

UMDONI EXPLORATION INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the Year Ended October 31, 2023, and 2022

INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of Umdoni Exploration Inc. (the “Company”), has been prepared by management in accordance with the requirements of National Instrument 51-102 as of February 16, 2024. This MD&A should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended October 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 consolidated 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 a non-brokered private placement and issued 3,000,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$300,000. On December 13, 2022, the common shares of the Company began trading on the Canadian Securities Exchange 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. (dormant) and Kelso Capital Inc. (dormant) for \$1 each, respectively.

BUSINESS OF THE COMPANY

Overview

The CHLORE claims (the “Property”) are located in the Clore River Valley, approximately 55 kilometers east of Kitimat, BC and also about 62 kilometers south-east of the airport near Terrace, BC. The Property consists of four mineral claims. The total surface area of the property is 1,005 hectares. The target deposit type on the Property is a calc-alkaline porphyry copper-molybdenum deposit. The work completed by the Company to date has extended the expiry date of the claims to September 19, 2027. As a result of the construction of the Coastal GasLink natural gas pipeline good gravel roads cross the property, exploration on the Property can begin in late at lower elevations and can extend into October.

Financing

On February 12, 2024, the Company closed a private placement and issued 10,000,000 units of the Company at a price of \$0.20 per unit for gross proceeds of \$2,000,000. Each unit will consist of one common share in the Company and one common share purchase warrant. Each share purchase warrant will entitle the holder thereof to purchase one common share of the Company for a period of 24 months following the issuance of the units at an exercise price of \$0.30 per warrant share.

In connection with the private placement, the Company paid \$124,000 cash and issued 624,000 broker warrants to Haywood Securities Inc as a finder’s fee. Each broker warrant entitles the holder to purchase one Unit at \$0.30 for 24 months. All broker warrants are subject to the 4 months plus one day statutory hold period, which will expire on June 13, 2024.

Acquisition of 1273180 B.C. Ltd. and Mineral Properties in Idaho

On February 12, 2024, the Company completed the acquisition of 1273180 B.C. Ltd. (“127 BC”) by issuing 7,000,000 common shares of the Company to the shareholders of 127 BC in exchange for the 7,000,000 shares of 127 BC. As a result of the transaction, 127 BC became a wholly owned subsidiary of the Company. The Company still needs to make a cash payment of \$230,000 within 180 days of the date of completion of acquisition.

127 BC through its wholly owned limited liability company organized under the laws of Montana, owns mineral exploration properties in Idaho State known as the Heath, Selway and Great Western Properties (the “Properties”). The Properties consist of 90 (Heath), 57 (Selway) and 38 (Great Western) lode mining claims respectively and cover a cumulative area of approximately 3822.1 acres. The Properties are subject to a 2% net smelter royalty. The Company plans to explore the Properties for the precious and base metals.

Summary of Property

The Company flew high-resolution magnetic, gradiometric, and radiometric surveys over a grid that was centered on the Property on March 10, 2021. The magnetic data shows information that suggests north-west south-east trending structures on the Property. The radiometric data was inconclusive due to snow on the ground. There has been no known drilling, metallurgical work, mineral production or resource estimation on the Property. There are no adjacent properties that would be of value in assisting in the future surveys at the Property.

A two phased program was recommended for the Property. The Second Phase is contingent on positive results in Phase One.

Phase One recommends a soil survey of the Property using the Mobile Metal Ion method. Concurrently with the soil geochemistry, a geological mapping program at 1:5,000 scale, with a strong emphasis on alteration mineralogy and structural geology will be required. Rock sampling for 40+ elements ICP analysis is also required to confirm the areas of best rock sample grades for drill hole targeting. During the year ended October 31, 2023 Company completed the Phase One of exploration work

The Second Phase, contingent on positive results in Phase One, will be to complete a line-cutting grid and Induced Polarization geophysical survey. This will need to be focused on the areas of highest probability for success as determined in Phase One. There should be enough information following Phase Two to determine if drilling is recommended and drill targets can be developed.

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 year ended October 31, 2023, and 2022:

	October 31, 2023	October 31, 2022
Property acquisition costs	\$	\$
Balance, beginning	1,000	1,000
Balance, ending	1,000	1,000
Exploration and evaluation costs	\$	\$
Balance, beginning	78,148	78,148
Geological consulting	2,400	-
Assays	25,722	-
Camp costs	7,656	-
Helicopter/Transportation	41,556	-
Freight	174	-
Labour	16,925	-
Equipment Hire	750	-
	173,331	78,148
Total exploration and evaluation assets	174,331	79,148

SELECTED ANNUAL INFORMATION

	October 31, 2023	October 31, 2022	October 31, 2021
Financial Results	\$	\$	\$
Net loss for the year	(99,903)	(95,372)	(26,780)
Loss per share – basic and diluted	(0.01)	(0.02)	(0.02)
Balance Sheet Data			
Accounts payable and accrued liabilities	77,242	25,590	30,251
Shareholders' equity (deficiency)	90,489	(98,441)	(39,029)

RESULTS OF OPERATIONS

Year ended October 31, 2023

The Company had no revenue and reported a net loss of \$99,903 for the year ended October 31, 2023, compared to a net loss of \$95,372 for the year ended October 31, 2022.

