



MONARCA MINERALS

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MONARCA MINERALS INC.

Management's Discussion & Analysis
For the Year Ended November 30, 2022

MONARCA MINERALS INC.
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For the Year Ended November 30, 2022

This Management Discussion and Analysis ("MD&A") provides relevant information on the operations and financial condition of Monarca Minerals Inc. ("Monarca" or the "Company") for the year ended November 30, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended November 30, 2022 and 2021. Monarca's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Monarca Board of Directors approved both this MD&A and the audited consolidated financial statements for the years ended November 30, 2022 and 2021 on March 29, 2023.

This MD&A provides information that the management of Monarca believes is important to assess and understand the results of operations and financial condition of the Company. Our objective is to present readers with a view of Monarca from management's perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of Monarca. All monetary amounts unless otherwise specified are expressed in Canadian dollars. This discussion contains forward looking information that is qualified by reference to, and should be read in conjunction, with the "Caution Regarding Forward Looking Statements" below.

The Company was incorporated by articles of incorporation on March 22, 1995 under the Canada Business Corporations Act. The Company's shares are traded on the TSX Venture Exchange under the trading symbol MMN (formerly OAG). Additional information relating to Monarca is available at the Company's website at www.monarcaminerals.com and on SEDAR, at www.sedar.com.

Caution Regarding Forward Looking Statements

Readers are cautioned that actual results may differ materially from the results projected in any "forward-looking" statements included in the foregoing report, which involve a number of risks or uncertainties. This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of the applicable Canadian securities legislation. Forward-looking statements are not historical facts and include statements regarding the Company's planned development activities, anticipated future profitability, losses, revenues, expected future expenditures, the Company's intention to raise new financing, sufficiency of working capital for continued operations and other statements regarding anticipated future events and Company's anticipated future performance.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "continue", "anticipates" or "does not anticipate", or "believes" or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. While Monarca considers its assumptions to be reasonable and appropriate based on the current information available, there is a risk that they may not be accurate. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievement of Monarca to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to the integration of acquisitions, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Before making any investment decisions and for a detailed discussion of the risks, uncertainties and environment associated with our business, fully review the section entitled "Risk Factors" in this MD&A.

Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Monarca does not undertake to update any forward-looking statements that are incorporated by reference herein, except as required by law.

General and Outlook

The Company is a Canadian-based mineral exploration company with a focus on the acquisition and development of silver and base metal properties in Mexico. The Company presently holds interests in three mineral projects, each with one to multiple mining concessions. The three main properties of interest are Tejamén, San Lucas, and San José. Tejamén is the Company's flagship mineral property with an Inferred mineral resource estimate completed in accordance with NI 43-101 and CIM standards.

Previously, the Company was focused on the development of silver and gold properties in Mexico. During 2011, the Company began to focus only on its silver properties and in 2012, spun out its gold properties into another public company called Oremex Gold Inc. ("Oremex Gold"). Notwithstanding the spin-out, silver properties, including those retained by Monarca, generally come with varying amounts of other potentially economic metals, including gold and base metals.

In fiscal 2022, the Company continues to pursue a strategy to maximize the value of its properties with a particular focus on Tejamén and San José. In addition, Monarca will continue to evaluate near-term production and joint venture opportunities.

Mineral Properties

San José Property, State of Chihuahua

On June 10, 2019, Monarca Minerals entered into an option agreement to acquire a 100% interest in the 5,850-hectare San José Project (the "Project") located in Chihuahua, in northern Mexico. The option agreement is an arm's length transaction. The decision was made to acquire this skarn and potential CRD/porphyry deposit after a surface geophysics program comprised of induced polarization (IP), resistivity, and magnetics survey was completed in July and August 2018, discovering strong IP/magnetic anomalies over a 2.8 km strike length, resulting in numerous drill targets. Based on these geophysical results and previous chip channel sampling on the property, which resulted in elevated gold, silver, copper, zinc and lead values, the Company is currently planning a 5,000m drilling program to test the IP and magnetic anomalies on 10 targets for potential precious and base metals at depth.

