

**SOMA GOLD CORP.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## **BACKGROUND**

This management's discussion and analysis ("MD&A") of financial position and results of operations is prepared as of November 17, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Soma Gold Corp. (the "Company" or "Soma") for the three and nine months ended September 30, 2022 and 2021 and the audited consolidated financial statements for the years ended December 31, 2021 and 2020 as presented in accordance with International Financial Reporting Standards. The Company's reporting currency is Canadian dollars, and all amounts are expressed in Canadian dollars unless otherwise stated.

Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING INFORMATION**

This MD&A contains certain statements that may constitute "forward-looking statements". All statements, other than statements of historical fact, included herein, including but not limited to, statements regarding future anticipated mineral production or property acquisitions, the nature of future anticipated exploration programs and the results thereof, discovery and delineation of mineral resources/reserves, business and financing plans and business trends, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market for, and pricing of, any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, the Company's inability to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks and uncertainties identified herein under "Risks and uncertainties".

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in any of those forward-looking statements. For this reason, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant fluctuations in the price of the Company's securities and render it difficult or impossible for the Company to raise any additional funds, if required.

## **DESCRIPTION OF BUSINESS**

The Company is a natural resource company engaged in the business of acquiring, exploring, developing and operating mining properties in South America. The Company was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). Soma trades on the TSX Venture Exchange under the symbol "SOMA" and on the OTCQB Venture Market under the symbol "SMAGF".

The Company's principal operation is the El Bagre Gold Mining Complex ("El Bagre") which consists of an operating gold processing plant (the "El Bagre Mill"), the La Ye and Los Mangos operating underground gold mines and the Cordero underground mine development project. El Bagre is located approximately 170 kilometers northeast of Medellin in the department of Antioquia, Colombia.

## **CORPORATE HIGHLIGHTS**

VP Exploration Appointed – In September 2022, the Company announced that Chris Buchanan, an experienced structural geologist, had been appointed the Vice-President of Exploration to lead the Company's aggressive multi-year exploration program.

Union Strike – In September 2022, the Company announced that its unionized employees went on strike beginning on September 16<sup>th</sup>. The strike was resolved on September 29<sup>th</sup> – resulting in approximately 3weeks of lost production.

Warrants exercised – In July 2022, the Company announced that virtually all (99.98%) of the expiring \$0.25 warrants were exercised. This includes 24,645,002 warrants for proceeds of \$6.2 million in the current year.

Brazil Properties Optioned to Ero Copper Corp. ("Ero") – In March 2022, the Company announced that it had optioned its Tucuma Project in Brazil to Ero. Option terms include staged cash payments of USD\$450,000 and exploration expenditures of USD\$1,700,000 with a final option payment of up to USD\$6,000,000 in cash or Ero shares.

New Resource Estimate Planned – In February 2022, the Company announced that it is engaging SLR Consulting to complete a new NI 43-101 Technical Report and Resource Estimate to reflect ~60,000 meters of drilling that has been completed since the previous report. The Company plans to issue the report in Q4 of 2022.

First Tranche of Offtake Agreement Complete – In February 2022, Soma announced that it had completed the first tranche of its offtake agreement – paying 12% of the first 24,500 ounces delivered. The second tranche of 6% on the next 22,000 ounces is expected to be completed in 2022. The change in offtake percentage from 12% to 6% equates to approximately \$200,000 in monthly cash savings at our 2021 production levels.

Operadora Receives Environmental Award – In December 2021, the Company announced that Operadora received an award for environmental sustainability from Antioquia's environmental authority, CORANTIOQUIA. The award recognizes the Company's efforts to go beyond the current legal regulations and to implement the highest level of environmental practices.

First Cordero Ore Being Milled – In September 2021, the Company announced that the first ore from the Cordero Mine was processed at the Company's El Bagre Mill in August 2021.

Fenix Portal Reaches Target Veins – In July 2021, the Company announced that the Fenix Portal at the Cordero deposit had reached the targeted vein at Level 2. Subsequently, the decline reached levels 3 and 4 and is currently being extended to intersect the target veins at Level 5.

COVID Vaccinations – In July 2021, the Company announced that it is participating in a program initiated by leading Colombian companies in cooperation with the Colombian Government to provide Covid-19 vaccinations to its employees working at the Company's El Bagre mine site and their families. The program includes acquiring, importing and administering the COVID vaccines at a clinic in El Bagre.

OTCQB Listing - In March 2021, the Company announced that it had upgraded its US listing to the OTCQB Venture Market and started trading under the symbol: OTC: SMAGF. The upgraded listing provides increased access to and liquidity of Soma's shares for US-based investors.

## OPERATING SUMMARY

### El Bagre Project

The El Bagre Mill has a capacity of approximately 450 tonnes per day (“tpd”) and has historically produced up to 20,000 ounces of gold doré annually. Soma’s existing El Limon and Zara projects are adjacent to El Bagre, and management believes that El Bagre’s mineralized trend extends onto the El Limon property.

Soma is currently mining at the La Ye and Los Mangos underground gold mines and at the Cordero underground mine development project (“Cordero”). The Company anticipates that La Ye and Los Mangos will be decommissioned in early 2023 as their mineable ore will be exhausted. Development at Cordero is well advanced, and the Company anticipates it will achieve commercial production in Q1 2023. Ore from Cordero will then fully replace mill feed from La Ye and Los Mangos (at a higher average grade). The Company also plans on restarting the El Limon Mill as total mining production warrants. The two mills have a combined capacity of 675 tpd and are fully permitted to a combined capacity of 1,400 tpd to accommodate future growth.

