



**Management's Discussion and Analysis**

**Surge Battery Metals Inc.**  
(Formerly Surge Exploration Inc.)

**For the Nine Months Period Ended 30 September 2021**

*The following management discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Financial Statements") of Surge Battery Metals Inc. (formerly Surge Exploration Inc.) (the "Company") for the nine months ended 30 September 2021 and the audited consolidated financial statements for the year ended December 31, 2020. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated. This MD&A is dated 15<sup>th</sup> day of November, 2021.*

*This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.*

*For further information on the Company reference should be made to the Company's public filings which are available on SEDAR website ([www.sedar.com](http://www.sedar.com)).*

## **DESCRIPTION OF BUSINESS**

Surge Battery Metals Inc. (formerly Surge Exploration Inc.), (“Surge Battery” or the “Company”) was incorporated under the Company Act (British Columbia) on 19 June 1987 and continued to the jurisdiction of the Canada Business Corporation Act on 13 August 1997. The Company trades on the TSX Venture Exchange (the “Exchange”) under symbol NILI. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties.

The address of the Company’s corporate office and principal place of business is Suite 1220, 789 West Pender Street, Vancouver B.C., V6C 1H2.

On 20 April 2018, the Company formed a wholly owned subsidiary called Surge Exploration Chile SpA. On 23 April 2019, the Company decided to refocus its corporate efforts on mineral exploration in North America. The Company is no longer pursuing the proposed Atacama Cobalto (cobalt) project and Incahuasi (lithium) projects, and the Company has decided to close its Santiago exploration office.

On 25 May 2020, the Company consolidated its share capital on a one (1) new common share without par value for every ten (10) existing common shares without par value. No fractional shares were issued as a result of the consolidation. Instead, all fractional shares equal or greater to one-half were rounded to the next whole share. The Company’s outstanding options and warrants were adjusted on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these consolidated audited financial statements have been adjusted to include the effect of this share consolidation.

On 15 March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business 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 the time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows.

On 31 August 2021, the Company’s common shares have begun trading on the OTCQB Venture Market under the stock symbol NILIF.

Unless the context suggests otherwise, references to the “Company” or “we”, “us”, “our” or similar terms refer to Surge Battery Metals Inc. (formerly Surge Exploration Inc.)

## **FORWARD-LOOKING STATEMENTS**

This report may contain forward-looking statements that involve a number of known and unknown risks and uncertainties including statements regarding the outlook of Surge Battery’s business and results of operations. By their nature, these risks and uncertainties could cause actual results, performance and achievements to differ materially from those indicated. Such factors include, without limitation, risks inherent in mineral exploration, the Company’s history of operating losses and uncertainty of future profitability, uncertainty of access to additional capital, and environmental risks. Readers should not place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and are also advised to consider such forward looking statements while considering the risks set forth below.

Surge Battery Metals Inc. (formerly Surge Exploration Inc.) disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as is required by applicable securities regulations.

## **PROJECT OVERVIEW**

### **Quatse Lake**

On 17 October 2019 the Company entered into a property option agreement to acquire a 100-per-cent interest in three mineral claims known as the Caledonia, Cascade and Bluebell, subject to a 2-per-cent net smelter return (NSR).

The claims are located in the Nanaimo mining district of northern Vancouver Island. Finder's fee of 8,000 shares (with a fair value of \$2,800) were issued.

The terms of the option agreement are:

- (a) By making cash payments to the Optionor as follows:
  - (i) \$10,000 upon TSX Venture Exchange approval (paid);
  - (ii) \$10,000 on the first anniversary of TSX Venture Exchange approval (paid);
  - (iii) \$15,000 on the second anniversary of TSX Venture Exchange approval;
  - (iv) \$20,000 on the third anniversary of TSX Venture Exchange approval; and
  - (v) \$45,000 cash on the fourth anniversary of TSX Venture Exchange approval.
  