Surface lands for the San José project area are partially covered by "Ejido" lands and "Colonia" lands (community or communal lands), therefore the Company is required to sign a surface rights agreement with both the Ejido and Colonia authorities to advance its environmental permit to proceed with its planned drilling program.

On February 21, 2021, Colonia elected its new authorities and approved to sign an agreement with Monarca Mining (Mexican subsidiary of Monarca Minerals) to change the use of land and temporary occupation allowing the Company to complete its drilling program at San José.

On April 13, 2021 Monarca Mining (Mexican subsidiary of Monarca Minerals) signed the agreement with "Colonia" to change the use of land and temporary occupation.

On July 14, 2021 Monarca obtained an Environmental Permit (known as Informe Preventivo) to complete its planned 5,000 metre drilling program on its Silver Project ("San José") in Mexico.

Monarca engaged Layne de México, SA de CV, a Mexican subsidiary of Layne's Mineral Services Division as a contractor for the up to 5,000-metre reverse circulation (RC) drilling program. On July 27, 2021 the Company started road rehabilitation and on August 26, 2021 started the RC drilling program. A total of 15 drill holes (4,640.6 m) were completed on the San José Project and significant drill assay results are indicated in Table 1 below.

Mineral Properties – continued

San Jose Property, State of Chihuahua

The 2021 RC drilling program indicates that the San Jose Property has significant exploration potential, especially to the west of the areas drilled to date. The area to the west has mineralized intrusives at depth, which have long anomalous Au and Cu intercepts, overlain by strongly altered limestone, which has not yet been drilled from above. There is potential for skarn development at the un-drilled intrusive/limestone contact and Cu and Mo mineralization in altered intrusive rocks. All of the drill holes were drilled at angles ranging from 45° to 60° to cross contacts between limestone and intrusives, where skarn mineralization occurs. Downhole surveys were completed for all of the drill holes, which ranged in depth from 140.2 m to 408.4 m (Table 1).

The San Jose Property is located in Chihuahua, Mexico near the USA border, approximately 125 km west of El Paso, Texas and Juarez, Chihuahua, Mexico. The Property is also located 52 km northwest of the underground Bismark Mine operated by Grupo Peñoles. The Bismark Mine commenced production of silver, lead, zinc and copper in 1992 and mining continued at a 2,500 tpd production rate until early 2021. The Bismark Mine is regarded as a comparative exploration model for the San Jose Property but there is no guarantee that the San Jose exploration and drilling programs will result in a viable mine.

The San Jose property has the potential to host polymetallic mineralization associated with skarn, gossan and altered intrusive rocks based on previous field mapping and geophysics.

- **Accessibility and Terrain:** Road access and local infrastructure in the area is good, and the agricultural settlement of Guadalupe Victoria is located 15 km to the east. The property is dominantly rolling hill country in the area of the geophysical survey.
- **Geology and Mineralization:** Intrusive rocks on the property include granodiorite, intermediate monzonite and late diorite dikes associated with IP and magnetic anomalies and mineralization. Outcrops of intrusive rocks and limestone occur with various types and degrees of alteration including propylitic, silicification, endoskarn, exoskarn, disseminated pyrite and specularite/magnetite. Exoskarn mineralization is grossularite ± diopside, locally with hydrous retrograde silica + clay and overprinting quartz veins and silicification.
- **Community Relations:** The Company has very good relations with the local Ejido and Community who own the surface rights. In October 2020, Monarca engaged O Trade, a Canadian company specialized in community relations to assist the Company in building a strong and well-structured ESG program across all of the projects.
- **Historical Mining:** 14+ short shafts and pits exist on the property with a small amount of mining production dating back to 1975.
- No previous drilling has been done on the property.

