



## **CHAKANA COPPER CORP.**

**MANAGEMENT DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED MAY 31, 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**

## GENERAL

This Management Discussion and Analysis ("MD&A") of Chakana Copper Corp. (the "Corporation" or "Chakana") dated September 26, 2022, provides an analysis of the Corporation's financial results for the year ended May 31, 2022. The following information should be read in conjunction with the accompanying audited consolidated financial statements for the year ended May 31, 2022 with accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

All dollar figures are expressed in Canadian dollars, unless otherwise stated. The Corporation's consolidated financial statements and MD&A are available on [www.sedar.com](http://www.sedar.com).

## CORPORATION OVERVIEW

Chakana Copper Corp. was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada. The Corporation is a mineral exploration corporation listed on the TSX Venture Exchange ("TSX-V") under the symbol "PERU". The Corporation is currently engaged in the exploration and development of mineral properties, with prospects for copper, gold and silver in Peru.

The head office and principal address is 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada. The records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

The Corporation is currently advancing the Soledad Project near Aija in the Ancash region of the highly prolific Miocene mineral belt of Peru. The Corporation's goal is to find and advance mineral projects to an economic resource within a single commodity cycle for further development by mid-tier and/or major mining companies. The Corporation looks for de-risked projects that have the characteristics of large above average grade mineral systems with significant upside potential.

## GENERAL OVERVIEW OF MARKET CONDITIONS

Compounding the impact of the global pandemic caused by COVID-19 during 2020 and up to the date of this MD&A, the war in Ukraine has magnified the slowdown in the global economy. As a result, commodities and precious metals prices have fluctuated significantly and financial markets have significantly declined. In addition to these factors, the political situation in Peru over the last couple of years have caused uncertainty for the mining industry. In management's opinion, these factors were the primary drivers for a decline in the Corporation's share price. These factors may adversely impact the Corporation's operations, and the operations of its suppliers, contractors and service providers, the ability to obtain financing and maintain necessary liquidity, and the ability to explore the Corporation's properties. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

During the period from May 31, 2021 through to the date of this MD&A, copper prices have fluctuated between a low of US \$3.23 per pound and a high of US \$4.94 per pound, closing at US \$3.29 per pound. During the same period, gold and silver prices fluctuated in value, with gold trading between US \$1,623 per ounce and US \$2,052 per ounce, closing at US \$1,623 per ounce and silver trading between US \$17.84 per ounce and US \$28.16 per ounce, closing at US \$18.36 per ounce.

As a response to the global pandemic, the Corporation implemented work protocols for its employees and contractors incorporating COVID-19 prevention measures, such as installation of a stand-alone camp on the project, individual dormitory accommodations, improved hygiene measures, use of masks and gloves, and mandatory social distancing. These measures have allowed the Corporation to continue operations, including its drilling program.

In Peru, the presidential runoff election on June 6, 2021 resulted in Pedro Castillo, a member of the left-wing Peru Libre party, securing majority votes. Castillo was inaugurated as president on July 28, 2021. While there is uncertainty regarding the economic and social policies that may be implemented in the future, Castillo came into power with a very narrow margin of victory, which may make most of his election promises difficult to uphold.

Peru is the world's second largest copper producer, with large gold, silver and zinc reserves. Mining is one of Peru's most significant industries. Peru has some US \$56 billion of open mining investments, primarily in copper, and is home to mines owned by large foreign companies. Victor Gobitz, president of the Peruvian Institute of Mining Engineers, stated that if the government properly approaches an open dialogue with the mining industry and properly defines the

way to develop the country's sustainability, it could create a perfect environment to develop its copper products. However, despite the apparent positivity of talks, uncertainty remains in the industry and higher taxes is one of the main concerns.

Subsequent to year-end, ongoing political tensions and uncertainties including those related to developments in Russia and Ukraine have further contributed to volatility in commodity prices, including those of copper, gold and silver.

## **HIGHLIGHTS**

### Exploration developments for the Soledad Project

- On July 27, 2021, the Corporation reported results from nine resources definition and exploration holes totaling 1,993.15 metres. Three holes were drilled through the Huancarama East breccia pipe. All holes intersected mineralized breccia with depths ranging between 70 metres and 200 metres below surface. In Paloma West three holes were drilled to further define mineralization from surface to a depth of approximately 100 metres depth. The breccia pipe demonstrates zoning with stronger gold and silver grades near surface and increasing copper grades with depth.
- On September 7, 2021, the Corporation reported significant intercepts at Breccia Pipe (or "BX") 1, including 46 metres of 5.64% copper 592.9 grams per tonne ("g/t") silver and 0.36 g/t gold. , the Corporation has completed to date resourced definition holes at BX 1; being 62 drill holes totaling 19,936 metres and a total of 259 diamond core holes for a total of 60,225 metres.
- On October 12, 2021, the Corporation reported results from five additional exploration holes drilled in BX 7 totaling 792.75 metres. Results showed BX 7 has stronger precious metal grades than copper at the depths drilled so far. BX 7 is an excellent exploration target that requires additional drilling to constrain its shape and depth extents before initiating resource definition drilling.
- On October 14, 2021, the Corporation reported results from 14 resources definition holes drilled in BX 5 totaling 2,052.75 metres. Results for BX 5 are outstanding and improve our understanding of the mineralization hosted in this breccia pipe. Grades are stronger at depth as seen in the deeper holes in this release, and mineralization remains open.
- On November 1, 2021, the Corporation reported results from 12 resource definition holes drilled in Huancarama totaling 2,974.85 metres . Drill holes were drilled from four different platforms and were designed to confirm the geometry and continuity of mineralization within the breccia pipe. All holes intersected significant mineralization.
- On November 18, 2021, the Corporation reported results from the remaining 12 resource definition holes drilled in BX 5 totaling 2,541 metres . These drill holes were designed to confirm shallow mineralization in the top southeastern quadrant of the breccia pipe, as well as deeper extents of mineralization probed by two holes drilled to the north from a platform located 100 metres south of the breccia pipe. All holes intersected significant mineralization.
- On January 4, 2022, the Corporation reported results from 13 additional resource definitions and exploration holes drilled in Huancarama totaling 3,265 metres . Drill holes described in this release were drilled from three different platforms and were designed to confirm the geometry and continuity of mineralization within the breccia pipe. All resource definition holes intersected significant mineralization. In addition to the high copper, gold and silver grades reported in these drill holes, three of the holes also intersected very strong molybdenum mineralization at depths of around 350 metres below surface.
- On January 11, 2022, the Corporation provided an initial inferred resource estimate for the Soledad Project, which were included in a technical report filed on February 23, 2022.
- On February 23, 2022, the Corporation filed a technical report for inferred mineral resources for the Soledad Project. The highlights of the mineral resource estimate are as follows:
  - i. Inferred Resources were estimated for seven breccia pipes that start at surface and extend to an average depth of approximately 300 metres; all zones remain open at depth
  - ii. Inferred Resources of 4.8 million tonnes grading 0.72 g/t gold, 61 g/t silver and 0.97% copper assumed to be extractable by underground mining methods