- (b) Completing the issuance to the Optionor of 100,000 fully paid and non-assessable common shares in the capital of the Optionee (the "Consideration Shares") as follows:
  - (i) 20,000 Consideration Shares upon receipt of TSX Venture Exchange approval (issued with a fair value of \$7,000);
  - (ii) 20,000 Consideration Shares on or before the one (1) year anniversary of TSX Venture Exchange approval (issued with a fair value of \$16,000); and
  - (iii) 20,000 Consideration Shares on or before the two (2) year anniversary of TSX Venture Exchange approval.
  - (iv) 20,000 Consideration Shares on or before the three (3) year anniversary of TSX Venture Exchange approval; and
  - (v) 20,000 Consideration Shares on or before the four (4) year anniversary of TSX Venture Exchange approval.
  
- (c) incurring cumulative minimum expenditures of \$200,000 in exploration expenditures on the property on or before the four (4) year anniversary of Exchange Approval.

On 1 November 2019, the Company entered into a purchase and sale agreement with John Malcolm Bell (Vendor) to acquire four mineral claims comprising 1,786 hectares located near Quatse Lake, in the Nanaimo Mining Division of British Columbia. The Company made cash payment of \$3,657 upon signing the agreement and issued the Vendor 100,000 fully paid and non-assessable common shares with a fair value of \$25,000 upon acceptance of the agreement by the TSX Venture Exchange.

#### ***Northern Nevada***

During the period ended 30 September 2021, the Company finalized plans to acquire 38 mineral claims, located in township 44 north, range 65 east, sections 13, 14, 23 and 24. The claims are valid and have been properly recorded with both the U.S. Bureau of Land Management and the Elko county, Nevada, recorder. The company refers to this series of mineral claims as the Northern Nevada lithium project.

The terms of the mineral claim acquisition are:

- (a) Making a cash payment to Alan J. Morris (the vendor) in the amount of \$12,000 (U.S.) immediately upon signing of the agreement (paid); and

- (b) Issuing to the vendor 250,000 paid and non-assessable common shares in the capital of the Company upon acceptance of the agreement by the TSX Venture Exchange.

All securities in connection with the transaction are subject to a four-month-and-a-day hold period in accordance with applicable securities laws.

The Northern Nevada lithium project is located in the Granite Range about 34 line kilometres southeast of Jackpot, Nev., about 73 line km north-northeast of Wells, Nev. The target is a Thacker Pass or Clayton Valley-type lithium clay deposit in volcanic tuff and tuffaceous sediments of the Jarbidge rhyolite package. The project area was first identified in public domain stream sediment geochemical data with follow-up sediment sampling and geologic reconnaissance.

### ***San Emidio***

On 16 September 2021, the Company entered into an option agreement with Lithium Corp., whereby the Company may earn an undivided 80-per-cent interest in the existing San Emidio Desert lithium project that consists of 35 mineral claims (of which 31 are staked and in the process of being formally recorded) comprising a total 2,800 acres located approximately 60 miles northeast of Reno, Nev., referred to as the San Emidio lithium property.

The terms of the acquisition are:

- (a) Making a cash payment to the vendor in the amount of \$50,000 (U.S.) and issuing 200,000 common shares immediately upon signing of the agreement (paid);
- (b) \$70,000 (U.S.) and \$30,000 (U.S.) in common shares on or before the first anniversary of the effective date;
- (c) \$70,000 (U.S.) and \$30,000 (U.S.) in common shares on or before the second anniversary of the effective date;
- (d) \$70,000 (U.S.) and \$50,000 (U.S.) in common shares on or before third anniversary of the effective date;
- (e) \$70,000 (U.S.) and \$70,000 (U.S.) in common shares on or before the fourth anniversary of the effective date; and
- (f) \$70,000 (U.S.) and \$90,000 (U.S.) in common shares on or before the fifth anniversary of the effective date.

The shares issued under this agreement shall be subject to resale restrictions which are required to be imposed on the shares of the optionee issued to the optionor hereunder, pursuant to applicable securities laws, including National Instrument 45-102 and the rules and policies of the exchange.