In order to acquire a 100% interest in the San Jose Project, Monarca paid a total of USD\$115,000 to the mining concession owners and the agreement includes a 2% Net Smelter Return (NSR) royalty upon reaching commercial production. The Company has the right to purchase one-half of the royalty (1%) through a single payment of USD\$100,000 made to the Owners after the first year of commercial production.

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Mineral Properties – continued

San Jose Property, State of Chihuahua

Schedule of payments

Due Dates	Cash Payments (US Dollars)
Paid at signing	\$5,000
Paid 12 months after signing of Option Agreement	\$50,000
Paid 24 months after signing of Option Agreement	\$60,000
TOTAL	\$115,000

Back taxes on the property of US\$570,000 will be paid over a period of time. Concession taxes per year are approximately US\$46,000.

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Mineral Properties – continued

San Jose Property, State of Chihuahua

Table 1: Significant Drill Assay Results from 2021 RC Drilling Program

Drillhole #	TD (m)	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Mo %	Lith/Alteration	Release Date
SJ01	140.2	134.1	137.2	3.0	4.07	6.4	0.02	0.23	0.49	trace	Granodiorite/Silic	11/9/2021
including		134.1	135.6	1.5	6.66	11.0	0.03	0.40	0.84	trace	"	
SJ02	292.6	228.6	230.1	1.5	0.30	<0.5	0.05	trace	trace	trace	Biotite Porphyry / Silic & Potassic	12/13/2021
and		281.9	283.5	1.5	0.20	2.9	1.02	trace	trace	0.17	"	
SJ03	329.2	207.3	208.8	1.5	0.12	0.5	0.07	trace	0.01	trace	Granodiorite/Silic	11/9/2021
SJ04	152.4	anomalous Au and Zn values									Granodiorite / Endoskarn	12/13/2021
SJ05	313.9	93.0	97.5	4.6	0.30	2.0	0.94	trace	trace	trace	Limestone / Exoskarn	12/13/2021
and		192.0	193.5	1.5	0.42	5.0	0.21	0.05	0.05	trace	Granodiorite / Endoskarn	
SJ06	339.9	175.3	176.8	1.5	0.30	3.2	0.05	0.06	0.04	trace	Limestone / Exoskarn	12/13/2021
SJ07	317.0	193.5	195.1	1.5	0.28	7.0	0.01	trace	trace	trace	Granodiorite / Endoskarn	12/13/2021
and		278.9	280.4	1.5	0.02	<0.5	0.04	trace	trace	0.22	Biotite Porphyry / Endoskarn	
SJ08	355.1	62.5	64.0	1.5	0.04	79.5	0.34	0.36	1.49	trace	Granodiorite / Endoskarn	11/9/2021
and		91.4	97.5	6.1	0.36	2.7	1.00	trace	0.02	trace	Granodiorite / Endoskarn	
and		231.6	233.2	1.5	0.84	<0.5	0.07	trace	trace	0.023	Granodiorite / Endoskarn	
and		257.6	260.6	3.0	3.11	31.6	0.13	0.08	0.06	trace	Granite / Endoskarn	
including		257.6	259.1	1.5	4.29	53.4	0.18	0.11	0.04	trace	Granite / Endoskarn	
and		286.5	288.0	1.5	0.02	<0.5	0.06	trace	trace	0.11	Biotite Porphyry / Silic & Potassic	
SJ09	408.4	anomalous Au, Cu, Pb, Zn and Mo values									Limestone & Granodiorite / Exoskarn & Endoskarn	12/13/2021
SJ10	352.0	349.0	350.5	1.5	0.92	2.40	trace	0.06	0.08	trace	Granodiorite / Endoskarn	11/9/2021
SJ11	259.1	12.2	15.2	3.0	0.86	1.20	0.17	trace	0.01	trace	Limestone / Jasperoid	11/9/2021
SJ12	342.9	80.8	85.3	4.6	0.13	1.50	0.33	trace	0.04	trace	Granodiorite / Endoskarn	11/9/2021
SJ13	371.9	anomalous Au values									Limestone & Granodiorite / Exoskarn & Endoskarn	12/13/2021
SJ14	317.0	anomalous Au, Cu, Pb, Zn and values									Limestone & Granodiorite / Exoskarn & Endoskarn	12/13/2021
SJ15	349.0	anomalous Au, Ag and Zn values									Limestone & Granodiorite / Exoskarn & Endoskarn	11/9/2021