For the three months ended September 30, 2022, Soma sold 5,494 (2021 – 5,048) gold equivalent ounces<sup>(1)</sup> at an average realized price<sup>(2)</sup> of CAD\$2,254 (2021 – \$2,280) per ounce. For the nine months ended September 30, 2022, Soma sold 17,312 (2021 – 13,264) gold equivalent ounces at an average realized price of CAD\$2,342 (2021 - \$2,264). Summary production data for recent periods is as follows:

<b>2022</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Year-To-Date</b>
Tonnes mined	44,972	34,904	28,667	108,543
Tonnes milled	42,180	35,277	30,087	107,544
Gold equivalent ounces sold <sup>(1)</sup>	4,235	7,583	5,494	17,312
Average realized price per ounce <sup>(2)</sup>	2,368	2,392	2,254	2,342

<b>2021</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Total</b>
Tonnes mined	31,049	31,082	38,204	35,910	136,245
Tonnes milled	30,237	31,032	35,291	37,307	133,867
Gold equivalent ounces sold <sup>(1)</sup>	4,414	3,802	5,048	4,736	18,000
Average realized price per ounce <sup>(2)</sup>	2,258	2,250	2,280	2,289	2,271

<b>2020<sup>(3)</sup></b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Total</b>
Tonnes mined	-	12,915	33,267	29,214	75,396
Tonnes milled	-	12,028	36,920	29,392	78,340
Gold equivalent ounces sold <sup>(1)</sup>	-	707	4,389	4,386	9,482
Average realized price per ounce <sup>(2)</sup>	-	2,303	2,573	2,413	2,473

- (1) Gold equivalent (“AuEq”) ounces include silver ounces produced and sold and converted to a gold equivalent based on the spot market price. The silver content accounts for approximately 2-3% of the total gold equivalent ounces.
- (2) Average realized price per ounce is a “Non-IFRS Financial Performance Measure” and readers should refer to that section of this Management’s Discussion and Analysis for a description of this measurement.
- (3) In the comparable 2020 periods disclosed above, results reflect gold production from June 2020 onwards, after the purchase of the El Bagre Gold Mining Complex on May 28, 2020 and also exclude 475 ounces of gold that were stolen in a robbery in June 2020. Investors are cautioned that these factors significantly impact the comparability of those periods.

The NI 43-101 Technical Report on the El Bagre Operations and the Nechi Project, Department of Antioquia, Colombia (the “Technical Report”), by Roscoe Postle Associates, Inc. (“RPA”) of Toronto, Canada was filed on SEDAR (www.sedar.com) and on the Company’s website on June 4, 2020. The Technical Report had an effective date of July 31, 2019, and estimated that as at December 31, 2018:

- Proven and Probable Mineral Reserves at El Bagre/Nechi were 318,500 tonnes at 5.9 g/t gold (60,800 ounces);
- Measured and Indicated Mineral Resources at El Bagre/Nechi were 382,000 tonnes at 5.2 g/t gold (64,000 ounces gold); and

- Inferred Mineral Resources at El Bagre/Nechi were 543,000 tonnes at 6.2 g/t gold (107,000 ounces).

Management has engaged SLR Consulting to prepare a revised resource estimate and technical report that is anticipated to be completed in the fourth quarter of 2022.

## KEY OPERATING AND FINANCIAL STATISTICS

The key operating and financial data for the three and nine months ended September 30, 2022 and 2021 are as follows:

*In Canadian dollars unless otherwise noted.*

		Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Operating data</b>					
Ore mined	t	28,667	38,204	108,543	100,335
Ore milled	t	30,087	35,291	107,544	96,560
Gold Grade	g/t Au	6.45	5.08	5.66	4.84
Recovery	%	87.9%	86.6%	87.3%	87.0%
Gold ounces produced	oz.	5,482	5,031	17,124	13,129
Silver ounces produced	oz.	8,474	11,374	30,278	33,249
Gold ounces sold	oz.	5,429	4,943	17,060	12,933
Silver ounces sold	oz.	8,214	10,932	29,592	32,147
<b>Financial data</b>					
Revenue	\$	12,107,696	11,258,071	39,657,907	29,370,392
Income from mine operations	\$	4,127,801	4,965,255	16,327,295	9,715,001
Income for the period	\$	316,490	1,101,214	2,424,406	319,638
Per share - basic	\$/share	0.00	0.02	0.03	0.01
EBITDA <sup>(1)</sup>	\$	3,618,006	4,024,619	13,944,606	8,296,038
Adjusted EBITDA <sup>(1)</sup>	\$	3,813,944	4,331,016	14,968,430	8,690,187
Per share - basic <sup>(1)</sup>	\$/share	0.04	0.07	0.18	0.14
Total cash costs <sup>(1)</sup>	USD \$/oz	990	884	927	1,072
Average realized price <sup>(1)</sup>	USD \$/oz	1,726	1,810	1,826	1,809
Average realized cash margin <sup>(1)</sup>	USD \$/oz	737	925	898	738

(1) Refer to the "Non-IFRS Financial Performance Measures" section for a reconciliation of these amounts.

### El Bagre - Cordero Mine Construction

Construction of the primary portal and decline to the new Cordero deposit (the Fenix Portal) continues and the Company announced on February 10, 2022, that ore was being mined from the first production stopes. The decline accesses the veins at levels 2, 3 and 4 and is currently being extended to Level 5.

Construction has also commenced on the Athena Portal which will access the southern areas of the Cordero deposit. Athena has reached Level 2 and is being continued on to Level 3. The Athena and Fenix Portals will eventually be connected underground at both Level 2 and Level 3. Athena will utilize a hoist for lower haulage costs and provide a secondary access to increase safety.