### **Expenditure and work commitment**

Incur a minimum in Expenditures for exploration and development work on the property of \$1 million (U.S.) as follows:

- (a) \$100,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the first anniversary of the effective date;
- (b) A cumulative total of \$250,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the second anniversary of the effective date;
- (c) A cumulative total of \$450,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the third anniversary of the effective date;
- (d) A cumulative total of \$700,000 (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the fourth anniversary of the effective date; and

- (e) A cumulative total of \$1-million (U.S.) of expenditures to be incurred, or caused to be incurred, by the optionee on the property on or before the fifth anniversary of the effective date.

### ***Hard Nickel and Nickel 100 Claim Groups***

On July 7, 2021, the Company has entered into an option agreement with Nickel Rock Resources Inc. dated July 7, 2021, whereby the company may earn an undivided 80-per-cent interest in the Hard Nickel and Nickel 100 group of claims, located in Northern British Columbia. The transaction is deemed to be a fundamental acquisition and is subject to TSX Venture Exchange acceptance.

On July 13, 2021, the Company confirms that the transaction is a related party transaction.

### **Qualified Person Statement**

“Project Overview” and “Subsequent Event” sections of this MD&A have been reviewed and approved for technical content by Bill Morton, P.Geo., an independent consulting geologist and a Qualified Person under the provisions of NI 43-101.

## **SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION**

### **Selected Annual Financial Information**

Unless otherwise noted, all currency amounts are stated in Canadian dollars. The following table summarizes selected financial data for Surge Battery Metals Inc. (formerly Surge Exploration Inc.) for each of the three most recently completed financial years. These information set forth below should be read in conjunction with the audited consolidated financial statements, prepared in accordance with IFRS, and related notes.

	Years Ended 31 December		
	2020	2019	2018
	\$	\$	\$
Total revenues	-	-	-
General and administrative expenses	371,351	877,658	1,949,372
Loss before other items in total	371,351	877,658	1,949,372
Net loss	382,634	1,577,579	2,289,356
Net loss per share – Basic & fully diluted	(0.039)	(0.019)	(0.03)
Total assets	270,735	531,470	1,007,029
Cash dividends declared per share	Nil	Nil	Nil

### **Selected Quarterly Financial Information**

The following table sets out Surge Exploration's summarized quarterly results for each of the eight most recently completed quarters. This financial data has been prepared in accordance with IFRS. All amounts are shown in Canadian dollars.

	30 Sep 2021	31 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Net Sales / Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive Loss for the quarter	1,330,666	173,329	65,398	67,715	109,343	93,299	112,277	886,736
Diluted Income (Loss) per share	\$(0.11)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.01)

## RESULTS OF OPERATIONS

### For the three months ended 30 September 2021 compared to the same period in 2020.

Comprehensive loss for the three months ended 30 September 2021 was \$1,330,666 as compared to \$109,343 for the same period in 2020. The increase in comprehensive loss of \$1,221,323 was mainly attributable to the net effect of:

- Increase of share-based payments of \$797,957 from \$Nil in 2020 to \$797,957 in 2021.
- Increase of consulting fees of \$37,520 from \$39,000 in 2020 to \$76,520 in 2021.
- Increase of exploration expense of \$30,685 from \$Nil in 2020 to \$30,685 in 2021.
- Decrease of \$5,516 in professional fees from \$12,497 in 2020 to \$6,981 in 2021.
- Increase of \$335,587 in marketing and communications, from \$Nil in 2020 to \$335,587 in 2021.
- Increase of \$20,892 in office expenses, from \$2,355 in 2020 to \$23,247 in 2021.
- Increase of \$43,892 in transfer agent and regulatory fees, from \$4,432 in 2020 to \$48,324 in 2021.
- Decrease of impairment on marketable securities of \$50,000, from \$50,000 in 2020 to \$Nil in 2021.