- iii. Inferred Resources of 1.9 million tonnes grading 1.29 g/t gold, 37.1 g/t silver and 0.65% copper assumed to be extractable by open pit mining methods
  - iv. The total initial Inferred Resource contains 191,000 ounces of gold, 11.7 million ounces of silver and 130 million pounds of copper
  - v. Opportunities for increasing the Inferred Resources include drill testing numerous additional breccia pipes and other targets identified on the property and extending the known mineralized zones at depth from the current Inferred Resources
  - vi. Only 16 out of 110 (15%) current targets have been tested to date, seven of which are included in the initial Inferred Resource estimate; several of the tested targets are mineralized, but not yet included in the initial Inferred Resource, as they require additional definition drilling.
- On June 9, 2022 the Corporation provided an exploration update where it confirmed that drilling would start June 15, 2022 to test thirteen new targets not previously drilled on the north side of the project. These thirteen targets were selected from a total of 154 targets identified on the project that were prioritized during an in-house technical workshop incorporating recently acquired Offset IP survey results. The objective of the drill program is to test the exploration potential of numerous additional targets beyond the targets that have been drilled leading to the initial resource estimate for the project (see news release dated January 11, 2022).
  - On September 22, 2022, the Corporation provided an exploration update announcing the following:
    - i. the Corporation completed eight exploration holes totaling 2,144 meters were completed on new targets on the north half of the project where the Corporation is fully permitted for exploration drilling.
    - ii. A geopedological study, assisted by researchers at the University of Tasmania has been initiated on high-grade mineralized zones defined in the initial inferred resource estimates for the project. The study will initially focus on Breccia 5 (Bx 5) then will transition to (Bx 1), Huancarama and other zones of high-grade mineralization identified with the objective of resolving precious and critical metal deposits in sulfide and sulfosalt minerals to optimize mineral processing options and to identify deleterious element deportment in sulfide and sulfosalt minerals for effective waste management planning.
    - iii. Permitting update – the Corporation continues with the process of modifying the semi-detailed environmental impact assessment (EIA<sub>sd</sub>) to allow exploration drilling on the south half of the project. The Corporation received and responded to the initial observations regarding the modification of the permit and recently received the second and final observations from the Ministry of Energy and Mines and the National Water Authority (ANA). The Corporation is in the process of responding to these final observations, after which a decision will be made on the environmental permit. Once approved, the permit moves to the final Initiation of Activities (AIA) stage.

Please refer to news releases on [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.chakanacopper.com](http://www.chakanacopper.com) for the Corporation's drilling results details.

#### Corporate matters

- In October 2021, the Corporation amended the July 11, 2018 agreement with Minera Barrick Misquichilca S.A. ("Barrick") regarding three concessions owned by Barrick that make up a large portion of the southern half of the Soledad Project. Under the amendment, Chakana must obtain the Authorization to Initiate Activities ("AIA") for exploration drilling on or before September 27, 2023. The Corporation then has four years from the AIA to complete a minimum 4,000 metres of drilling and a National Instrument 43-101-compliant Preliminary Economic Assessment.
- In April 17, 2022, the Corporation reached an agreement with Condor to amend the terms of the purchase option agreement dated April 24, 2017, as amended on March 18, 2019, and November 13, 2020, relating to the Soledad Project.

Under the existing agreement, a final payment of US\$4.425 million dollars was due to Condor on April 23, 2022. The parties have agreed to extend and amend the terms of the option to provide that Chakana may complete the exercise of the option by either, (1) paying US\$2,800,000 and issuing 9,480,198 common shares to Condor's Peruvian subsidiary prior to June 23, 2022, or (2) making the following cash and share payments to Condor's Peruvian subsidiary over the next three-year period:

| Date                         | Cash payment  | Shares in Can\$ equivalent |
|------------------------------|---------------|----------------------------|
| On or prior to June 23, 2022 | US\$800,000   | Can\$ 200,000              |
| On or prior to June 23, 2023 | US\$1,000,000 | Can\$ 200,000              |
| On or prior to June 23, 2024 | US\$1,000,000 | Can\$ 200,000              |
| On or prior to June 23, 2025 | US\$1,425,000 | Can\$ 200,000              |

The amounts of the share payments are subject to adjustment in the event of early or late payment. In addition, Condor has agreed to certain voluntary resale restrictions on the shares of Chakana to be issued to Condor, with periodic releases over an 18-month period.