The Company anticipates Cordero reaching its initial production target of approximately 450 TPD at an average head grade of 6.5 grams per tonne ("gpt") in Q1 of 2023 – fully supplying the El Bagre mill. Subsequent to this first milestone, the Company intends to continue ramping up production to 600 TPD which will allow Soma to restart the El Limon mill.

## **El Bagre – Cordero Drilling**

On December 9, 2020, February 4, 2021, March 18, 2021 and November 3, 2021, the Company announced results from a total of 35 DDH's, totaling 8,546 meters. This phase of the program focused on infill drilling and testing down dip of the deposit's current resources. Highlight intersections included:

- 8.10 g/t gold over 2.00m starting at a depth of 196.5m (BCDDH\_20\_094)
- 13.47 g/t gold over 1.50m starting at a depth of 213.0m (BCDDH\_20\_096)
- 38.90 g/t gold over 0.30m starting at a depth of 212.85m (BCDDH\_20\_100)
- 12.45 g/t gold over 2.30m starting at a depth of 201.4m (BCDDH\_21\_105)
- 8.12 g/t gold over 2.40m starting at a depth of 217.2m (BCDDH\_21\_106)

The Cordero drilling campaign extended the northern block by 600m and down to a depth of 325m. The mineralized trend is now 1,500m long and still open to the north and down-dip. A new resource estimate incorporating this drilling is anticipated to be released in Q4 of 2022.

Drilling costs at Cordero average US\$50 per meter.

## **El Bagre – Offtake Agreement**

On September 9, 2020, the Company entered into an offtake agreement (“the Offtake Agreement”) with Nueva Granada Gold Corp (“NG”) and a purchase and refining agreement with MVPR International Incorporated (“MVPR”), a wholly owned subsidiary of NG, for the mineral production from Operadora’s operations. The value of the Offtake Agreement was US\$5.0 million. Under the Offtake Agreement, the Company pays MVPR a percentage of the value of gold mined at Operadora as follows:

- 12% on the first 24,500 gold ounces delivered (completed in January 2022)
- 6% on the next 22,000 gold ounces delivered (expected to be completed in Q4-2022), and
- 1% on the gold ounces delivered until the end of production

The offtake obligation encompasses only gold mined on existing Operadora mining titles and is not applicable to the company’s other properties.

An effective interest rate of 34% was used to estimate the present value of the offtake obligation, which is recorded on the statement of financial position as deferred revenue.

For the three and nine months ended September 30, 2022 the Company delivered 5,429 and 17,060 ounces of gold respectively (2021 – 4,419 and 12,407 respectively) under the Offtake Agreement. For the three and nine months ended September 30, 2022, the delivery of the gold resulted in a decrease in deferred revenue of \$744,972 and \$2,569,893 respectively (2021 - \$1,203,105 and \$3,365,033 respectively).

The Company completed the first (12%) tranche of the Offtake Agreement in January 2022 and anticipates completing the second (6%) tranche in the current year.

## **Nechi Exploration Project**

The Company owns 100% of the Nechí Gold Project (“Nechi”), which itself is comprised of the El Catorce, Santa Elena, and Santa Maria gold exploration projects. The properties are subject to NSR royalties totaling 2.0%. The Nechi Project is located approximately 25 kilometers north of El Bagre in Antioquia, Colombia.

The El Catorce and Santa Elena deposits can be reached through existing declines, with a total of 2,100 meters of previously completed underground development work providing access to these deposits. Mineral resources on Nechi are included in the Technical Report referenced above.

### **El Limon Project**

The El Limon Project (“El Limon”) is adjacent to the El Bagre Project, and the two mills are approximately 10 kilometers apart. El Limon includes a past producing underground mine and a gold processing plant with a capacity of approximately 225 tpd. The plant is permitted to process up to 400 tpd to allow for future expansion. The El Limon mine and mill have both operated sporadically during the past several years and the Company is planning on restarting the mill when the Company’s overall production in the district, including from the El Bagre complex, warrants. The mine is subject to a 3% NSR royalty on gold mined on the El Limon mineral licenses, to a maximum of US\$2,000,000. Upon reaching the US\$2,000,000 NSR royalty threshold, the NSR royalty decreases to 0.5% up to a maximum of US\$1,000,000.

Soma has formalized agreements with three of the (formerly illegal) small miners on the El Limon Project and anticipates formalizing additional miners in the future. This allows them access to modern mining and processing technologies, including eliminating the need to use mercury to extract gold. These small miners will provide some of the feed for the El Limon mill.

### **El Limon – Drilling**

On March 24, 2021, the Company announced the results from a total of 4 DDH’s, totaling 1,480 meters. The program was designed to test the down dip continuity of the historic high-grade El Limon vein, and successfully demonstrated that mineralization continues into the footwall of the Victoria Fault – historically, considered the down dip limit of mineralization.

Hole LDDH\_20\_04 had two significant intersections:

- 50.40 g/t gold over 0.60m starting at a depth of 358.3m
- 23.00 g/t gold over 0.30m starting at a depth of 397.9m

In 2021, a total of 2,615 meters of drilling was completed at El Limon to test the down dip continuity of the mineralization.

### **Zara Exploration Project**

The Company owns 100% of the Zara Exploration Project (“Zara”), excluding non-metallic minerals. Zara is contiguous with the El Bagre and El Limon Projects, and together they form a highly prospective concession package totaling over 29,000 Ha. Zara is subject to a 2% NSR royalty.