### For the nine months ended 30 September 2021 compared to the same period in 2020.

Comprehensive loss for the nine months ended 30 September 2021 was \$2,247,044 as compared to \$216,851 for the same period in 2020. The increase in comprehensive loss of \$2,030,193 was mainly attributable to the net effect of:

- Increase of share-based payments of \$1,387,437 from \$Nil in 2020 to \$1,387,437 in 2021.
- Increase of consulting fees of \$99,438 from \$136,311 in 2020 to \$235,749 in 2021.
- Increase of exploration expense of \$43,472 from \$Nil in 2020 to \$43,472 in 2021.
- Decrease of \$13,645 in professional fees from \$35,730 in 2020 to \$22,085 in 2021.
- Increase of \$428,775 in marketing and communications, from \$nil in 2020 to \$428,775 in 2021.
- Increase of \$25,103 in office expenses, from \$4,860 in 2020 to \$29,963 in 2021.
- Increase of \$61,391 in transfer agent and regulatory fees, from \$24,672 in 2020 to \$86,063 in 2021.
- Decrease of foreign exchange loss of \$28,605, from \$34,773 in 2020 to \$6,168 in 2021.
- Increase of gain on write-off of accounts payable of \$74,336, from \$11,395 in 2020 to \$85,731 in 2021.
- Increase of gain on marketable securities of \$597,778, from \$310 in 2020 to \$598,088 in 2021.
- Decrease of impairment on marketable securities of \$75,000, from \$75,000 in 2020 to \$Nil in 2021.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2021 the Company had \$4,129,105 in cash compared to \$6,626 as at 31 December 2020. Working capital of \$4,170,292 compared to working capital deficit of \$124,140 as at 31 December 2020.

During the period ended 30 September 2021, the Company used cash for operating activities in the amount of \$1,176,205 compared to \$103,581 in the period ended 30 September 2020. The increase in cash used for operating activities in the current year was due to a decrease in loss accompanied by decreases in cash from changes in operating working capital, mainly a decrease in trade and other payables of \$317,105.

During the period ended 30 September 2021, the Company had net proceeds from investing activities of \$423,326 compared to \$61,560 during the period ended 30 September 2020. The proceeds from investing activities in the current year are due to the sale of marketable securities and exploration and evaluation of property expenditures.

During the period ended 30 September 2021, the Company generated \$4,875,358 from financing activities compared to \$37,145 during the period ended 30 September 2020. The increase in cash in the comparable period was due to the issuance of common shares.

From time to time the Company works to raise additional capital through private placements and other forms of equity financing. Its ability to fund exploration projects is dependent upon its ability to obtain sufficient funding for operations and is ultimately dependent on the recoverability of the amounts capitalized to mineral exploration properties. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. Because the Company is not yet a producer, the primary source of future funds is through the sale of additional equity capital and optioning of resource properties. There is no assurance that the Company will be successful in raising sufficient capital to meet its obligations. If it is not successful in raising sufficient capital, it may have to curtail or otherwise limit operations. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

### **RELATED PARTY TRANSACTIONS**

For the period ended 30 September 2021 and 2020, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- Nickel Rock Resources Inc. (formerly Nevada Energy Metals Inc.), a company with certain directors, officers, and former officers in common with the Company.
- Fuse, a company with certain directors and former officers in common with the Company

### **Key management personnel compensation**

The remuneration of directors and other members of key management for the three and nine months ended September 2021 and 2020 as follows:

	<b>Three months ended 30 September 2021</b>	Three months ended 30 September 2020	<b>Nine months ended 30 September 2021</b>	Nine months ended 30 September 2020
	\$	\$	\$	\$
Short-term benefits - consulting and management fees	<b>27,000</b>	30,000	<b>80,000</b>	78,000
<b>Total related party expenses</b>	<b>27,000</b>	30,000	<b>80,000</b>	78,000

Related party transactions for the three and nine months ended 30 September 2021 and 2020 summarized as follows:



	<b>Three months ended 30 September 2021</b>	Three months ended 30 September 2020	<b>Nine months ended 30 September 2021</b>	Nine months ended 30 September 2020
	\$	\$	\$	\$
Consulting fees to Company controlled by former CEO	-	-	-	18,000
Consulting fees to Company controlled by CFO	<b>12,000</b>	12,000	<b>35,000</b>	24,000
Consulting fees to the Corporate Secretary	<b>15,000</b>	18,000	<b>45,000</b>	36,000
<b>Total related party expenses</b>	<b>27,000</b>	30,000	<b>80,000</b>	78,000

The liabilities of the Company include the following amounts due to related parties:

<b>As at</b>	<b>30 September 2021</b>	30 December 2021
	\$	\$
Fomer CFO	<b>1,076</b>	1,076
Former Director and Vice President	-	60,576
Corporate Secretary	-	37,804
Nickel Rock Corp.	<b>13,349</b>	-
<b>Total amount due to related parties</b>	<b>14,425</b>	99,456

These amounts are unsecured, interest-free and payable on demand.

#### **OUTSTANDING SHARE DATA**

The number of common shares outstanding was 83,716,930 shares as at 30 September 2021 (31 December 2020: 9,841,564) and 67,158,230 shares at the date of this MD&A.

The Company had 7,343,000 options and 13,620,834 warrants outstanding as at 30 September 2021 and at the date of this MD&A.

On 21 May 2020, the Company consolidated its share capital on a one (1) new common share without par value for every ten (10) existing common shares without par value. The Company's number of outstanding options and warrants and the accompanying exercise prices were on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these consolidated audited financial statements have been adjusted to include the effect of this share consolidation.

On 29 June 2020, the Company settled a legal claim by the former CFO. In the process of the settlement 92,862 common shares of the Company were returned to the treasury (see Debt Settlement and Mutual Release Agreement on the last page of this MD&A).

#### **Private Placements**

- On 4 February 2021, the Company issued 40,000,000 units at \$0.06 per unit for cash proceeds of \$2,400,000. Each Unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at \$0.08 per share during the five years following the date of closing. The

Company also paid finder fees in the amount of 3,950,000 common shares valued at \$0.115 per share for a total of \$454,250.

#### Exploration and Evaluation Property Acquisition

- On 1 January 2021, the Company issued 200,000 common shares valued at \$16,000 in relation to the Quatse Lake property (Notes 7 and 13).
- On 16 July 2021, the Company issued 250,000 common shares valued at \$63,750 in relation to the Northern Nevada property (Notes 7 and 13).
- On 20 September 2021, the Company issued 200,000 common shares valued at \$68,000 in relation to the San Emidio property (Notes 7, 13 and 19).

#### Issuance and Exercise of Options

- During the period ended 30 September 2021, the Company issued 4,000,000 options for a term of five years at an exercise price of \$0.105 per share.
- During the period ended 30 September 2021, the Company issued 850,000 options and the options were exercised at an exercise price of \$0.06 per share for gross proceeds of \$51,000.
- During the period ended 30 September 2021, the Company issued 390,000 options for a term of five years at an exercise price of \$0.190 per share.
- During the period ended 30 September 2021, the Company issued 3,000,000 options for a term of five years at an exercise price of \$0.165 per share.
- During the period ended 30 September 2021, the Company issued 500,000 options for a term of five years at an exercise price of \$0.210 per share.

#### Issuance and Exercise of Warrants

- During the period ended 30 September 2021, the Company issued 40,000,000 warrants at an exercise price of \$0.08 per share. The warrant term to expiry is five years.
- During the period ended 30 September 2021, the Company paid finder fees in the amount of 1,975,000 finder warrants in connection with the private placement. The finder's warrants have an exercise price of \$0.08 per share. The warrant term to expiry is five years.
- During the period ended 30 September 2021, the Company issued 2,268,400 common shares related to the exercise of 2,268,400 warrants at exercise price of \$0.08 per share for gross proceeds of \$28,354,166.

