

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023

This Management Discussion and Analysis (“MD&A”) provides an analysis of the business of Torchlight Innovations Inc. (“Torchlight” or the “Company”) and compares its financial results for the years ended December 31, 2023 and 2022. The “MD&A” should be read in conjunction with the financial statements (the “Financial Statements”) of the Company and the related notes for the year ended December 31, 2023. This discussion is current at the date of this financial statements. The Financial Statements and the financial information contained in the related MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”).

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth under “*Risk Factors*” sections.

Overall Performance

Torchlight Innovations Inc. (the “Company”) was incorporated on October 8, 2021 under the laws of British Columbia and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V” or the “Exchange”) Policy 2.4. Torchlight’s business plan is to find a qualifying transaction (QT) to take a private operating company public via Reverse-Take-Over (RTO). The target RTO company may be from any industry, ultimately creating shareholder returns for the investors of Torchlight.

On August 8, 2022, the Company completed its initial public offering (“Offering”), raising gross proceeds of \$300,000 pursuant to the Company’s final prospectus dated May 12, 2022 (the “Prospectus”) by issuing an aggregate of 3,000,000 common shares in the capital of the Company (the “Shares”) at a price of \$0.10 per Share.

Pursuant to the agency agreement dated May 12, 2022, Research Capital Corporation (the “Agent”) acted as the agent for the Offering. In connection with the Offering, the Agent received a cash commission of \$30,000, a work fee of \$15,000 (plus GST) and an option to purchase up to 300,000 Shares at a price of \$0.10 per Share until August 8, 2024.

The Company is a “capital pool company” (“CPC”) under the policies of the TSX Venture Exchange (the “Exchange”) and intends to use the net proceeds of the Offering to identify and evaluate assets or businesses for acquisition with a view to completing a “Qualifying Transaction” under the policies of the Exchange. On August 4, 2022, the Exchange issued a bulletin announcing the listing of the Shares as of market open on August 8, 2022 and immediately halted trading pending completion of the Offering. The Shares resumed trading under the trading symbol “TLX.P” on August 10, 2022.

Upon closing of the Offering, the Company granted 550,000 stock options to its directors and officers which are exercisable until August 8, 2032 at an exercise price of \$0.10 per Share. Following the closing of the Offering, the Company has 5,500,000 Shares issued and outstanding 2,500,000 of which are subject to escrow restrictions.

Selected Financial Information and Additional Disclosure

The following financial data for the year ended December 31, 2023 and 2022 is derived from the audited financial statements for the year ended December 31, 2023 and should be read in conjunction with these financial statements.

	Year ended December 31, 2023 (Audited)	Year ended December 31, 2022 (Audited)
Total revenue	Nil	Nil
Loss from operations	\$48,285	\$79,535
Loss per share – basic	\$0.02	\$0.07
Loss per share – diluted	\$0.02	\$0.07
Total assets	\$146,067	\$211,435
Total current liabilities	\$10,411	\$27,494
Total non-current financial liabilities	Nil	Nil
Cash dividends declared (cents per share)	Nil	Nil

As an IPO venture issuer with no revenue from operations, the Company makes the following additional disclosure in accordance with Section 8.6 of Form 41-101F1 – *Information Required in a Prospectus*.

	Year ended December 31, 2023	Year Ended December 31, 2022
Office and administration	\$ 3,145	\$ 2,637
Filing fees	\$ 11,037	\$ 1,070
Professional fees	\$ 34,103	\$ 35,128
Stock based compensation	Nil	\$ 40,700

Results of Operations

Torchlight recorded a loss of \$162,321 during the period commencing from incorporation on October 8, 2021 to December 31, 2023 which was comprised of general and administrative costs as set forth below:

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023
Filing fee	\$ 2,648	\$ 2,648	\$ 2,731	\$ 3,010
Professional services	2,119	700	5,442	25,842
Office and administration	38	44	1,342	1,721
Loss for the period	\$ 4,805	\$ 3,392	\$ 9,515	\$ 30,573

	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Office and administration	\$ 40	\$ 2,367	\$ 44	\$ 186
Filing fee	(28,305)	13,125	5,935	10,315
Professional services	(57,007)	47,942	15,958	28,235
Share based compensation	-	40,700	-	-
Loss for the period	\$ (85,272)	\$ 104,134	\$ 21,937	\$ 38,736