Pursuant to the amendment agreement and as part of the amount owed to Condor, Chakana also agreed to make a payment of US\$200,000 to Condor's Peruvian subsidiary by April 22, 2022 which was made on April 21, 2022.

- On May 24, 2022 the Corporation completed the first tranche of a non-brokered private placement of 46,269,134 units at a price of \$0.11 per unit for gross proceeds of \$5,089,604. Each Unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant. Each Warrant entitles the holder to purchase one additional Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement. The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the Shares is greater than \$0.30. The Corporation paid aggregate finder's fees of \$265,191 and issued 2,410,823 finder's warrants in connection with the first tranche of the Private Placement. Each Finder's Warrant is exercisable to purchase one Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement. The broker warrants were valued at \$111,780 using the black-sholes option pricing model.
- On June 22, 2022, the Corporation completed the second and final tranche of its private placement for 10,470,451 units of the Company at a price of C\$0.11 per Unit for gross proceeds of \$1,151,749. Each Unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant. Each Warrant entitles the holder to purchase one additional Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement. The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the Shares is greater than \$0.30. Combined with the first tranche that closed in May, the financing resulted in total gross proceeds of \$6,241,353.

#### EXPLORATION AND EVALUATION EXPENDITURES

The Corporation is engaged in investigation, evaluation, exploration and development of mineralized precious and base metal properties and related activities in Peru. The Corporation's wholly owned indirect subsidiary, Chakana Resources S.A.C., holds: (i) the option to acquire a 100% ownership interest in the Soledad Project ("Condor Option") and owns a net smelter return royalty ("NSR") on the Soledad Project; (ii) holds an option to acquire a 100% ownership interest in the adjacent Aija Project ("Aija Project"); and (iii) holds an option to acquire up to a 100% ownership in other adjacent mineral concessions owned by Barrick (the "Barrick Option") subject to certain "back-in" rights. All three options are collectively referred to as the "Soledad Project". The Corporation is the operator of all related mineral exploration activities on these projects.

Acquisition costs of the Soledad Project are as follows:

|                                 | Condor<br>Option | Aija Project | Barrick    | Total        |
|---------------------------------|------------------|--------------|------------|--------------|
| <b>Balance – May 31, 2020</b>   | \$ 1,745,124     | \$ 466,774   | \$ 350,739 | \$ 2,562,637 |
| Acquisition costs               | 330,034          | 237,912      | -          | 567,946      |
| Foreign exchange on translation | (176,681)        | (101,142)    | (61,920)   | (339,743)    |
| <b>Balance – May 31, 2021</b>   | 1,898,477        | 603,544      | 288,819    | 2,790,840    |
| Acquisition costs               | 775,933          | 135,981      | -          | 911,914      |
| Foreign exchange on translation | 112,488          | 64,948       | 19,440     | 196,876      |
| <b>Balance – May 31, 2022</b>   | \$ 2,786,898     | \$ 804,473   | \$ 308,259 | \$ 3,899,630 |

During the year months ended May 31, 2022 and 2021, the Corporation incurred exploration and evaluation expenditures as follows:

|                                         | Year ended May 31 |              |
|-----------------------------------------|-------------------|--------------|
|                                         | 2022              | 2021         |
| Drilling                                | \$ 1,584,144      | \$ 2,560,911 |
| Exploration support and administration  | 1,262,941         | 1,167,378    |
| Field operations and consumables        | 487,206           | 715,468      |
| Geological consultants                  | 834,798           | 180,107      |
| Permitting and environmental consulting | 176,543           | 72,915       |
| Sampling and geological costs           | 472,329           | 449,302      |
| Transportation                          | 184,364           | 226,831      |
|                                         | \$ 5,002,325      | \$ 5,372,912 |

### Selected Annual Information

The following table sets forth selected financial information for the fiscal year ended May 31, 2022, comparable fiscal year ended May 31, 2021 and 2020. The selected financial information set out below has been derived from the audited annual financial statements and accompanying notes, in each case prepared in accordance with IFRS. The selected financial information set out below may not be indicative of the Corporation's future performance. The following discussion should be read in conjunction with the audited financial statements.

|                                                        | 2022        | 2021        | 2020        |
|--------------------------------------------------------|-------------|-------------|-------------|
| Total revenue                                          | \$ —        | \$ —        | \$ —        |
| Net loss for the fiscal year                           | (7,686,141) | (8,512,696) | (5,613,345) |
| Loss per share, basic and fully diluted <sup>(1)</sup> | (0.07)      | (0.09)      | (0.06)      |
| Total assets                                           | 10,887,871  | 13,191,670  | 10,794,843  |
| Total non-current financial liabilities                | 165,053     | 194,432     | —           |

<sup>(1)</sup> Diluted loss per common share is equivalent to the basic loss per common share as the effects of outstanding warrants and options disclosed are anti-dilutive for all periods presented.

### SUMMARY OF QUARTERLY RESULTS

Key financial information for the three months ended May 31, 2022, as well as the most recently preceding seven quarters is summarized as follows:

|                     |    | May 31,<br>2022 |    | February 28,<br>2022 |    | November 30,<br>2021 |    | August 31,<br>2021 |
|---------------------|----|-----------------|----|----------------------|----|----------------------|----|--------------------|
| Current Assets      | \$ | 5,805,347       | \$ | 1,842,088            | \$ | 3,515,573            | \$ | 5,734,497          |
| Current Liabilities | \$ | 692,439         | \$ | 439,290              | \$ | 649,829              | \$ | 1,099,322          |
| Total Assets        | \$ | 10,887,871      | \$ | 6,939,408            | \$ | 8,081,032            | \$ | 9,908,339          |
| Total Liabilities   | \$ | 857,492         | \$ | 612,947              | \$ | 824,629              | \$ | 1,278,433          |
| Operating Expenses  | \$ | (1,334,948)     | \$ | (1,280,359)          | \$ | (1,643,746)          | \$ | (2,993,954)        |
| Net Loss            | \$ | (1,358,206)     | \$ | (1,303,281)          | \$ | (1,618,409)          | \$ | (3,406,245)        |
| Loss per Share      | \$ | (0.01)          | \$ | (0.01)               | \$ | (0.01)               | \$ | (0.03)             |