Mineral Properties – continued

Tejamen Property, State of Durango

Tejamen is the Company's most advanced project. The property, located 130 km northwest of Durango, the capital of the State of Durango, consists of 23 mineral concessions covering approximately 1,685 hectares. Access is by paved highway from Durango to Nuevo Ideal, and by 10 km of good gravel road from Nuevo Ideal to Tejamen.

Monarca owns 100% of the mineral rights at Tejamen. In 2007, the Company's surface access rights expired. Following a process that commenced in 2009, the Mexican government awarded the surface rights to the local Ejido (a type of community) of Tejamen in 2012.

No exploration or development work has occurred on Tejamen since 2008. From 2008 to 2012, the Company sought to reach agreement with the Ejido regarding access to the property and undertook various initiatives with the local community. Due to market conditions, those initiatives were suspended in 2012.

During 2008, the Company completed a new topographical survey in Los Mantos portion of the project, redesigned the proposed pit wall in Los Mantos to minimize impact on the local village and determined equipment requirements for mining. The Company assisted various levels of government, municipal, state and federal to ensure that all parties received complete and accurate information.

During 2015, Gustavson Associates LLC (Gustavson) was commissioned by Monarca to prepare an independent NI 43-101 technical report reporting mineral resources for the Tejamen Project. This report was filed on SEDAR on February 2, 2016. The resulting inferred resource is approximately 28.7 million ounces of silver at a 15ppm cutoff (19.8 million tonnes at 45.0 g/t Ag).

The Company has been taking initial steps to reinitiate engagement with the local community. During 2017, drill hole re-logging commenced. Monarca has completed the re-logging of 202 reverse circulation drill holes and 10 core holes in San Augustin in the state of Durango. Now that the drill holes have been logged, some re-interpretation of the geology has been started.

Discussions regarding the surface rights at Tejamen continue moving forward on a number of fronts. Carlos Espinosa, a Director of Monarca has met with municipal, state, and federal officials.

In October 2020, Monarca engaged a Canadian consulting firm specialized in Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) to do a new assessment on Tejamen, and built a new strategy to re-open the dialog with the community that will allow the Company to restart the exploration work at Tejamen. This firm is also working on the San Jose project and the San Lucas project, developing a strategy that will prevent conflicts with the communities in the future.

Meanwhile, Monarca is keeping federal, state and municipal governments involved to be consistent on the strategy, information and actions we are taking.

San Lucas Property, State of Durango

The San Lucas Property ("San Lucas"), located 86 km north of the city of Durango and accessed via paved highway, consists of 8 mineral concessions covering 79.6 hectares. San Lucas consists of a series of northeast trending mineralized shear zones in volcanic and sedimentary rocks.

In 2005, the Company drilled 19 shallow reverse circulation drill holes totaling 3,042m across one of the mineralized zones. Drill holes, spaced approximately 100m apart along the northeast striking structure, indicate a disseminated silver-lead-zinc system. The mineralization was traced by drilling for 1,700m. Surface mapping has traced the zone for over four km and has identified a separate sub parallel structures. In 2007, the Company

Mineral Properties – continued

San Lucas Property, State of Durango

negotiated a long-term lease with the Community of San Lucas for the use of surface rights at San Lucas. The Company completed a 7,000m reverse circulation drill program to test extensions down dip and along trend of mineralization. That program intersected high grade silver mineralization at surface with a zone of lower grade lead-zinc mineralization at depth. A detailed assessment of results along with historic underground data has led to the conclusion that there is potential to define a large, low grade deposit of zinc-lead mineralization. Significant higher-grade silver plus base metal mineralization exists at depths up to 200m.

