

TOTEC RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024

The effective date of this report is July 25, 2024

Management Discussion & Analysis:

Management’s discussion and analysis (“MD&A”) provides a detailed analysis of the results and financial condition of Totec Resources Ltd. (the “Company” or “Totec”) for the year ended March 31, 2024. The following management discussion and analysis, prepared as of July 25, 2024, should be read together with the financial statements for the year ended March 31, 2024 with the related notes attached thereto and the audited financial statements for the year ended March 31, 2024 with the related notes attached thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”). The MD&A supplements but does not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the year ended March 31, 2024. News releases and previous filings may be found on SEDAR+ at www.sedarplus.com.

Description of Business:

The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act on January 25, 2022. The Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 on March 10, 2023. The Company will not carry on any business other than the identification and evaluation of assets or a business with a view to completing a Qualifying Transaction which will be subject to receipt of shareholder approval and acceptance by regulatory authorities.

On March 10, 2023, the Company completed its initial public offering (the “Offering”) and issued 3,426,000 common shares (the “Shares”) for gross proceeds of \$342,600 pursuant to the Offering. The Company’s common shares were listed on the TSX-V and immediately halted pending closing of the Offering. The common shares commenced trading on the TSX-V on March 14, 2023 under the trading symbol “TOTC.P”.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to Totec that is based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “implied”, “intend” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted with the inflationary pressures, rising interest rates, the global financial climate and the conflicts in Ukraine and the Middle East affecting current economic conditions and increasing economic uncertainty. Should one or more of these risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. Totec cautions that forward-looking statements involve risk and uncertainty.

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Overall Performance

The Company does not generate revenues from operations. The Company's net loss for the year ended March 31, 2024 was \$83,106.

Working capital as at March 31, 2024 was \$209,818 (March 31, 2023: \$292,924), and comprised cash and cash equivalents of \$226,852 (March 31, 2023: \$353,879), receivables of \$9,039 (March 31, 2023: \$5,051), and accounts payable and accrued liabilities of \$26,073 (March 31, 2023: \$66,006).

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business and obtain the necessary financing to do so, within 24 months of listing on the TSX-V.

Summary of Corporate Activities

There are no significant corporate activities during the year ended March 31, 2024.

During the year ended March 31, 2023, the Company issued:

- i. 100,000 common shares to a director of the Company at a price of \$0.05 per common share for total proceeds of \$5,000. These shares will be held in escrow under an escrow agreement. The common shares will be released from escrow on the date of the final Qualifying Transaction Bulletin under the following terms: 25% to be released on the date the Transaction bulletin is issued, and 25% to be released every six months thereafter.
- ii. 3,426,000 common shares at a price of \$0.10 per share by way of its Initial Public Offering (the "Offering" or "IPO") pursuant to Policy 2.4 "Capital Pool Companies" of the TSX-V. A cash commission of 10% of the gross proceeds of the Offering was paid to the Agent. The Agent was also paid a corporate finance fee of \$15,000 and was reimbursed by the Company for its expenses and legal fees plus disbursements. The Company paid an aggregate of \$100,066 in cash commission, administration fee, legal and other expenses (all disclosed as share issue costs). The Agent was granted an Agent's option to purchase up to 342,600 common shares at a price of \$0.10 per common share, exercisable for a period of 5 years from the date of listing of the common shares on the TSX-V. The Agent's option was recorded at a fair value of \$25,930.
- iii. 260,000 incentive stock options to directors and officers were granted at a price of \$0.05 per common share with a fair value of \$11,761 using the Black-Scholes option pricing model assuming a life expectancy of ten years, a risk-free interest rate of 3.51%, a forfeiture rate of nil, and volatility of 100%.

Financial Instruments

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument.

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial

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asset is managed and its contractual cash flow characteristics. A financial liability is classified and measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Asset or Liability	IFRS 9 Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

A description of financial instruments is provided in Note 4 to the audited financial statements for the year March 31, 2024.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee.