|                     |    | May 31,<br>2021 |    | February 28,<br>2021 |    | November 30,<br>2020 |    | August 31,<br>2020 |
|---------------------|----|-----------------|----|----------------------|----|----------------------|----|--------------------|
| Current Assets      | \$ | 8,904,769       | \$ | 9,642,901            | \$ | 4,716,496            | \$ | 6,420,439          |
| Current Liabilities | \$ | 1,288,798       | \$ | 790,059              | \$ | 605,452              | \$ | 272,452            |
| Total Assets        | \$ | 13,191,670      | \$ | 13,559,092           | \$ | 8,340,893            | \$ | 9,822,906          |
| Total Liabilities   | \$ | 1,483,230       | \$ | 790,059              | \$ | 605,452              | \$ | 272,452            |
| Operating Expenses  | \$ | (2,940,351)     | \$ | (2,016,903)          | \$ | (2,029,145)          | \$ | (1,409,750)        |
| Net Loss            | \$ | (3,162,022)     | \$ | (2,074,339)          | \$ | (2,000,965)          | \$ | (1,275,370)        |
| Loss per Share      | \$ | (0.03)          | \$ | (0.02)               | \$ | (0.02)               | \$ | (0.01)             |

### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MAY 31, 2022

Total operating expenses for the three months ended May 31, 2022 were \$1,334,948 (2021 - \$2,940,351). The significant expenditures for the current quarter were as follows:

- Exploration and evaluation expenditures were \$827,596 during the three months ended May 31, 2022 (2021 - \$2,131,760), inclusive of drilling expenses of \$153,780 (2021 - \$1,268,016). Decreased drilling expenses were a result of the Corporation commencing its drilling program for 2022 later than last year as it waited to complete its financing.
- Exploration support and administration of \$334,026 (2021 - \$271,533), the increase is due as the company prepared for its current year's drill program.
- Field expenses of \$nil (2021 - \$225,601), the decrease was a result of the Corporation not yet starting its drill program for the 2022 year until after the Company's May 31 year end.
- Geological consulting fees of \$262,087 (2021 - \$39,781), the increase is due to the work performed to complete analysis of drilling results from the prior year and prepare for the current year drilling program as well as resource estimate preparation and 43-101 technical report on the Soledad copper option dated February 23, 2022.
- Sampling and geological costs of \$19,496 (2021 - \$204,488) and transportation expenses of \$35,152 (2021 - \$55,986), the decrease was a result of the Corporation not yet starting its current year's drill program until after the Company's May 31 year end.
- Consulting fees were \$48,805 and salaries and wages expenses were \$69,409 during the three months ended May 31, 2022, compared to \$51,843 of consulting fees and \$68,552 of salaries and wages for the three months ended May 31, 2021. Both expenses remained relatively constant year to year.
- General and administrative expenses were \$165,609 (2021 - \$88,110) during the three months ended May 31, 2022. The increase in general and administrative expenses was due to an increase in operation costs in Peru including wages expenses, legal expenses and other.



- During the three months ended May 31, 2022, the Corporation incurred \$67,971 (2021 - \$26,796) of legal and professional fees. The increase was due to legal costs for the renegotiation for the extension of the Condor option agreement.
- Stock-based compensation expenses were \$47,707 during the three months ended May 31, 2022 (2021 - \$446,531). The change in stock-based compensation expense during the three months ended May 31, 2022 is the result of no new options granted during the current period.
- Investor relations expenses were \$69,374 (2021 - \$98,678); a decrease of \$29,300, as the Corporation engaged a couple of investor relations firms during the comparative period, which it has not engaged in the current period.

As a result of the foregoing, the Corporation recorded a net loss of \$1,358,206 during the three months ended May 31, 2022 (2021 - \$3,162,022).

#### **RESULTS OF OPERATIONS FOR THE YEAR ENDED MAY 31, 2022**

Total operating expenses for the year ended May 31, 2022 were \$7,275,333 (2021 - \$8,396,149). The significant expenditures for the current quarter were as follows:

- Exploration and evaluation expenditures were \$5,002,325 during the year ended May 31, 2022 (2021 - \$5,372,912), inclusive of drilling expenses of \$1,584,144 (2021 - \$2,560,911). Exploration support and administration were \$1,262,941 (2021 - \$1,167,378), field expenses were \$487,206 (2021 - \$715,468), geological consulting fees were \$834,798 (2021 - \$180,107), Permitting and environmental consulting of \$176,543 (2021 - \$72,915), sampling and geological costs of \$472,329 (2021 - \$449,302) and transportation expenses were \$184,364 (2021 - \$226,831). Exploration expenditures remained relatively constant during the two periods as the current year include most of the calendar 2021 exploration program which continued from the Corporations prior year plan and which targeted 26,000 metres exploration and resource drilling in the current year.
- Consulting expenses were \$220,681 and salaries and wages expenses were \$273,136 during the year ended May 31, 2022, compared to \$238,552 of consulting fees and \$291,495 of salaries and wages for year ended May 31, 2021. These expenses remained relatively constant year to year.
- General and administrative expenses were \$484,999 during the year ended May 31, 2022, compared to \$370,773 during the year ended May 31, 2021. The increase in general and administrative expenses was due to an increase in operation costs in Peru including wages expenses, legal expenses and other
- Travelling expenses were \$35,800 during the year ended May 31, 2022 (2021 - \$1,650), a slight increase due to COVID-19 restrictions during the current period having been lifted and more travel has been possible.
- During the year ended May 31, 2022, the Corporation incurred \$192,403 of legal and professional fees (2021 - \$156,639), a slight increase from the prior period. These expenses relate to audit fees and legal fees to keep the properties in good standing, as well as various corporate matters.
- Stock-based compensation and investor relations expenses were \$658,168 and \$279,957, respectively, during the year ended May 31, 2022 (2021 - \$1,468,895 and \$393,516, respectively). Stock-based compensation expense realized during the respective periods is the result of amortization of share-based compensation expense from stock options granted during the prior year. Investor relations expenses decreased during the year ended May 31, 2022, as the Corporation focused its efforts on its drilling and exploration program as well as cost reduction overall.
- During the current period, the Corporation changed the warehouse where it keeps its core to a place closer to the property. As a result of the move, the Corporation wrote-off leasehold improvements made to the previous warehouse, which resulting in a net charge of \$418,769.