During fiscal 2009, the Company re-evaluated this property and as part of that project collected and analyzed 39 chip samples. These samples returned gold values up to 0.77 g/t.

During 2010 and 2011, work was done to define gold mineralization present in a silicified dacite dike that had been identified.

During fiscal 2012, the Company focused on reviewing drill targets within the remaining post spinout concessions (79.6 hectares) for a drilling program and continued compiling surface sampling assay results and mapping. In June 2012, the Company received positive results from a surface outcrop sampling program in the El Doctor zone of the San Lucas silver project. The El Doctor zone had not been previously sampled at the surface. The El Doctor zone is located in the middle portion of the precious metal-mineralized San Lucas trend. Approximately a dozen old surface and underground workings are located in the immediate area, including two shafts.

The mineralization occurs with elevated levels of lead and zinc mineralization. Two parallel gold-silver mineralized shear zones are evident over a strike length of over 270m. The mineralized shear zones are approximately 20 meters apart and strike north-easterly, as is typical of the San Lucas trend. The mineralized shear zones range from 5m to 10m in width where exposed on surface. Base metal sulphides and iron oxides associated with quartz-sericite alteration characterize the mineralized zones which are hosted by volcanic rocks. A total of 90 channel samples were collected and the gold grades range from 0.02 g/t to 110 g/t, averaging 4.4 g/t. The average gold grade of the 89 samples exclusive of the high grade 110 g/t sample is 3.2 g/t. 72 of 90 samples contained gold grades over 0.50 g/t. The silver grades range from trace to 168 g/t, averaging 53.2 g/t. The average silver grade of the 89 samples excluding the high grade 168 g/t sample is 51.9 g/t.

El Sol Property

On June 20, 2013, the Company entered into an option agreement whereby the optionee has the right to acquire a 100% interest in the Company's El Sol property located in Durango State, Mexico for cash payments of US\$2,000,000 plus Value Added Tax ("VAT") over a three-year period as follows:

- i. Payment of US\$150,000 upon signing (received)
- ii. Payment of US\$400,000 on or before June 20, 2014 (received)
- iii. Payment of US\$600,000 on or before June 20, 2015 (not received as option agreement terminated)
- iv. Payment of US\$850,000 on or before June 20, 2016 (not received as option agreement terminated)

Pursuant to the terms of the option agreement, the optionee has the right to acquire the property at any time between the signing date and the third anniversary of the signing date. In addition, to maintain the option in good standing, the optionee must pay concession maintenance fees to the Secretaria de Economia in Mexico.

During 2014, the optionee assigned its interest in the El Sol option agreement to a third party. In 2015, the Company had discussions with the new optionee regarding the payments due pursuant to this agreement. During 2016, discussions with the third party did not result in the option payments being made and the property was returned to the Company.

Mineral Properties – continued

El Sol Property

The El Sol property has 63 hectares and is located 75 km northeast of Durango City. It is accessed by paved highway to within about 5 km of the project. It is located about 1 km northwest of Southern Silver Exploration Corp's Las Minitas deposit. Exploration work done in 2010 through 2012 indicates the possible extension of mineralization onto the El Sol concession. Ground geophysics shows strong chargeability anomalies on trend with mineralization drilled by Southern Silver up to the El Sol concession. A hole was drilled by Southern Silver on the south edge of the El Sol concession, but did not cut the chargeability anomaly; it was located about 600m south of the center of the main chargeability anomaly. The hole returned 0.3m at 87 ppm Ag, 1.88% lead, 1.01% zinc and 0.11% copper. A single mine dump samples returned 358 ppm silver, 1.94 ppm gold, 19.6% zinc and 22.6% lead.