Summary of Quarterly Results

Years ended December 31, 2023 and 2022

During the year ended December 31, 2023 the Company incurred \$24,050 in the legal fees compared to \$19,293 incurred during the previous year. The current year ended December 31, 2023 was the first full year for the Company being listed on TSX Venture exchange. Accounting fees incurred during the year ended December 31, 2023 were \$10,053 and \$15,835 during the year ended December 31, 2022. The higher accounting fees incurred during the year ended December 31, 2022 related to the work done on the Prospectus when the company became listed on the TSX Venture exchange.

Three months ended December 31, 2023

During the three months ended December 31, 2023 the Company incurred \$719 in the legal fees compared to a reversal of \$60,707 accrued during the comparative period of the previous year. These changes relate to the uneven distribution of legal expenses throughout the year. Accounting fees incurred during the three months ended December 31, 2023 were \$1,400 and \$2,700 during the three months ended December 31, 2022.

Liquidity and Capital Resources

In November 2021, the Company completed a non-brokered private placement pursuant to which the Company issued an aggregate of 2,500,000 Common Shares at a price of \$0.05 per Common Share for gross proceeds of \$125,000. No finders' fees were paid.

On August 8, 2022 the Company completed a private placement and issued of 3,000,000 shares at a price of \$0.10 per share for gross proceeds of \$300,000. The Company paid a cash commission to the

agent in the amount of \$15,000 and issued 300,000 compensation warrants exercisable into common shares at a price of \$0.10 per common share for a period of 24 months from the date of issuance.

The Company has no revenue-producing operations. As at December 31, 2023, the Company had an accumulated deficit of \$162,321. As at December 31, 2023, the Company had a working capital balance of \$135,656, including cash of \$136,860. Management feels the Company has sufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

The Company does not have any commitments for capital expenditures.

The Company is dependent on external financing, including equity issuances and debt financing, to fund its activities. Management of the Company will determine whether to accept any offer to finance weighing such things as the financing terms, share price at the time and current market conditions, among others. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions, the price of relevant commodities and the other factors set forth below under "*Risk Factors*".

On an ongoing basis, and particularly in light of current market conditions, management evaluates and adjusts its planned level of activities, including planned and administrative costs, to maintain adequate levels of working capital.

Off-Balance Sheet Arrangements

Torchlight has not participated in any off-balance sheet or income statement arrangements.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of December 31, 2023, \$Nil (December 31, 2022 - \$Nil) was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended December 31, 2023, \$Nil (2022 - \$40,700) was recorded as compensation costs for key management personnel and companies related to them.

Changes in Accounting Policies

Torchlight has adopted accounting policies stated in the audited financial statements for the period ended December 31, 2023.

Financial Instruments

As at December 31, 2023, Torchlight's financial instruments consisted of cash and accounts payable. The fair values of Torchlight's financial instruments approximate their carrying value, due to their short-term maturities or liquidity.

Risks Factors

As at December 31, 2023, Torchlight's risk exposure and the impact on Torchlight's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at December 31, 2023, Torchlight holds cash balances at a chartered bank. Torchlight has assessed the credit risk to be low.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Torchlight manages liquidity risk by maintaining sufficient cash balances and to ensure that there is sufficient capital to meet short-term obligations. As at December 31, 2023, Torchlight had a working capital balance of \$135,656, including cash of \$136,860.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. As at December 31, 2023 Torchlight is not exposed to significant market risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Torchlight does not have any interest-bearing debt, however it does hold cash balances in an interest-bearing bank account.

Foreign Currency Risk

The functional currency of Torchlight is the Canadian dollar. As of December 31, 2023, Torchlight had no financial assets and liabilities that were subject to currency translation risk.

Price Risk

Torchlight is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on Torchlight's earnings due to movements in individual equity prices or general movements in the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatility. Future declines in commodity prices may impact the valuation of long-lived assets.

Outstanding share data

As at April 5, 2024 the Company has 5,500,000 Common shares outstanding, 550,000 stock options exercisable at \$0.10 per share until August 8, 2032 and 300,000 warrants exercisable at \$0.10 until August 8, 2024.