As a result of the foregoing, the Corporation recorded a net loss of \$7,686,141 during the year ended May 31, 2022 (2021 - \$8,512,696).



## SUMMARY OF MINERAL PROPERTIES

### (i) Condor Option

On April 17, 2017, the Corporation entered into a Mining Assignment and Option Agreement (the "Condor Option") with Minera Vertiente del Sol S.A.C. ("Minera Vertiente"), a Peruvian subsidiary of TSX-V-listed Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Project, subject to a 2% NSR.

The Corporation's option to acquire 100% of the rights and interests in the Soledad Project is exercisable by issuing 500,000 common shares by June 23, 2018 (issued), making aggregate cash payments of US \$5,375,000, and incurring work expenditures on the Soledad Project (which have been met).

On April 14, 2022 the Corporation reached an agreement with Condor to amend the terms of the purchase option agreement dated April 24, 2017, as amended on March 18, 2019, and November 13, 2020, relating to the Soledad Project.

Under the existing agreement, a final payment of US\$4.425 million dollars was due to Condor on April 23, 2022. The parties have agreed to extend and amend the terms of the option to provide that Chakana may complete the exercise of the option by either, (1) paying US\$2,800,000 and issuing 9,480,198 common shares to Condor's Peruvian subsidiary prior to June 23, 2022, or (2) making the following cash and share payments to Condor's Peruvian subsidiary over the next three-year period:

| Date                                                       | Cash payment  | Shares in Can\$ equivalent |
|------------------------------------------------------------|---------------|----------------------------|
| On or prior to June 23, 2022 (Paid subsequent to Year end) | US\$800,000   | Can\$ 200,000              |
| On or prior to June 23, 2023                               | US\$1,000,000 | Can\$ 200,000              |
| On or prior to June 23, 2024                               | US\$1,000,000 | Can\$ 200,000              |
| On or prior to June 23, 2025                               | US\$1,425,000 | Can\$ 200,000              |

The amounts of the share payments are subject to adjustment in the event of early or late payment. In addition, Condor has agreed to certain voluntary resale restrictions on the shares of Chakana to be issued to Condor, with periodic releases over an 18-month period.

Pursuant to the amendment agreement and as part of the amount owed to Condor, Chakana also agreed to make a payment of US\$200,000 to Condor's Peruvian subsidiary by April 22, 2022 which was made on April 21, 2022. As at May 31, 2022, the Corporation has made total payments US \$1,150,000.

Under the agreement, the Corporation may purchase from Minera Vertiente 50% of the NSR, equal to a 1% NSR, for US \$2,000,000 at any time. On March 18, 2019, the Corporation purchased a 1% NSR on the Soledad Project for \$369,902 (US \$275,000) and 900,000 common shares. As a result of the Corporation purchasing the NSR, the option agreement between the parties was amended to reflect a reduction of the Condor NSR royalty from 2% to 1% with the Corporation having the right to repurchase 50% of the NSR (or 0.5% NSR) for US \$1,000,000 subsequent to exercising the option. If the Corporation does not exercise the option to acquire Condor's Soledad concessions, Condor has the right to purchase 50% of the NSR (or 0.5% NSR) for US \$1,000,000.

Pursuant to the Agreement, the Corporation must complete 12,500 metres of exploration drilling. During the year ended May 31, 2018, the Corporation fulfilled the 12,500 metres of exploration drilling requirement on the Soledad Project.

The Soledad Project is located in Ancash province of central Peru, approximately 260 kilometres north-northwest of Lima and 35 kilometres south of Barrick's Pierina mine. The Soledad Project is part of the Ticapampa-Aija Mining District in the Cordillera Negra, a region with a long history of exploration and mining.

Previous exploration identified numerous high-grade quartz-tourmaline-sulfide breccia pipes that crop out at surface. Whereas the mineralization hosted in the breccia pipes is impressive in terms of grade and vertical extent, previous explorers were focused on a blind mineralized porphyry target inferred to be the source of the breccia mineralization. Chakana is focused on testing the breccia pipes to determine if they host economic mineralization.

The breccia pipes are principally hosted in the Calipuy group volcanic rocks, consisting of andesite flows, tuff and rhyolite with a composite thickness of over 2,000 metres. A secondary host is granodiorite that intrudes the volcanic

rocks. A 16,000-metre drill program was initiated on August 16, 2017, designed to determine the geometry of several previously drilled pipes, determine the true grade profile by drilling across the pipes, define an initial Inferred Resource on two of the pipes and test a number of targets across the property.

- **Geophysics:** Both downhole and surface electromagnetic surveys and a ground magnetics survey were completed within the portions of the Soledad Project where breccia pipes were known or expected based upon soil sampling and geological modeling. This work identified conductive features, some of which yielded additional sulfide mineralization, while others remain untested.
- **Geological Modeling:** The Corporation utilizes specialized consultants and exploration software in order to track results and then model results daily in 3-D. This permits a tighter control on drill hole directions while permitting real-time discussions between Peru-based staff and officers or consultants based around the world.
- **Soil Geochemical and Outcropping Rock Sampling** has been completed over the most prospective portions of the Soledad Project. Results have been integrated into our modeling and have yielded both new targets and extensions to known zones.