The Company has outlined a number of priority exploration targets along the 7 km Estrella-Diamantina mineralized trend. Within this trend high priority exploration targets include (north to south):

- Estrella
- Limon
- Alacran-Diamantina

On April 20, 2021 and August 4, 2021 and May 17, 2022 the Company announced results from drilling along a 1.4 km section on the southern portion of the Estrella-Diamantina trend. A total of 14,450m of diamond drilling has been completed in 52 holes. Highlight intercepts include:

- ADDDH-21-02 intersected 13.85 g/t gold over 0.75m starting at a depth of 105.2m.
- ADDDH-21-33 intersected 80.20 g/t gold over 0.40m starting at a depth of 188.7m.
- ADDDH-21-46 intersected 18.35 g/t gold over 0.76m starting at a depth of 143.3m.

In addition to the drilling program, the Company completed a systematic underground channel sampling program of the vein being mined at the historic Diamantina Mine. Channel samples within the mine averaged 13.25g/t Au over 0.43m. Detailed channel sampling results were reported on April 4, 2020, August 4, 2021 and February 10, 2022.

This exploration has outlined a continuous mineralized zone with dimensions of 500m along strike and 250m down-dip, centered around the historic Diamantina Mine. Drilling results and underground channel sampling from inside the Diamantina Mine, indicate vein continuity with high-grade values and suggest that the vein structure is open along strike to the south and down-dip

Further south on the Zara property additional prospective targets have been identified, including (north to south):

- Porquera (including the Primavera and Amada small mines)
- Limoncito (including the Clarita, Nueva Clarita, Upper Limoncito and Limoncito small mines)
- Cañon de Rojas (including the El Muro small mine)

On June 10, 2021, the Company announced results from channel sampling at the Upper Limoncito and El Muro Mines. Nineteen channel samples were taken from Level 1 at the Upper Limoncito Mine. Five of the samples returned grades in excess of 5 g/t to a maximum of 22.6 g/t over widths of 0.40m to 0.90m. Fourteen channel samples were taken from Level 1 at the El Muro Mine. Five of the samples returned grades in excess of 5 g/t to a maximum of 16.7 g/t over widths of 0.50m to 0.80m.

On January 10, 2022, the Company announced results from 29 channel samples taken at the Primavera Mine. 25 of the samples returned results in excess of 10 g/t to a maximum of 99 g/t over widths ranging from 0.15m to 1.0m.

### **Exploration Plans**

In 2022, the Company is planning to complete 10,000 meters of diamond drilling on its prospective land package, primarily on the priority targets discussed above.

In 2023, the Company is planning additional diamond drilling on both exploration and near-mine targets. In addition, an airborne geophysics program to assist in identifying potentially mineralized structures and a soil/stream sediment sampling program to identify new exploration targets on the broader land package is also being planned.

### **Tucuma Exploration Project (Brazil)**

The Company owns 100% of the Tucuma Exploration Project (“Tucuma”) copper/gold exploration project, located in the Carajas metallogenic province in the State of Pará, Brazil. The Tucuma Project is held in the Company’s 100% owned subsidiary Angra Metals Mineracao Ltda. (“Angra”). In March 2022, the Company announced that it had optioned Tucuma to Ero Copper Corp. (“Ero”). Ero can acquire a 100% interest in the Project by completing the following:

- a. Cash payments of:
  - US\$250,000 on signing the agreement (completed)
  - US\$100,000 on or before five business days after September 6, 2023
  - US\$100,000 on or before five business days after September 6, 2024
- b. Complete exploration expenditures of:
  - US\$1,200,000 on or before September 6, 2023
  - US\$250,000 on or before September 6, 2024
  - US\$250,000 on or before September 6, 2025

- c. Make a final option payment of US\$6,000,000 in cash or common shares in the event that Soma has exercised the Buy-Back Option (defined below), or US\$3,000,000 in cash or common shares in the event that Soma has failed to exercise the Buy-Back Option, on or before September 6, 2025.

Soma entered into a separate agreement with the former owners of certain mining rights within the Project providing Soma an option (the “Buy-Back Option”) to acquire the former owners’ existing 1% net smelter returns royalty (“NSR”) and to extinguish the former owners’ right to a US\$3,000,000 payment due upon commencement of commercial production. Soma can exercise the Buy-Back Option by issuing to the former owners an initial 250,000 common shares of Soma within 30 days of the execution of the Buy-Back Option agreement (completed) and issuing an additional 250,000 common shares of Soma within three years of the execution of the Buy-Back Option agreement.

Upon Soma having exercised the Buy-Back Option and Ero having exercised the Option to acquire a 100% interest in and to the Properties, Soma will be entitled to receive a 1.5% NSR, subject to Ero retaining the exclusive right and option to repurchase a 1.0% NSR by paying to Soma US\$1,000,000 by the third anniversary after the date on which Ero publicly announces a construction decision on the Properties.

Mr. Chris Buchanan, P. Geo., is Soma’s Vice-President of Exploration and a Qualified Person as defined by National Instrument 43-101. Mr. Buchanan has reviewed and approved the technical information disclosed in this MD&A.

## FINANCIAL RESULTS

The following table contains quarterly information derived from the Company’s condensed interim consolidated financial statements.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Revenues	12,107,696	11,258,071	39,657,907	29,370,392
Cost of sales	(7,979,895)	(6,292,816)	(23,330,612)	(19,655,391)
Earnings from mine operations	4,127,801	4,965,255	16,327,295	9,715,001
Income for the period	316,490	1,101,214	2,424,406	319,638
Earnings per common share				
Basic	0.00	0.02	0.03	0.01
Diluted	0.00	0.02	0.03	0.00
Total cash	3,292,089	755,541	3,292,089	755,541
Total assets	50,458,199	34,353,601	50,458,199	34,353,601
Total non-current liabilities	27,145,143	21,970,615	27,145,143	21,970,615

### Three months ended September 30, 2022 compared to three months ended September 30, 2021

The following is an analysis of the significant variances between the three months ended September 30, 2022 and 2021.