In May 2016, Southern Silver filed a 43-101 Mineral Resource Estimate for Cerro Las Minitas on Sedar citing an estimated Inferred Resource of 77.3Mil Silver Equivalent ounces and an estimated Indicated Resource of 36.5Mil Silver Equivalent ounces. This mineralization extends up to the south side of the El Sol concession and based on the geophysics could continue into the concession. The Cerro Las Minitas deposit is considered a comparative exploration model and is not indicative of any mineralization that may be hosted on the San Jose Property.

On August 3, 2020, Monarca Minerals sold El Sol to Southern Silver Exploration Corp. The agreement is US\$300,000 payable in three equal instalments on execution of a definitive agreement, twelve months and eighteen months together with retention by the Company of 2% NSR on production from the claim with a right in Southern Silver to purchase the royalty at any time for US\$1,000,000.

- i. Payment of US\$100,000 upon signing (received)
- ii. Payment of US\$100,000 due August 2021 (received)
- iii. Payment of US\$100,000 due February 2022 (received)

Qualified Person Statement

Mr. Michael R. Smith, Registered Member - Geology (Society for Mining, Metallurgy & Exploration), Executive Vice President of Exploration for the Company and a Qualified Person as defined by NI 43-101, has prepared and approved the scientific and technical information contained in this MD&A.

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Selected Annual Information

The table below provides selected financial information for the Company on a consolidated basis for each of the past three years ended November 30.

	2022		2021		2020	
In \$000s, except EPS						
Total Revenues	\$	Nil	\$	Nil	\$	Nil
Net Loss	\$	1,121	\$	2,657	\$	895
Net Loss Per Share (basic and fully diluted)	\$	(0.0089)	\$	(0.0209)	\$	(0.0132)
Total Assets	\$	99	\$	722	\$	2,157
Long-term Debt	\$	Nil	\$	Nil	\$	Nil
Mineral Property Interests Expenditures – for the year	\$	452	\$	1,409	\$	480
Mineral Property Interests – cumulative, net	\$	Nil	\$	Nil	\$	Nil
Dividends	\$	Nil	\$	Nil	\$	Nil

Results of Operations - Annual

During the year ended November 30, 2022, the Company reported a net loss of \$1,120,996 (\$0.0089 per share) compared to a net loss of \$2,657,111 (\$0.0209 per share) reported in fiscal 2021. The fiscal 2022 and 2021 net losses relate to the cost of maintaining the Company and its properties, while the Board and Management continue to work to generate funds through private placements and evaluate near term production and joint venture opportunities.

During the years ended November 30, 2022 and 2021, the Company continued its precious metals corporate strategy. In fiscal 2022, the Company incurred \$452,289 (2021 - \$1,408,938) of exploration expenditures as it prepares its drill program for the San Jose property.

In an attempt to preserve cash flow and working capital the Company closely managed its spending during fiscal 2022 and 2021 while it focused on raising capital and resuming exploration activity. The result was fiscal 2022 administrative expenses totaling \$499,441 (2021 - \$676,294) impacted by fiscal 2022 decreases to management fees and salaries, investor relations, business development, accounting and legal, and regulatory and filing fees expenses as the Company resumes exploration and evaluation activities.

Summary of Quarterly Results (unaudited)

Three months ended	Nov 30 2022	Aug 31 2022	May 31 2022	Feb 28 2022	Nov 30 2021	Aug 31 2021	May 31 2021	Feb 28 2021
Total revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Net and comprehensive income (loss)	(401,293)	(227,816)	(300,277)	(191,610)	(1,509,811)	(374,271)	(338,540)	(434,489)
Net earnings (loss) per share (basic and diluted)	(0.0003)	(0.0018)	(0.0024)	(0.0016)	(0.0113)	(0.0031)	(0.0028)	(0.0037)

During the fourth quarter of fiscal 2022, the Company recorded a net loss of \$401,293 (\$0.0003 per share) as compared to the fiscal 2021 fourth quarter net loss of \$1,509,811 (\$0.0113 per share). The fiscal 2022 fourth quarter loss was largely comprised of exploration expenses, and management fees.

