UMDONI EXPLORATION INC.
(Formerly Penn Capital Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE

COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended January 31, 2023 and 2022

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Umdoni Exploration Inc. (the "Company"), formerly Penn Capital Inc., has been prepared by management in accordance with the requirements of National Instrument 51-102 as of March 30, 2023. This MD&A should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto for the three months ended January 31, 2023 and 2022 (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board ("IASB"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All amounts in the condensed consolidated interim financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or to management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the future development of the Company. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

COMPANY OVERVIEW

Background

The Company was incorporated under the Business Corporations Act (British Columbia) on October 15, 2014. The head office of the Company is 401 – 750 West Pender Street, Vancouver, BC V6C 2T7.

On August 21, 2020, MJ Bioscience Corp. changed its name to Penn Capital Inc. and has completed a consolidation of all of its issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares. Prior to the consolidation, there were 532,137 common shares issued and outstanding, and following the consolidation there are 106,369 common shares issued and outstanding.

On March 25, 2022, the Company changed its name from Penn Capital Inc. to Umdoni Exploration Inc.

On November 29, 2022, the Company closed its initial public offering and listed on the Canadian Securities Exchange. On December 13, 2022, the Company began trading under the trading symbol "UDI".

Development of the Company's Business

The Company changed its nature of business from biotechnology/pharmaceutical to exploration and evaluation of resource properties in Canada. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

On February 22, 2021, the Company purchased all outstanding shares in both Hab Capital Corp. and Kelso Capital Inc.(dormant) for $1 each respectively.

EXPLORATION AND EVALUATION ASSET

On February 1, 2021, the Company purchased the Chlore property (the "Property") for $1,000. The Property is located in the Omineca Mining Division of North-Central British Columbia.

The following is a summary of the Company's exploration and evaluation asset for the period ended January 31, 2023 and year ended October 31, 2022:

		January 31, 2023		October 31, 2022
Property acquisition costs				
Balance, beginning and ending	$	1,000	$	1,000
Exploration and evaluation costs				
Balance, beginning and ending	$	78,148	$	78,148
Total exploration and evaluation assets	$	79,148	$	79,148

RESULTS OF OPERATIONS

		For the three months ended January 31, 2023		For the three months ended January 31, 2022
Expenses				
Office and administration	$	20	$	1,134
Filing and regulatory		19,210		2,743
Professional and consulting fees		14,085		20,372
Transfer agent fees		1,376		2,933
Loss before other items	$	(34,691)	$	(27,182)
Other item				
Accretion expense	$	(4,318)	$	-
Net loss and comprehensive loss	**$**	**(39,010)**	**$**	**(27,182)**

Three months ended January 31, 2023

The Company had no revenue and reported a net loss of $39,010 for the three-month period ended January 31, 2023 compared to a net loss of $27,182 for the quarter ended January 31, 2022.

Major variances are as follows:

- For the quarter ended January 31, 2023, filing and regulatory fees were $19,210 compared to $2,743 for the prior quarter ended January 31, 2022. The increase was due to the fees associated with the Company's listing on the Canadian Securities Exchange.
- For the quarter ended January 31, 2023, professional and consulting fees were $14,085 compared to $20,372 for the prior quarter ended January 31, 2022. The decrease was due to lower legal fees recorded during the current period.
- For the quarter ended January 31, 2023, the Company recorded accretion expense of $4,318 related to the non-current portion of the loans payable compared to $Nil for the quarter ended January 31, 2022. The debt agreement was entered into during April 2022.

SUMMARY OF QUARTERLY RESULTS

Results for the most recent completed fiscal quarters are summarized in the table below:

	Three-month period ended January 31, 2023(Q1)	Three-month period ended October 31 2022(Q4)	Three-month period ended July 31, 2022(Q3)	Three-month period ended April 30, 2022(Q2)
Net loss	(39,010)	(18,867)	(19,726)	(29,597)
Loss per share	(0.01)	(0.02)	(0.00)	(0.00)
Total assets	352,831	98,156	88,051	91,631
Working capital / (deficit)	189,343	(64,799)	(50,091)	(34,371)

	Three-month period ended January 31, 2022(Q1)	Three-month period ended October 31 2021(Q4)	Three-month period ended July 31, 2021(Q3)	Three-month period ended April 30, 2021(Q2)
		$	$	$
Net loss	(27,182)	(11,568)	(3,944)	(5,369)
Loss per share	(0.00)	(0.00)	(0.04)	(0.05)
Total assets	102,940	110,075	67,603	61,941
Working capital / (deficit)	(145,359)	(118,177)	(172,458)	(168,514)

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2023 the Company had a working capital of $189,343 (October 31, 2022 – Deficit of $64,799). The Company does not currently have an active business generating positive cash flows. The Company must rely upon loans from related parties in order to generate cash for general operating activities. The Company has not pledged any of its assets as security for loans or is not otherwise subject to any debt covenants.