Please refer to news releases on [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.chakanacopper.com](http://www.chakanacopper.com) for the Corporation's drilling results details.

## (ii) Aija Project, Peru

On March 20, 2018, the Corporation entered into an Option Agreement (the "Aija Option") with an arm's length third-party, pursuant to which the Corporation has the option to acquire 100% of the rights and interest in the Aija Project subject to a 2% NSR. During the year ended May 31, 2021, the Corporation renegotiated the payments schedule. The Aija Project includes three principal concessions and seven smaller parcels within one of the principal concessions, totaling in aggregate 574.71 hectares. These concessions are contiguous with the southern boundary of the Condor concessions.

The Corporation's option to acquire 100% of the rights and interests in the Aija Project is exercisable by making aggregate cash payments of US \$2,300,000 as follows:

| Installment | Date                                                         | Amount<br>(in US \$) |
|-------------|--------------------------------------------------------------|----------------------|
| 1           | Upon execution of Letter of Intent on October 3, 2017 (paid) | \$ 75,000            |
| 2           | Upon close of Definitive Agreement on August 1, 2018 (paid)  | 75,000               |
| 3           | February 1, 2019 (paid)                                      | 50,000               |
| 4           | August 1, 2019 (paid)                                        | 50,000               |
| 5           | February 1, 2020 (paid)                                      | 75,000               |
| 6           | November 1, 2020 (paid)                                      | 75,000               |
| 7           | May 1, 2021 (paid)                                           | 100,000              |
| 8           | November 1, 2021 (paid)                                      | 100,000              |
| 9           | May 1, 2022 (Paid Subsequent to May 31, 2022) <sup>(1)</sup> | 100,000              |
| 10          | November 1, 2022                                             | 100,000              |
| 11          | May 1, 2023                                                  | 1,500,000            |
| Total       |                                                              | \$ 2,300,000         |

<sup>(1)</sup> The Corporation entered into an agreement to further postpone the May 1, 2022 payment of US\$100,000 to July 1, 2022.

As at the date of this MD&A, the Corporation has paid installments 1 to 9, totaling US \$700,000.

Under the terms of the Aija Option, the vendor is entitled to a 2% NSR. The Corporation may repurchase the 2% NSR at any time for US \$2,000,000. There are no drilling or work expenditure commitments under the Aija Option.

The Corporation has completed detailed soil and rock sampling, geological mapping, surface electromagnetic surveys and ground magnetics surveys within the portions of the Aija Project where breccia pipes were known or expected based upon soil sampling and geological modeling. Results are encouraging with the identification of nine confirmed breccia pipes within the option. The Corporation met with numerous delays in acquiring permits to do this work, largely

as a result of inconsistent records at different government ministries. During the year ended May 31, 2021, after receiving the required permits, the Corporation commenced its drilling program.

Please refer to news releases on [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.chakanacopper.com](http://www.chakanacopper.com) for the Corporation's drilling results details.

### **(iii) Barrick Option Agreement**

On July 11, 2018, Barrick granted the Corporation an option (the Barrick Option) to acquire a 100% interest in three concessions adjoining the southern extent of the Aija Project. Under terms of the Barrick Option, the Corporation has five years to complete a minimum of 2,000 metres of exploration drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. Upon exercise of the Barrick Option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the NSR (1%) for US \$2,000,000.

Barrick will have a one-time right to reacquire a 70% interest in the concessions within 120 days of exercising the option (the "Back-in Closing Date") by paying the Corporation three times the aggregate amount of exploration expenditures incurred since the execution date and cancelling the 2% NSR. If a production decision is not made within seven years of the Back-in Closing Date, Barrick will make pre-royalty payments of US \$75,000 per year until a production decision is made for a maximum of five years (US \$375,000). If the Corporation does not contribute its share of project costs their interest will be diluted to 10%, upon which their interest will be converted to a 2% NSR with Barrick's right to purchase 50% of the royalty for US \$2,000,000.

The Corporation has completed detailed soil and rock sampling, geological mapping, surface electromagnetic surveys and ground magnetics surveys within the portions of the Barrick Option concessions where breccia pipes were known or expected based upon soil sampling and geological modeling. Results are encouraging with the identification of seven confirmed breccia pipes, a large gold-molybdenum soil anomaly, and a high-sulfication alteration zone within the Barrick Option concessions. The Corporation is working on surface access and modifying the EIAsd permit to allow drilling in this area.

In October 2021, the Corporation amended the July 11, 2018 agreement with Barrick regarding three concessions owned by Barrick that make up a large portion of the southern half of the Soledad Project. Under the amendment, Chakana must obtain the modified EIAsd for exploration drilling on or before September 27, 2023. Then the Corporation has four years from the EIAsd to complete a minimum 4,000 metres of drilling and a National Instrument 43-101-compliant Preliminary Economic Assessment. Barrick will have a one-time right to reacquire the property with a 70% interest. If Barrick declines, an undivided 100% interest in the concessions will be transferred to Chakana.

### **CAPITAL STRUCTURE**

As of the date of this MD&A, the Corporation has 168,150,348 (May 31, 2022 – 157,679,897) common shares, 30,780,615 (May 31, 2022 – 25,545,390) common share purchase warrants and 7,100,000 (May 31, 2022 – 8,985,000) stock options issued and outstanding.