### **CONTROLS AND PROCEDURES**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses may exist in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where potential weaknesses existed. The existence of these potential weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), Surge Exploration utilizes the Venture Issuer Basic Certificate

which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109.

In particular, the certifying officers filing a Venture Issuer Basic Certificate do not make any representations relating to establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP ("IFRS").

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of Surge Battery's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided securities legislation.

## **RISK FACTORS**

The mineral industry involves significant risks. In addition to the risk factors described elsewhere in this MD&A, the risk factors that should be taken into account in considering Surge Battery's business include, but are not limited to, those set out below. Any one or more of these risks could have a material adverse effect on the future prospects of the Company and the value of its securities.

### **Current Global Financial Condition**

Current global financial conditions have been subject to increased volatility and turmoil. These factors may affect Surge Battery's ability to obtain equity financing in the future or, if obtained, to do so on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations as well as the trading price of its common shares could be adversely affected.

### **Industry and Mineral Exploration Risk**

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, Surge Battery's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves.

The Company may be subject to risks that could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks. Surge Battery attempts to balance these risks through insurance programs where required and ongoing risk assessments conducted by its technical team.

### **Commodity Prices**

Surge Battery is in the business of exploring for base and precious metals, the market prices of which can fluctuate widely. Metal prices ultimately depend on demand in the end markets for which metals are used. Demand is affected by numerous factors beyond the Company's control, including the overall state of the economy, general level of industrial production,

interest rates, the rate of inflation, and the stability of exchange rates, any of which can cause significant fluctuations in metals prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of metals has fluctuated widely in recent years and there are no assurances as to what will be the future prices of base and precious metals. In the course of its current operations, the Company does not enter into price hedging programs.

### **Environmental**

Exploration projects and operations are subject to the environmental laws and applicable regulations of the jurisdiction in which Surge Battery operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

### **Reliance upon Key Personnel**

The Company is dependent upon a number of key management and operational personnel, including the services of certain key employees. Its ability to manage activities, and hence its success, will depend in large part on the efforts of these individuals. During times when metals prices are strong, the Company faces intense competition for qualified personnel, and there can be no assurance that Surge Battery will be able to attract and retain such personnel at any time. Surge Battery does not maintain "key person" life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

### **Insurance**

Surge Battery's insurance will not cover all the potential risks associated with its operations. In addition, although certain risks are insurable, it might be unable to maintain insurance to cover these risks at economically feasible premiums. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to Surge Battery or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Requirements to Obtain Government Permits**

Government approvals and permits are currently required in connection with Surge Battery's exploration activities, and further approvals and permits may be required in the future. The duration and success of the Company's efforts to obtain permits are contingent upon many variables outside of its control. Obtaining government permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and if obtained, that the costs involved will not exceed Surge Battery's estimates or that it will be able to maintain such permits. To the extent such approvals are required and not obtained or maintained, the Company may be prohibited from proceeding with planned exploration or development of mineral properties.

### **Joint Ventures**

From time to time Surge Battery may enter into one or more joint ventures. Any failure of a joint venture partner to meet its obligations could have a material adverse effect on such joint ventures. In addition, the Company might be unable to exert influence over strategic decisions made in connection with properties that are involved in such joint ventures.

### **Exploration Risks**

The exploration for and development of mineral deposits involves significant risks. Few properties that are explored are ultimately developed into producing mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal

prices, which are highly cyclical; and government regulation, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

Even if the Company identifies and acquires an economically viable ore body, several years may elapse from the initial stages of development until production. As a result, it cannot be assured that Surge Battery's exploration or development efforts will yield new mineral reserves or will result in any new commercial mining operations.

### **Mineral Property Title Risk**

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of the properties will not be challenged or impaired. Third parties may have valid claims underlying portions of Surge Battery's interests, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects or unforeseen changes to the boundaries of Surge Battery's properties by governmental authorities. As a result, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties. An impairment to or defect in the title to the Company's properties could have a material adverse effect on its business, financial condition or results of operations. In addition, such claims, whether or not valid, would involve additional cost and expense to defend or settle.