For the three months ended	September 30, 2022 \$	September 30, 2021 \$	
Revenues	12,107,696	11,258,071	Revenues were higher by \$849,625 in the current quarter as 5,429 ounces of gold were sold vs 4,943 ounces in the comparative quarter. Generally, higher grades in the current quarter would have yielded an even greater increase than this, but a two-week mine strike resulted in September 2022 production being approximately 50% of expected ounces.
Cost of sales	7,979,895	6,292,816	Cost of sales have generally been increasing from the prior year comparative periods as production increased and as development work continued at Cordero. Additionally, inflation and supply chain issues in Colombia are causing some cost pressures as they are in other jurisdictions. In Colombia this has been offset to a significant degree by the devaluation of the Colombian peso vs. the USD and CAD. In the current quarter, cost of sales are higher in relation to production due to the effects of the strike – many costs continue to be incurred during a short strike and there are inefficiencies with stopping and restarting operations.
Investor relations	81,756	138,747	Investor relations decreased by \$56,991 from the comparative quarter last year as certain marketing initiatives were discontinued in 2022.

### Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

The following is an analysis of the significant variances between the nine months ended September 30, 2022 and 2021.

For the six months ended	June 30, 2022 \$	June 30, 2021 \$	
Revenues	39,657,907	29,370,392	Revenues were higher in the current period as ore from Cordero resulted in improving grades and marginally increased mill throughput leading to higher overall gold sales.
Cost of sales	23,330,612	19,655,391	Cost of sales were 19% higher in the current period as gold ounces produced also increased significantly from 8,098 to 11,642 ounces (44%). Additionally, inflation and supply chain issues in Colombia are causing some cost pressures as they are in other jurisdictions. In Colombia this has been offset

			to a significant degree by the devaluation of the Colombian peso vs. the USD and CAD.
Professional and consulting fees	694,322	473,472	Professional and consulting fees have increased from the comparative period due to increased activity associated with the construction of the Cordero mine and work on a revised 43-101 report.
Share-based compensation	476,664	188,227	Share-based compensation increased significantly compared to the comparative period as there were 1,762,000 options granted in the current period vs 765,000 options granted in the comparative period.
Investor relations	162,856	263,560	Investor relations decreased by \$100,560 from the comparative period last year as certain marketing initiatives were discontinued in 2022.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out financial information for the past eight quarters:

Three Months Ended	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenues	12,107,696	17,743,251	9,806,960	10,595,784	11,258,071	8,366,744	9,745,577	10,403,239
Income from mine operations	4,127,801	8,034,147	4,165,347	2,644,291	4,965,255	1,794,785	2,954,961	3,492,099
Income (Loss)	316,490	1,855,467	252,449	(1,537,143)	1,101,214	(1,138,995)	357,420	10,578,903
EPS Basic	0.00	0.02	0.00	(0.02)	0.02	(0.02)	0.01	0.17
EPS Diluted	0.00	0.02	0.00	(0.02)	0.02	(0.02)	0.00	0.15

Revenues and income from mine operations jumped significantly in Q2-2022 as more ore from the Company's new Cordero mine was processed. Cordero gold grades are significantly higher than those at the current La Ye and Los Mangos mines and revenues are expected to gradually increase as the Cordero mine ramps up production and replaces La Ye and Los Mangos as the primary source of mill feed to the El Bagre mill. Revenue dipped during Q3-2022 as a result of the two week mine strike and ramp up time to return to normal operations, impacted production. The strike was resolved in late September and production/revenue should recover in Q4. Future revenues will, however, be highly sensitive to prevailing market prices for gold and on actual gold grades mined.

Income (loss) has also been highly variable, primarily due to a variety of non-recurring items. The income in Q4 of 2020 was exceptionally high as the Company recorded a bargain purchase gain on its Operadora purchase of \$7.1 million and a gain from debt extinguishment of \$4.8 million.

## NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has included certain non-IFRS measures in this MD&A. The Company believes that these measures, in addition to measures prepared in accordance with IFRS, provide readers an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to similar measures presented by other issuers.

## EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before interest, income tax provision, depreciation and amortization. Adjusted EBITDA also adjusts for non-cash items like share-based compensation and other components that management considers to be non-recurring. Both EBITDA and Adjusted EBITDA are non-GAAP financial measures. Management believes these measures are valuable indicators of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures. Management uses the measures for this purpose. It is intended to provide additional information to investors and analysts. They do not have any standardized definitions under IFRS and should not be considered in isolation or as a substitute for measures of operating performance prepared in accordance with IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently.

The following table reconciles these non-IFRS measures to the most directly comparable IFRS measure disclosed in the financial statements:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
<b>Income (loss) for the period</b>	316,490	1,101,213	2,424,406	319,638
Finance costs	1,280,711	1,393,963	3,891,038	4,016,315
Current and deferred income taxes	1,163,595	974,311	5,050,615	2,365,532
Depreciation expense	857,210	555,131	2,578,547	1,594,553
<b>EBITDA</b>	<b>3,618,006</b>	<b>4,024,618</b>	<b>13,944,606</b>	<b>8,296,038</b>
Loss on revaluations	15,318	62,528	81,906	161,716
Foreign exchange (gain) loss	177,772	232,326	465,254	44,206
Share-based compensation	2,848	11,543	476,664	188,227
<b>Adjusted EBITDA</b>	<b>3,813,944</b>	<b>4,331,015</b>	<b>14,968,430</b>	<b>8,690,187</b>