As on November 29, 2022, 3,000,000 units which comprises of one common share and one share purchase warrants were issued for gross proceeds of $300,000. The Company paid $11,168 of share issuance costs in connection with the share issuance. The warrants are exercisable at a price of $0.12 with expiry date of November 29, 2027. No fair value was allocated to the share purchase warrants as the Company uses a residual value method for private placement in units.

The Company needs to raise additional capital to fund general working capital requirements for the next twelve months. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

TRANSACTIONS WITH RELATED PARTY

As at January 31, 2023 and as at October 31, 2022, the Company was indebted to former and current directors and officers in the following amounts:

		January 31, 2023		October 31, 2022
Due to Current Directors and Officers	$	114,167	$	114,612

As at January 31, 2023, the Company was indebted to current directors and officers in the amount of $114,617 (October 31, 2022 - $114,612) as related party loans and to a third party in the amount of $58,555 (October 31, 2022 - $56,395) as a non-related party loan.

On April 4, 2022, the Company entered debt repayment agreements with two directors of the Company to set a due date with the respect of the repayment of $139,478 of related party amounts owing. These loans are unsecured and non-interest bearing with a maturity date of April 4, 2024. The loans were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 15% per annum. The loans were recorded at amortized cost of $103,518, with a contributed surplus of $35,960. As at January 31, 2022, the Company recorded accretion expense of $4,318 on non-current portion of the loans (October 31, 2022 - $9,270).

On October 31, 2022, one of the directors assigned to a third party the amount of $56,395 which represents the director's entire portion of the non-current loan principal including accretion, resulting in the company owing $56,395 to a non-related party. As at January 31, 2023, the non-current loan owing to a related party is $58,555 (October 31, 2022 - $56,395).

OUTSTANDING SHARE CAPITAL

As of January 31, 2023 and at the date of this MD&A, the company had 8,969,449 issued and outstanding common shares.

As at January 31, 2022 and as at the date of this MD&A, the Company had 3,000,000 issued and outstanding warrants.

As at January 31, 2023 and as at the date of this MD&A, the Company had no stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 3 of the audited consolidated financial statements of the Company for the year ended October 31, 2022.

FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company primary exposure to credit risk is on its bank deposits of $270,075 (October 31, 2022 - $9,905). The risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations.

Historically, the Company's principal source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of debt or equity funding.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Fair value

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and loans payable. As at January 31, 2023, the fair values of financial instruments measured on a recurring basis are determined based on level one inputs and consist of quoted prices in active markets for identical assets. The fair value of other financial instruments approximates their carrying values due to the short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash, receivable, accounts payable and current portion of loan payable approximate their carrying values due to the short-term maturity of these instruments. Non-current portion of loans payable has a 24-month terms and was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 15% per annum.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at January 31, 2023 as follows:

		Level 1	Level 2	Level 3		Total
Financial Assets						
Cash	$	270,075	-	-	$	270,075

RISKS AND UNCERTAINTIES

Uninsured Risk

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Conflicts of Interest Risk

The Company's directors are and may continue to be involved in other business ventures in the mining industry through direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the products the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of the director conflict with or diverge from the Company's interests. In accordance with the BCBCA, directors who have a material interest in any entity that is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Key Personnel Risk

The Company relies heavily on its directors and officers, along with key business consultants. The loss of their services would have a material adverse effect on the business of the Company. There can be no assurance that these individuals will continue to provide services in the employ of or in a consulting capacity to the Company or that they will not set up competing business or accept positions with competitors.

Speculative Nature of Investment Risk

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has not paid dividends and is unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has not started commercialization of the Company's products and services. The Company's operations are not yet sufficiently established such that it can mitigate the risks associated with its planned activities.

Liquidity and Future Financing Risk

The Company will require additional financing to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in the Company's efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing common shares in the Company's authorized capital, control of the Company may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

Going-Concern Risk

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The condensed consolidated interim financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Share Price Volatility Risk

External factors outside of the Company's control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward mining sector stocks may have a significant impact on the market price of the Company's common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. The same applies to companies in the technology sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Covid-19

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in future periods.

CONTINGENCIES

There are no contingent liabilities.

DIRECTORS AND OFFICERS

As of the date of this report, March 30, 2023, the Company's directors and officers are as follows:

- Jesse Hahn – Director, Interim Chief Executive Officer and Corporate Secretary
- Barry Hartley – Director, Chief Financial Officer
- James McCrea – Director
- Brent Hahn – Director