#### Issued capital

During the year ended May 31, 2022, the Corporation issued common shares as follows:

- On May 24, 2022 the Corporation completed the first tranche of a non-brokered private placement of 46,269,134 units at a price of \$0.11 per unit for gross proceeds of \$5,089,605 ("Private Placement"). Each unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant ("Unit"). Each warrant entitles the holder to purchase one additional Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement ("Warrant"). The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the Shares is greater than \$0.30. The Corporation paid aggregate finder's fees of \$265,190 and issued 2,410,823 finder's warrants in connection with the first tranche of the Private Placement. Each Finder's Warrant is exercisable to purchase one Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement.
- Subsequent to May 31, 2022, on June 21, 2022, the Corporation completed the second and final tranche of its private placement for 10,470,451 units of the Corporation at a price of \$0.11 per Unit for gross proceeds of \$1,151,750. During the year ended May 31, 2022, \$60,280 has been received and recorded as subscriptions received. Each Unit consists of one common share in the capital of the Corporation and one-half of one

common share purchase warrant. Each Warrant entitles the holder to purchase one additional Share at a price of \$0.20 per Share for a period of two years from closing of the Private Placement. The Corporation may accelerate the expiry of the Warrants in the event that for any ten consecutive trading days the closing price of the Shares is greater than \$0.30. Combined with the first tranche that closed in May, the financing resulted in total gross proceeds of \$6,241,353.

- Subsequent to May 31, 2022, the Company issued 1,379,310 valued at US\$200,000 as per the updated agreement with Condor.

During the year ended May 31, 2021, the Corporation issued common shares as follows:

- On February 10, 2021, the Corporation completed the first tranche of a non-brokered private placement of 14,186,000 common shares at a price of \$0.50 per share for gross proceeds of \$7,093,000.
- On March 17, 2021, the Corporation completed the second and final tranche of a non-brokered private placement of 3,874,516 common shares at a price of \$0.50 per share for gross proceeds of \$1,937,258. In connection to the private placement, the Corporation recorded \$342,211 of share issuance costs related to finders' fees, legal and other costs of completing the private placement.
- During the year ended May 31, 2021, the Corporation issued 150,000 common shares on the exercise of options at an exercise price of \$0.20 per share for gross proceeds of \$30,000.

The following incentive stock options were outstanding at May 31, 2022 and May 31, 2021:

| Expiry Date               | Exercise Price | May 31,<br>2022 | May 31,<br>2021 |
|---------------------------|----------------|-----------------|-----------------|
| September 14, 2022        | \$0.40         | 1,885,000       | 2,235,000       |
| February 5, 2023          | \$0.20         | 700,000         | 700,000         |
| March 29, 2023            | \$0.94         | 100,000         | 200,000         |
| December 12, 2024         | \$0.20         | 1,050,000       | 1,225,000       |
| July 10, 2025             | \$0.40         | 1,800,000       | 2,050,000       |
| April 22, 2026            | \$0.50         | 3,450,000       | 3,600,000       |
| Total outstanding options | \$0.41         | 8,985,000       | 10,010,000      |
| Total exercisable options | \$0.39         | 8,760,000       | 5,853,750       |

During the year ended May 31, 2021 the Corporation granted 5,650,000 incentive stock options to employees and consultants exercisable for a period of five years from the date of grant. Of the 5,650,000 incentive stock options, 2,050,000 are exercisable at a price of \$0.40 per common share and 3,600,000 are exercisable at a price of \$0.50 per common share. No options were granted during the year ended May 31, 2022.

#### CAPITAL RESOURCES

The Corporation defines capital as consisting of shareholders' equity and cash. The Corporation manages its capital structure to maximize its financial flexibility by making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Corporation does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Corporation's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

As at May 31, 2022, the Corporation is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Corporation's approach to capital management during the year ended May 31, 2022.

#### LIQUIDITY

The Corporation's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Corporation has historically financed its operations primarily through the sale of share capital by way of private placements.

As at May 31, 2022, the Corporation had cash of \$5,564,165 and working capital of \$5,112,908.

Cash used in operating activities was \$6,878,544 during the year ended May 31, 2022. The cash used in operating activities is mainly for exploration and evaluation expenditures.

Cash used in investing activities was \$1,090,857 during the year ended May 31, 2022, and was primarily related to purchases of equipment, leasehold improvements for the new warehouse and option payments related to the Corporation's properties as per the renegotiated amended agreements.

Cash from financing activities was \$4,845,334 during the year ended May 31, 2022, and was due to the private placement closed in May, 2022.

The development of the Corporation in the future will depend on the Corporation's ability to obtain additional financings. In the past, the Corporation has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Corporation's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Corporation will be successful in obtaining any such financing or in joint venturing its property; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Corporation's properties. These uncertainties may cast significant doubt about the Corporation's ability to continue as a going concern.

#### **OUTLOOK**

The Corporation plans to conduct further exploration on its exploration projects. Further exploration and corporate costs are expected to be funded through future equity financing or other means. As of the date of this MD&A, the Corporation has approximately \$3.5 million in cash and cash equivalents. Exploration will continue to focus on mineralization hosted in tourmaline breccia pipes and other target types that warrant drilling. Surface exploration over the northern half of the property has largely been completed and drill targets have been defined. Additional exploration drilling to test targets on the northern half of the project is planned for 2022. Metallurgical and mineralogical studies will be completed to complement the resource estimate, and additional surface exploration work will continue on the southern half of the Soledad Project to define additional drill targets, which will be tested once permits for this area are obtained. Based on the level of exploration activity, the Corporation will continue its community relations and development program in the areas close to the Soledad Project.

#### **RELATED PARTY TRANSACTIONS**

The Corporation's related parties include officers and directors and companies related by way of directors or shareholders in common.