Financing and Investing Activities

On December 16, 2020, the Company issued 751,201 common shares with an estimated fair value of \$0.18 price per common share to settle \$135,831 of debt pursuant to debt settlement agreements.

On February 22, 2021, 1,900,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$31,985.

On October 29, 2021, 4,240,000 warrants were exercised to purchase shares at a price of \$0.05 per share. The grant date fair value of the warrants exercised was originally estimated at \$88,909.

On November 1, 2021, 100,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$1,683.

On November 2, 2021, 1,000,000 warrants were exercised to purchase shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$16,834.

On November 9, 2021, 1,100,000 warrants were exercised to purchase common shares at a price of \$0.075 per share. The grant date fair value of the warrants exercised was originally estimated at \$18,518.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during 2022 used cash of \$469,364 (2021 – \$1,270,982). As at November 30, 2022, the Company had cash of \$29,294 (2021 - \$498,658) and a working capital deficit of \$3,334,762 (2021 - \$2,214,417).

The Company is in the business of exploring for and mining minerals which by its nature involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. All of the Company's mineral properties are located outside of Canada and are subject to the risks normally associated with foreign investment, including increases in taxes and royalties, recognition of contracts, currency exchange fluctuations and political uncertainty.

The Company is subject to various option agreements in connection with the acquisition of mineral interests. Where periodic payments were required under an option agreement to maintain its property interests, by secondary agreement the Company has granted an option to acquire the property interest and has assigned its requirement to pay periodic payments under the original agreement. In order to maintain the Company's mineral concessions and titles in good standing the Company will be required to pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum commitments of approximately \$35,000 are due within one year.

The Company is not in commercial production on any of its mineral properties and, accordingly, it does not generate cash from operations. The Company's planned exploration and development expenditures on existing properties require significant financial resources. The fiscal 2023 plan is to advance the Tejamén Property and to pursue joint venture opportunities.

Transactions with Related Parties

The Company entered into the following transactions with related parties during year ended November 30, 2022:

- (a) Key management includes the Executive Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, the Vice President of Exploration, and the Directors. During the year ended November 30, 2022, the cash compensation paid or payable to key management for services was \$386,305 (2021 – \$392,005). Included in accounts payable and accrued liabilities at November 30, 2022 is \$240,000 (November 30, 2021 - \$120,000) due to Directors and Officers. This amount is unsecured, non-interest bearing and has no specific terms of repayment. Stock based compensation for the year ended November 30, 2022 was \$nil (2021 - \$281,815).
- (b) Companies controlled by a director of the Company hold \$751,243 of the long-term debt as at November 30, 2022 (2021 - \$751,243). During the year ended November 30, 2022, interest of \$212,295 (2021 - \$170,625) was accrued on the long-term debt payable to these companies and as at November 30, 2022, \$395,763 (2021 - \$183,468) is included in interest payable on the consolidated statement of financial position. This amount is unsecured, bears interest at 21% and is due on demand.
- (c) During the year ended November 30, 2022, interest accrued on the promissory notes (Note 9) totaled approximately \$20,164 (2021 - \$20,164). Included in interest payable on the consolidated statement of financial position as at November 30, 2022 is \$166,788 (2021 - \$146,623) related to this interest. The interest is payable to companies controlled by a director of the Company. This amount is unsecured, bears interest at 5% and is due on demand.
- (d) During the year ended November 30, 2022, legal fees were incurred of \$4,782 (2021 - \$15,890) with a law firm of which a partner is a director of the Company. This amount is included in cost of share issue within equity, or as accounting and legal fees on the consolidated statement of operations. Included in accounts payable and accrued liabilities at November 30, 2022 is \$4,711 (2021 - \$1,450) relating to these fees. This amount is unsecured, non-interest bearing and has no specific terms of repayment.