## Total Cash Costs

Total cash costs is a common financial performance measure in the gold mining industry but has no standard meaning. The Company reports total cash costs on a gold ounce sold basis. The Company believes that, in addition to measures prepared in accordance with IFRS, such as revenue, certain readers can use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include cost of sales such as mine, plant and mine general and administrative costs less noncash depreciation and silver revenue divided by gold ounces sold to arrive at total cash costs per ounce of gold sold. Other companies may calculate this measure differently. The following table reconciles this non-IFRS measure to the most directly comparable IFRS measure disclosed in the financial statements.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Gold ounces sold	5,429	4,943	17,060	12,933
<b>Total cash costs reconciliation</b>				
Cost of sales	7,979,895	6,292,816	23,330,612	19,655,391
Less: non-cash costs	(821,657)	(552,914)	(2,459,589)	(1,579,756)
Less: Silver revenue	(141,830)	(231,598)	(576,186)	(728,969)
<b>Total cash costs</b>	<b>7,016,408</b>	<b>5,508,304</b>	<b>20,294,837</b>	<b>17,346,666</b>
<b>Total cash costs per ounce of gold sold</b>	<b>1,292</b>	<b>1,114</b>	<b>1,190</b>	<b>1,341</b>
<b>Total cash costs (USD)</b>	<b>5,374,087</b>	<b>4,371,670</b>	<b>15,820,734</b>	<b>13,862,915</b>
<b>Total cash costs per ounce of gold sold (USD)</b>	<b>990</b>	<b>884</b>	<b>927</b>	<b>1,072</b>

## Average Realized Price and Average Realized Cash Margin

Average realized price and average realized cash margin per ounce of gold sold are used by management and readers to better understand the gold price and cash margin realized throughout a period. Average realized price is calculated as revenue from precious metal sales plus treatment and refining charges less silver revenue divided by gold ounces sold. Average realized cash margin represents average realized price per gold ounce sold less total cash costs per gold ounce sold.

The following table reconciles these non-IFRS measures to the most directly comparable IFRS measures disclosed in the financial statements.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Revenue	12,107,696	11,258,071	39,657,907	29,370,392
Add: Treatment charges	269,704	245,614	878,436	640,793
Less: Silver revenue	(141,830)	(231,598)	(576,186)	(728,969)
Gold revenue	12,235,570	11,272,086	39,960,157	29,282,216
Gold ounces sold	5,429	4,943	17,060	12,933
<b>Average realized price</b>	<b>2,254</b>	<b>2,280</b>	<b>2,342</b>	<b>2,264</b>
Less: Total cash costs per ounce of gold sold	(1,292)	(1,114)	(1,190)	(1,341)
<b>Average realized cash margin per ounce of gold sold</b>	<b>962</b>	<b>1,166</b>	<b>1,152</b>	<b>923</b>
<b>Average realized price (USD)</b>	<b>1,726</b>	<b>1,810</b>	<b>1,826</b>	<b>1,809</b>
Less: Total cash costs per ounce of gold sold (USD)	(990)	(884)	(927)	(1,072)
<b>Average realized cash margin per ounce of gold sold (USD)</b>	<b>737</b>	<b>925</b>	<b>898</b>	<b>738</b>

## Working Capital

Working capital is defined as current assets less current liabilities and provides useful information to management and readers about the liquidity of the Company. The following table reconciles this non-IFRS measure to the most directly comparable IFRS measure disclosed in the financial statements.

	September 30, 2022	December 31, 2021
	\$	\$
Current assets	16,746,117	9,834,333
Current liabilities	16,311,547	13,485,050
<b>Working capital</b>	<b>434,570</b>	<b>(3,650,717)</b>

## LIQUIDITY AND CAPITAL MANAGEMENT

The Company's objectives when managing liquidity and capital are to safeguard the Company's ability to continue as a going concern so that it can support its operating, development and exploration plans and provide returns for shareholders and benefits for other stakeholders and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable level of risk.

The Company regularly prepares and uses budgets and cash flow forecasts and monitors them against actual results to ensure it has sufficient cash to meet operational costs, planned capital investments, scheduled debt repayments and other commitments. In the management of capital, the Company includes components of debt instruments and shareholders' equity. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets.

The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2022.

As at September 30, 2022, the Company had cash of \$3,292,089 (December 31, 2021 - \$251,612) and working capital of \$434,570 (December 31, 2021 – negative working capital of \$3,650,717). During the three and nine months ended September 30, 2022 Soma generated income from mine operations of \$4,127,801 and \$16,327,295 respectively (2021 - \$4,965,255 and \$9,715,001 respectively) and net income of \$316,490 and \$2,424,406 respectively (2021 – \$1,101,214 and \$319,638 respectively). Management anticipates that cash flows from operations are sufficient to fund operations, as well as other planned commitments currently estimated for 2022 and 2023.

In addition to the Offtake Agreement that was previously discussed in the Operating Summary section, the following items had a significant impact on the liquidity and capital resources of the Company during the current period:

**a) Cordero Construction**

During the three and nine months ended September 30, 2022 the Company spent \$2,441,375 and \$7,072,489 respectively on Cordero development costs (2021 - \$2,071,165 and \$4,331,017 respectively).

**b) Equipment Financing**

During the three months ended September 30, 2022, the Company purchased underground mining equipment with a net book value of \$3,649,593. Outstanding loans associated with this purchase totaled \$3,565,333 at September 30, 2022. There were no similar transactions in 2021.