During the year ended May 31, 2022 and 2021, the Corporation paid and/or accrued the following fees to key management personnel:

- During the year ended May 31, 2022, the Corporation incurred \$257,428 (2021 - \$258,401) of consulting fees from David Kelley, the Corporation's Chief Executive Officer.
- The Corporation is party to a consulting agreement with a firm for which Xavier Wenzel works to provide services as the Corporation's Chief Financial Officer, as well as financial consulting services, accounting and bookkeeping services to the Corporation for \$8,500 per month. For the year ended May 31, 2022, the total fees incurred under this agreement are \$102,000 (2021 - \$102,000).
- During the year ended May 31, 2022, the Corporation incurred \$12,000 (2021 - \$12,000) of consulting expense from John Black, a director of the Corporation. As of May 31, 2022, the amount of \$50,000 (May 31, 2021 - \$38,000) was owed to John Black, which is included in accounts payable and accrued liabilities. The amount owed is non-interest-bearing, unsecured and due on demand.
- During the year ended May 31, 2022, the Corporation incurred \$60,000 (2021 - \$60,000) of consulting expense from Chelmer Consulting Corp., a company controlled by Darren Devine, a director of the Corporation. As of May 31, 2022, the amount of \$nil (May 31, 2021 - \$5,250) was owed to Chelmer Consulting Corp., which is included in accounts payable and accrued liabilities. The amount owed is non-interest-bearing, unsecured and due on demand.

- During the year ended May 31, 2022, the Corporation incurred \$83,664 (2021 - \$nil) of consulting expense from Balfour Holdings LLC, a company owned by Douglas Silver, a director of the Corporation. As of May 31, 2022, the amount of \$12,648 (May 31, 2021 - \$nil) was owed to Balfour Holdings LLC, which is included in accounts payable and accrued liabilities.
- During the year ended May 31, 2022, the Corporation incurred \$12,000 (2021 - \$12,000) of consulting expense from Tom Wharton, a director of the Corporation. As of May 31, 2022, the amount of \$5,000 (May 31, 2021 - \$5,000) was owed to Tom Wharton, which is included in accounts payable and accrued liabilities. The amount owed is non-interest-bearing, unsecured and due on demand.

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Corporation currently has no off-balance sheet arrangements.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

The fair value of cash under the fair value hierarchy is measured using Level 1 inputs. The Corporation considers that the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in consolidated financial statements approximate their fair values due to the demand nature or short-term maturity of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

#### **FINANCIAL RISK FACTORS**

The Corporation's risk exposure and the impact on the Corporation's financial instruments are summarized below:

##### *Credit Risk*

Credit risk is the risk of potential loss to the Corporation if the counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Corporation limits exposure to credit risk on liquid financial assets through maintaining its cash with a high credit quality financial institution.

##### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations with cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Corporation is exposed to liquidity risk.

##### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has no interest-bearing debt. The Corporation's sensitivity to interest rates is minimal.



### *Foreign Currency Risk*

Foreign currency risk is the risk on fluctuation of currency related to monetary items with a settlement currency other than the Canadian dollar. The functional currency of Chakana is the Canadian dollar and the functional currency of the subsidiary is the Peruvian sol. The Corporation is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments and accrued liabilities that are denominated in Peruvian soles, US dollars and Canadian dollars. The Corporation has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

### **BUSINESS RISKS AND UNCERTAINTIES**

Additional information on risks and uncertainties relating to Chakana's business is provided in Remo Resources Inc.'s Filing Statement dated December 4, 2017 under the heading **Financial Risk Factors**. This Filing Statement is accessible under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

### **CONTRACTUAL OBLIGATIONS**

The Corporation leases a warehouse that expires in June 2026. The Corporation is obligated to make \$57,960 in minimum lease payments under the premises leases in the fiscal year to end May 31, 2023.

### **CONTINGENCIES**

During the year ended May 31, 2022, a former employee who had the role of community relations manager for the Corporation's subsidiary filed a claim against the Corporation alleging he suffered an injury while working with the Corporation and is seeking compensation for damages of up to US\$390,000. The former employee was employed during 2019 and has provided no evidence such injury occurred while employed by the Corporation nor if such injury was a direct result of his employment. The Corporation believes the claim is without merit and intends to vigorously defend its position. Due to COVID-19, the next hearing has been scheduled for January 12, 2023. As the outcome of this claim is uncertain, no amount has been accrued for any potential loss under this complaint.

### **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

- *Impairment of Exploration and Evaluation Assets*

The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising, such that no more work is being planned in the foreseeable future.

- *Going Concern*



The assessment of the Corporation's ability to continue as a going concern involves critical judgment based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgment is used in the Corporation's assessment of its ability to continue as a going concern.

- *Value-added Tax Receivable*

The Corporation has a signed agreement with the Peruvian Ministry of Energy and Mines to receive a refund on value-added taxes for certain exploration related expenditures incurred by the Corporation in Peru, prior to the Corporation generating sales. These value-added tax receivables are subject to review by the Peruvian tax authorities. Management is required to assess the likelihood of approval for the expenditures filed for refund and collectability of the value-added tax receivables from the Peruvian Ministry of Energy and Mines.

- *Income Taxes*

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward.

The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Functional Currency*

The functional currency for the Corporation's subsidiary is the Peruvian sol – the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Corporation's significant accounting policies are summarized in Note 3 to the audited consolidated financial statements for the year ended May 31, 2022.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Corporation's operations in future periods, adequacy of financial resources, and future plans and objectives of the Corporation. All statements in this document, other than statements of historical fact, which address events or developments that the Corporation expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, liquidity and effects of accounting policy changes.

Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals, and general economic, market or business conditions, including but not limited to the impact of the COVID-19 pandemic, see **General Overview of Market Conditions** on page 2 of this MD&A. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information.

Forward-looking statements are based on the beliefs, estimates and opinions of the Corporation's management on the date the statements are made. The Corporation undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates, opinions or other factors should change, except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Corporation and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Corporation's transactions and exploration and development programs on reasonable terms, and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.