Changes in Accounting Policies

During the year ended November 30, 2022, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards including IAS 1 and IFRS 3. These new standards did not have any material impact on the Company's financial statements.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities or derivative financial obligations.

Proposed Transactions

There are no material decisions by the Board of Directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

MONARCA MINERALS INC.
Management's Discussion & Analysis
For the Year Ended November 30, 2022

Financial Risk Management

(a) Currency Risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos and United States dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican Peso and US dollars could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At November 30, 2022 and 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos ("MP\$"):

	2022		2021	
Cash	MP\$	280,063	MP\$	685,771
Amounts receivable and prepaid expenses		465,953		481,956
Accounts payable and accrued liabilities		(1,638,870)		(824,562)
Total	MP\$	(892,854)	MP\$	343,165
Canadian dollar equivalent	CAD\$	(62,646)	CAD\$	20,315

(a) Currency Risk - continued

At November 30, 2022 and 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in United States Dollars ("US\$"):

	2022		2021	
Cash	US\$	8,107	US\$	8,159
Amounts receivable and prepaid expenses		-		100,000
Total	US\$	8,107	US\$	108,159
Canadian dollar equivalent	CAD\$	6,002	US\$	138,357

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The majority of the Company's cash is held through large Canadian financial institutions. The Company is also exposed to credit risk on its amounts receivable, which are unsecured. The Company considers the risk of loss to be low. There have been no significant changes to how management manages credit risk during 2022 and 2021.

(c) 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 manages liquidity risk through the management of its capital structure. Accounts payable, accrued liabilities, interest payable, promissory notes and current portion of long-term debt are due within the current operating period.

The Company's expected sources of cash flow in the upcoming year are equity financings. The Company will require additional cash to finance operations. There have been no changes to how management manages liquidity risk during 2022 and 2021.

MONARCA MINERALS INC.
Management's Discussion & Analysis
For the Year Ended November 30, 2022

Financial Risk Management - continued

(d) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has cash balances maintained in Canada. The Company's current policy is to invest excess cash in GICs issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company's interest-bearing debt is at a fixed interest rate and is therefore not impacted by changes in interest rates.

(e) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not actively manage this risk as it is considered a low risk area given the Company is not a producing entity.

(e) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

- Based on the net exposures as at November 30, 2022 (as seen in Note 14(a)), and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso and US dollar would not result in a material change to the Company's loss.
- Price risk is remote since the Company is not a producing entity.
- A change in interest rates of 1% would result in a corresponding change in net loss for the year of approximately \$9,143 based on the cash balance at November 30, 2022.

Outstanding Share Data

Authorized Capital:

An unlimited number of common shares and an unlimited number of preferred shares issuable in series issued and outstanding as at November 30, 2022 are 125,554,606 common shares and March 29, 2023 are 126,554,606 common shares.

The following options are outstanding at November 30, 2022 and March 29, 2023:

Number of Options	Exercise Price (\$)	Expiry Date
1,250,000	0.075	July 28, 2024
4,650,000	0.085	November 11, 2025

The following warrants are outstanding at November 30, 2022 and March 29, 2023:

Number of Warrants	Exercise Price (\$)	Expiry Date
55,900,000	0.075	May 9, 2022

Risks and Uncertainties

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

The Company currently has no revenues from operations and no mineral reserves. The Company also has a low cash balance. If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. The only sources of future funds presently available to the Company are the sale of additional equity capital, issuance of debt, selling or leasing the Company's interest in a property or the entering into joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Company's capital resources are largely determined by the strength of the junior resource market and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There is no assurance that the Company will be successful in raising additional funds in the future. If the Company does not have the necessary capital to meet its obligations under its contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Company does not have sufficient funds to pursue its exploration programs, the viability of the Company could be jeopardized.

Beyond exploration and funding risk, the Company is faced with a number of other risk factors as detailed in this annual MD&A.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.