venture bill being issued to the partner. Angel Wing attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners.

Joint venture receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Angel Wing does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, the Company does have the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners.

### **Mining Exploration Environmental Regulations**

Angel Wing will abide by all environmental regulations required to conduct mineral exploration in Canada Mexico. This includes appropriate consultation with Indigenous people when entering new treaty regions of Canada. It is important to Angel Wing that all aspects of environmental stewardship are maintained and that all laws and regulations relating to mining exploration activities are respected.

A breach of environmental legislation or regulation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements and/or studies.

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 from companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There can be no assurance that all necessary permits and government approvals, which the Company may require for its exploration activities and operations 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 may undertake. The Company fully intends to comply with all environmental regulations.

### **Health, Safety and Environment**

All phases of the mining and oil and natural gas businesses present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas

operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge.

There are potential risks to the environment inherent in the business activities of the Company. Angel Wing has developed and implemented policies and procedures to mitigate health, safety and environment (HS&E) risks. Angel Wing mitigates HS&E risks by maintaining its wells and complying with all regulations. Technical consultants working for Angel Wing make regular field inspections to ensure that all field personnel and third-party contractors comply with all company and regulatory guidelines. An action plan has been developed to ensure inactive wells are suspended properly and abandoned in a timely fashion. The above noted policies and procedures are designed to protect and maintain the environment and to ensure that the employees, contractors, subcontractors and the public at large are kept safe at all times.

### **Insurance**

Angel Wing's involvement in the exploration for and development of oil and gas properties may result in Angel Wing becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Angel Wing has insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Angel Wing may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Angel Wing. The occurrence of a significant event that Angel Wing is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Angel Wing's financial position, results of operations or prospects.

### **Competition**

Angel Wing actively competes for acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other mining companies, many of which have significantly greater financial and personnel resources than Angel Wing. Angel Wing's competitors include major as well as independent mining companies and individual miners and operators.

Certain of Angel Wing's customers and potential customers are themselves in mining exploration and the results of such exploration efforts could affect Angel Wing's ability to sell its ore to these customers in the future. Angel Wing's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

### **Social License to Operate**

Angel Wing operates under the guidelines of the Prospectors and Developers Association E3 Policy in its mining exploration operations. However, heightened public monitoring and regulation of resource producers, refiners, distributors and commercial/retail sellers, especially where their activities carry the potential for having negative impacts on communities and the environment, involves varying degrees of risk to the Company's reputation, relations with landowners and regulators, and in extreme cases even the ability to operate. Angel Wing maintains an active website that complies with Exchange requirements for timely disclosure and is the primary means of communicating to the general public when required. While media attention and public perception remaining largely beyond the control of Angel Wing's executive, employees, contractors and directors, the Company makes every effort in its corporate and field operations to engage all stakeholders in a respectful and transparent manner.