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of ‘material’ rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the

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accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

Summary of Quarterly Results & Results of Operations

The table below provides, for each of the last eight quarterly periods, a summary of corporate losses and is derived from quarterly financial statements prepared by management. The Company's audited financial statements are prepared in accordance with IFRS and are expressed in Canadian dollars.

	Loss per quarter	Loss per share	Property costs
Date of Incorporation – March 31, 2022	\$ 16,843	\$ 0.42	\$ -
April 1, 2022 – June 30, 2022	33,997	0.01	-
July 1, 2022 – September 30, 2022	2,887	0.09	-
October 1, 2022 – December 31, 2022	14,355	0.14	-
January 1, 2023 – March 31, 2023	28,289	0.14	-
April 1, 2023 – June 30, 2023	19,797	0.01	-
July 1, 2023 – September 30, 2023	16,589	0.00	-
October 1, 2023 – December 31, 2023	21,551	0.01	-
January 1, 2024 – March 31, 2024	25,170	0.01	-

Discussion of Operations for the year ended March 31, 2024

Loss and comprehensive loss for the year ended March 31, 2024, was \$83,106 of which \$32,645 was spent on audit, accounting and legal fees. Regulatory and filing fees of \$13,792 were incurred for the year ended March 31, 2024. Rent and administration fees of \$30,000 (2023 - \$nil) were incurred for the year ended March 31, 2024.

Liquidity, Capital Resources and Capital Expenditures

As at March 31, 2024, the Company's working capital, defined as current assets less current liabilities, was \$209,818 (March 31, 2023: \$292,924). The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs and finance any business acquisition. The Company will require additional financing to accomplish its long-term strategic objectives. The successful completion of such financing is not guaranteed, and depends on a number of factors, including the general sentiment in the capital markets, the strength of commodities prices and the strength of the local and global economies.

Other source of funds potentially available to the Company is through the exercise of 260,000 stock options granted to directors and officers at a price of \$0.05 per share expiring ten years from the grant date until Jun 13, 2032.

Capital expenditures are limited to those items that may be used to identify and evaluate assets or businesses for future investment, with the exception that the Company cannot spend more than the

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\$3,000 per month on allowable general and administrative (G&A) expenses until the completion of a Qualifying Transaction for purposes other than to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction if necessary. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and interest receivable. The Company limits its exposure to credit loss by placing its cash and G.I.C.'s with major financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2024, the Company's cash, its equivalents and receivables exceeded its current liabilities. In order to meet future obligations as they become due, the Company may need to access funding from the issuance of equity securities, the exercise of stock options or through other sources. The Company's access to financing is uncertain and there is no assurance of continued access to equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at March 31, 2024, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) *Price risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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The Company's business and operations could be adversely affected by the outbreak of an epidemic or a pandemic or other health crises, e.g., COVID-19. Global government actions, along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for metals and have a negative impact on metal prices, as well as possible disruptions to global supply chains. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

Related Party Transactions

The aggregate amount of expenditures payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

Name of the	Company's Name	Nature of	Year ended	Year ended
Key management personnel		Transaction	March 31, 2024	March 31, 2023
Deepak Varshney, CEO	Deepak Varshney	Reimbursements	\$ 5	\$ 5
Khalid Naeem, CFO	Aterna Advisors Inc.	Accounting fees	8,293	3,258

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Outstanding Share Data

Authorized Capital

Unlimited common shares with no par value and unlimited preferred shares with no par value.

Issued and Outstanding Capital

6,126,000 common shares were issued and outstanding as at March 31, 2024 and 6,126,000 as at March 31, 2023.

Stock Options & Warrants Outstanding (at March 31, 2024):

	Number	Exercise Price	Expiry Date
Director's stock options	260,000	\$0.05	Jun 13, 2032
Agent's stock options	342,600	\$0.10	Mar 10, 2028

Subsequent Events

There are no subsequent events.