**c) Warrant Exercises**

During the nine months ended September 30, 2022, 24,645,002 (2021 – 3,527,888) warrants were exercised for proceeds of \$6,161,251 (2021 – \$881,971).

**RELATED PARTY TRANSACTIONS**

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment unless otherwise stated. Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties.

The Company paid or accrued remunerations to its directors and officers during the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Staffing and management costs	277,773	262,580	823,307	740,963
Share-based compensation	8,474	14,114	474,074	164,114
	<b>286,247</b>	<b>276,694</b>	<b>1,297,381</b>	<b>905,077</b>

For the three and nine months ended September 30, 2022 the Company also paid \$25,860 and \$73,680 (2021 - \$24,000 and \$72,000 respectively) of office rent respectively to a Company controlled by a director.

**a) Subordinated Note**

The Company has an outstanding ten-year Subordinated Note with a face value of \$21,604,781 owing to Conex Services Inc. (“Conex”), a company owned by a director. The interest rate of the Subordinated Note is 12%, compounded quarterly. Principal and interest are repayable to Conex four years after the agreement date, beginning August 1, 2024. At inception, management used an effective interest rate of 18% to estimate the present value of the Subordinated Note at \$14,539,366.

For the nine months ended September 30, 2022, \$315,755 (2021 – \$140,990) of accretion and \$2,362,876 (2021 – \$2,099,386) of interest was expensed as finance costs in the statements of income (loss). The outstanding face value of the Subordinate Note, including accrued interest, as at September 30, 2022 was \$27,917,136 (December 31, 2021 - \$25,554,259).

	September 30, 2022 \$	December 31, 2021 \$
<b>Opening balance</b>	<b>18,735,319</b>	<b>15,670,001</b>
Interest and accretion	2,678,631	3,065,318
<b>Closing balance</b>	<b>21,413,950</b>	<b>18,735,319</b>

## b) Other Balances and Transactions

- At September 30, 2022, there is \$nil in notes receivable from an executive of the Company (December 31, 2021 - \$31,944). The note carried an interest rate of 2.5% per annum, compounded monthly, and had a three-year term. For the six months ended June 30, 2022 interest revenue of \$267 (2021 - \$Nil) was recorded in the statements of income related to the note receivable. The note receivable was retired in April of 2022.
- At September 30, 2022, there is \$18,931 in trade payables and accrued liabilities owing to executives and directors of the Company (December 31, 2021 - \$66,060).
- At September 30, 2022, there is \$23,252 in trade payables and accrued liabilities owing to a private company owned by a director of the Company (December 31, 2021 - \$23,252).
- At September 30, 2022, there is \$nil due under a promissory note to a private company owned by a director (December 31, 2021 - \$404,507). The promissory note carried interest at a rate of 0.3% per month, compounded monthly. For the nine months ended September 30, 2022, interest expense of \$493 (2021 - \$Nil) was recorded in the statements of income related to the promissory note. The promissory note was repaid in January 2022.

## PROPOSED TRANSACTIONS

There are no material proposed transactions that have not been disclosed.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RISKS AND UNCERTAINTIES

### Financial risk management

The Company's activities expose it to a variety of financial risks including interest rate risk, credit risk, liquidity risk, foreign currency risk and price risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the officers of the Company and discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash; however, the risk is minimal because of their short-term maturity. All of the Company's interest-bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

**b) Credit risk**

Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk arises from cash and trade receivables. The Company mitigates this risk by placing its cash in large reputable financial institutions. The Company considers the credit risk related to cash to be minimal.

The largest component of the Company's trade and other receivables is related to income taxes or value-added taxes receivable due from countries in which the Company operates (principally Colombia). The Company considers the credit risk for these receivables to be low. There are also amounts owing related to trade receivables, employee allowances receivable, and other receivables. The maximum exposure for these categories of receivables are their carrying amounts as disclosed in Note 5.

**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 has historically relied on funds generated from external financing to provide sufficient liquidity to meet budgeted operating requirements but has commenced commercial mining operations which management anticipates will be able to meet ongoing cash requirements. Management will continue to closely monitor their liquidity position and may choose to seek additional financing opportunities if warranted. The Company had cash of \$3,292,089 as at September 30, 2022 (December 31, 2021 - \$251,612).

**d) Foreign currency risk**

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains financial instruments and enters into transactions denominated in foreign currencies, principally in United States Dollars (USD) and Colombian Pesos (COP), which exposes the Company to fluctuating balances and cash flows due to various foreign exchange rates.

As at September 30, 2022, the CAD equivalent carrying amounts of the Company's USD denominated monetary assets and liabilities was \$583,064 (December 31, 2021 - \$546,783) and \$3,727,686 (December 31, 2021 - \$1,200,781), respectively. As at September 30, 2022, the CAD equivalent carrying amounts of the Company's COP denominated monetary assets and liabilities was \$9,423,020 (December 31, 2021 - \$3,961,233) and \$13,381,051 (December 31, 2021 - \$7,861,271), respectively. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

**e) Price risk**

The Company is exposed to the risk of fluctuations in prevailing market commodity prices for gold and silver which it sells into global markets. Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the price of gold would impact revenue for the period by approximately \$1,982,000 (year ended December 31, 2021 - \$1,998,000).

**f) Other risks**

The spread of COVID-19 has severely impacted economies around the globe. In many countries, including Canada, Colombia and Brazil, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, maintaining minimum distances between people, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in significant unemployment and an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening of certain sectors. Governments and central banks have responded with monetary and fiscal interventions designed to stabilize economic conditions. To date, the Company's operations have not been materially negatively affected by these events, apart from intermittent delays, and increasing costs, in particular around health and safety and housing field staff. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to

reliably estimate the duration of the impact, the severity of the consequences, nor the impact, if any, on the financial position and results of the Company for future periods.