### **Potential for Conflicts of Interest**

Certain of the Company's directors and officers may also serve as directors or officers of other companies involved in natural resource exploration and development or other businesses and consequently there exists the possibility for such directors and officers to be in a position of conflict. Surge Battery expects that any decision made by any of such directors and officers involving Surge Battery will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Surge Battery and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matters in which such director may have a conflict of interest or which are governed by the procedures set forth in applicable law.

### **COMMITMENTS AND CONTINGENCIES**

As at 30 September 2021, the Company has \$109,521 (31 December 2020: \$109,521) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements.

As at 30 September 2021, the Company owns various exploration and evaluation properties. Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.

The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.

The Company's exploration activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has certain commitments to make payments or issue common shares related to various exploration and evaluation property agreements.

### **DEBT SETTLEMENT AND MUTUAL RELEASE AGREEMENT**

In 2018, the Company commenced legal action against the former CFO and his company (the "Creditor") for the former CFO's breach of common law and statutory fiduciary duties owed to the Company during the year ended 2018.

The Creditor filed a counterclaim against the Company in relation to the settlement of his prior year debts owed to him by the Company. Initially during year ended 31 December 2018, the Company and the Creditor entered into an agreement to settle an aggregate balance of \$56,395 (the "Debts") by the issuance of the Company's shares subject to certain terms of the agreement. The Company issued 92,862 common shares to settle a portion of the Debts as a result of regulatory restriction. The Creditor did not accept the settlement.

During the year ended 31 December 2020, the Company reached a debt settlement and mutual release agreement with the Creditor, in which the Creditor returned 92,862 common shares previously issued and to be returned to treasury, and the Company paid a sum of \$45,000 to settle the Debts claimed by the Creditor, realizing a gain of \$11,395. The Company and Creditor further mutually agreed to not take any further legal action against each other in relation to the subject matter of the settlement agreement.

## **OTHER MATTERS**

On July 14, 2021, the Company has appointed Chip Richardson as a strategic adviser of the company, effective July 14, 2021.

## **SUBSEQUENT EVENTS**

Subsequent to 30 September 2021, the Company has the following events:

On October 4, 2021, the Company has received TSX Venture Exchange approval of its option agreement with Lithium Corp., whereby the Company may acquire an undivided 80-per-cent interest in the San Emidio property, located approximately 60 miles northeast of Reno, Nev.

On October 6, 2021, the Company has appointed Bill Macdonald to the Company's board of directors, effective October 5, 2021.

On October 15, 2021, the Company has engaged TD Media LLC to provide comprehensive digital media marketing campaigns for the Company. The services to be provided by TD Media include digital media, marketing strategies, advertising, and awareness campaigns. The engagement of TD Media will extend for a period of 120 days for a fee of US\$250,000 as part of the Company's increased budget in connection with the campaign. Neither TD Media nor any of its principals currently own any interest, directly or indirectly, in the Company.

On October 19, 2021, the Company has confirmed a significant new nickel discovery from the maiden drilling program at the Van target at nearby FPX Nickel Corp. Baptiste deposit in the Decar nickel district as announced by FPX Nickel.

On October 26, 2021, Surge Battery Metals Inc. has entered into a corporate advisory and investment banking agreement with Network 1 Financial Securities Inc., effective Oct. 21, 2021. Network 1 is an experienced and independent, full-service securities firm headquartered out of Red Bank, New Jersey. Network 1 provides capital raising, market making, M&A, and corporate advisory services, in addition to traditional retail and institutional brokerage services to its clients in North America, Asia, Australia and the UK.

On November 2, 2021 the Company entered into a Client Services Agreement with Stockhouse Publishing Ltd. The total cost for Stockhouse's Services for 12 months is \$200,000, of which \$60,000 will be paid in cash and \$140,000 will be paid by the issuance of common shares of the Company in 5 tranches over 12 months.