Major variances are as follows:

- For the year ended October 31, 2023, filing and regulatory fees were \$29,543 compared to \$3,360 for the year ended October 31, 2022. The increase was due to the fees associated with the Company's listing on the Canadian Securities Exchange.
- For the year ended October 31, 2023, professional and consulting fees were \$48,673 compared to \$75,410 for the year ended October 31, 2022. The variance was mainly due to decreased legal fees for services in connection with listing to the Canadian Securities Exchange, annual general meeting and name change. The variance was also due to lower accrual of audit fees and lower accounting and corporate secretarial services in the current year.
- For the year ended October 31, 2023, the Company recorded accretion expense of \$18,131 related to the loans payable compared to \$9,270 for the year ended October 31, 2022. The debt agreement was entered into during April 2022.

Three months ended October 31, 2023

The Company had no revenue and reported a net loss of \$14,979 for the three-month period ended October 31, 2023, compared to a net loss of \$18,867 for the three-month period ended October 31, 2022.

Major variances are as follows:

- For the quarter ended October 31, 2023, filing and regulatory fees were \$2,295 compared to \$45 for the prior quarter ended October 31, 2022. The increase was due to the fees associated with the Company's listing on the Canadian Securities Exchange.
- For the quarter ended October 31, 2023, professional and consulting fees were \$7,838 compared to \$12,886 for the prior quarter ended October 31, 2022. The decrease was due to lower legal fees for the current ended 31 October 2023.

SUMMARY OF QUARTERLY RESULTS

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

	Three-month period ended October 31, 2023(Q4)	Three-month period ended July 31, 2023(Q3)	Three-month period ended April 30, 2023(Q2)	Three-month period ended January 31, 2023(Q1)
	\$	\$	\$	\$
Net loss	(14,979)	(18,736)	(27,178)	(39,010)
Loss per share	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	351,082	317,399	339,730	352,831
Total non-current financial liabilities	-	-	-	117,109
Working capital / (deficit)	(83,842)	23,920	42,656	189,343

	Three-month period ended October 31 2022(Q4)	Three-month period ended July 31, 2022(Q3)	Three-month period ended April 30, 2022(Q2)	Three-month period ended January 31, 2022(Q1)
	\$	\$	\$	\$
Net loss	(18,867)	(19,726)	(29,597)	(27,182)
Loss per share	(0.02)	(0.00)	(0.00)	(0.00)
Total assets	98,156	88,051	91,631	102,940
Total non-current financial liabilities	112,790		104,625	-
Working capital / (deficit)	(64,799)	(50,091)	34,371	145,359

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2023, the Company had a working capital deficit of \$83,842 (October 31, 2022 – working capital deficit of \$64,799). The Company does not currently have an active business generating positive cash flows. The Company will rely on private placement of its shares and 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 \$11,167 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.

On February 12, 2024, the Company closed a private placement and issued 10,000,000 units of the Company at a price of \$0.20 per unit for gross proceeds of \$2,000,000. Each share purchase warrant will entitle the holder thereof to purchase one common share of the Company for a period of 24 months following the issuance of the units at an exercise price of \$0.30 per warrant share.

In connection with the private placement, the Company paid \$124,000 cash and issued 624,000 broker warrants to Haywood Securities Inc as a finder's fee.

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

		October 31, 2023	October 31, 2022
Due to Current Directors and Officers	\$	117,890	\$ 114,612

As at October 31, 2023, the Company was indebted to Barry Hartley a current director and officer to the amount of \$117,890 (October 31, 2022 - \$114,612) as related party loans and to a third party in the amount of \$65,461 (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 (\$69,739 to Barry Hartley and \$69,739 to Brent Hahn). 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 capital contribution by related parties. Since the loans are repayable on April 4, 2024, they have been reclassified to current loan for the year ended October 31, 2023. The Company recorded accretion expense of \$18,131 on non-current portion of the loans for the year ended October 31, 2023 (October 31, 2022 - \$9,270).

On October 31, 2022, Brent Hahn, one of the directors assigned to a third party the amount of \$56,395 which represents his entire portion of the non-current loan principal including accretion, resulting in the Company transferring the balance owing of \$56,395 to a non-related party. As at October 31, 2023, the non-related party loan balance is \$65,461.

OUTSTANDING SHARE CAPITAL

As at October 31, 2023, the company had 8,969,449 issued and outstanding common shares.

As at the date of this MD&A, the company had 25,969,449 issued and outstanding common shares.

As at October 31, 2023, the Company had 3,000,000 issued and outstanding warrants.

As at the date of this MD&A, the company has 13,624,000 issued and outstanding warrants.

As at October 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, 2023.

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's primary exposure to credit risk is on its bank deposits of \$167,192 (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, as the liquidity risk is assessed as high, 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 October 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 October 31, 2023, as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	\$167,192	-	-	\$167,192

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 consolidated 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 consolidated 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 Canadian Securities 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 sector. These extreme price and volume variations could result in substantial losses to shareholders of the Company. There can be no assurance that an active or liquid market will develop or be sustained for the common shares. Recently, there have been instances of extreme stock price increases followed by a rapid decline and high stock price volatility of the Company's common shares. Such stock price volatility could result in substantial losses for the Company's investors and shareholders.

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CONTINGENCIES

There are no contingent liabilities.

ADDITIONAL INFORMATION

Additional information about the Company is available on www.sedarplus.ca under the profile of the Company. The Company does not file annual information forms.

DIRECTORS AND OFFICERS

As of the date of this report, February 16, 2024 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
- Andreas Schleich – Director