Colombia has recently elected a new President who has announced a review of mining royalties and income taxes for companies exporting minerals. No new legislation has been introduced, but if the new administration goes through with these increased taxes and royalties, it would have a negative effect on the Company's profit.

### **Operational risks**

The Company's operational risks include economically developing their mining properties, creating market awareness for the Company, navigating and managing potential changes in governmental laws and regulations in different countries, hiring and retaining skilled employees and contractors, environmental hazards from its mining and exploration activities, industrial and occupational accidents and hazards, equipment failures, unexpected environmental conditions, failures or downtime at the mining operations due to weather or other events and human error.

The Company monitors these risks on an ongoing basis and responds to changes or actions involving the factors. The Company also seeks to adhere to all government regulations in its operations. In 2022, the COVID-19 Pandemic continues to present itself as a risk and the company has been following the guidance issued by local governments.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires the use of accounting estimates. It also requires management to exercise judgment in the process of applying its accounting policies. Estimates and judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and accounting estimates that the Company has made in the preparation of the financial statements including those that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities:

#### **Sources of estimation uncertainty:**

##### **Mineral reserves and resources**

The Company estimates its mineral reserves and resources based on information compiled and reviewed by qualified persons as defined in accordance with NI 43-101 requirements. The estimation of mineral reserves and resources requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs and recovery rates. There are uncertainties inherent in estimating mineral reserves and resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of reserves and may, ultimately, result in the reserves being revised.

Changes in the mineable ore reserves and resources available may impact the carrying value of mineral properties, exploration and evaluation properties, plant and equipment, site closure and reclamation provision, changes in the recognition of deferred tax amounts, and changes in the recognition of depreciation and depletion.

##### **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, forfeitures, volatility and dividend yield and making assumptions about them.

**Contingent consideration**

Contingent consideration arises from the 1% NSR royalty payment due on the acquisition of Operadora. The fair value is determined using a discounted cash flow estimate which requires estimating the amount and timing of future gold production, future gold prices and an appropriate discount rate.

**Decommissioning and restoration provision**

Decommissioning and restoration provision ("DRP") arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of DRPs relate to rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes a DRP at the time the environmental disturbance occurs. This requires management to make estimates of future costs the Company will incur to comply with reclamation laws and regulations, the timing of those costs, rates of inflation and an appropriate discount rate.

**Amortization of property, plant and equipment and depletion of mining interests**

Amortization rates are determined based on the estimated useful lives of the assets and depletion rates on the estimated recoverable reserves of the mineral property. If the asset life or recoverable reserves estimates differ from the initial estimates the amortization or depletion rates, as applicable, would be adjusted on a prospective basis.

**Key accounting policy judgments****Business combinations**

On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3, Business Combinations. If the assets and liabilities assumed do not constitute a business, the transaction would be accounted for as an asset acquisition. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders. The Company applied significant judgement on the assessment of the fair values of the assets and liabilities on the date of acquisition.

**Impairment and reversal of impairment of mineral properties, plant and equipment**

The application of the Company's accounting policy for impairment of mineral properties, plant and equipment requires judgment to determine whether indicators of impairment exist. The review of impairment indicators includes consideration of both external and internal sources of information, including factors such as market and economic conditions, metal prices and forecasts, capital expenditure requirements, future operating costs and production volumes.

**Impairment of exploration and evaluation assets**

The application of the Company's accounting policy for impairment of exploration and evaluation assets requires judgment to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and evaluation of the results of exploration and evaluation activities up to the reporting date.

**Functional currency**

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

**Deferred revenue**

The Company assessed the appropriate accounting treatment and the carrying value of deferred revenue, which is a commodity transaction, based on the terms of the agreement. The Company applied significant judgement on the discount rate, expected future production results, forecast metal prices and assumptions made regarding exercises of certain clauses of the agreement. "Own use" applies to contracts that were entered into to be held for the purpose of the receipt or delivery of a commodity. "Own use" contracts must result in physical delivery of the commodity and cannot be settled net in cash or through offsetting contracts. The Company applied significant judgement in determining whether "own use" applies to its offtake agreement and if the contract can be net settled in cash or offsetting contracts.

**Modification or extinguishment of financial liabilities**

The Company makes qualitative and quantitative analysis over modification or replacement of financial liability terms. The Company makes judgements over qualitative aspects to determine whether a debt instrument should be treated as a modified or extinguished financial liability. The areas of judgement are whether there has been an exchange between borrower and lender with substantially different terms; whether there has been a substantial modification of the terms of an existing financial liability; and whether if there are any revisions of the estimates of payments. The Company applied significant judgement on the discount rate used to recalculate the gross carrying amount of the amortized cost of the financial liability as the present value of estimated future contractual cash flows.

**Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**ACCOUNTING POLICIES**

The Company's significant accounting policies are described in Notes 3 and 5 to the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 and should be read in conjunction with those statements.

**NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS***New accounting standards, amendments and interpretations not yet adopted*

In May 2021, the IASB published amendments to IAS 12 - Income Taxes. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is currently assessing the effect of the amendments on its consolidated financial statements.

There are no other IFRS standards or interpretations that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

## **DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the three and nine months ended June 30, 2022 and 2021 and in this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **OUTSTANDING SHARE DATA**

The Company had the following outstanding as at Nov 17, 2022:

- 91,081,820 common shares.
- 5,399,500 stock options with exercise prices from \$0.19 to \$4.00.
- 133,332 restricted share units.
- 5,750,000 share purchase warrants with exercise prices from \$0.66 to \$2.00.