TORQ RESOURCES

**Torq Resources Inc.**
An exploration stage company

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2022

**Dated: March 27, 2023**

## 1. HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIOD TO MARCH 27, 2023

### 1.1 Operational highlights

- On March 13, 2023, Torq Resources Inc. ("Torq" or the "Company") announced that it had commenced its first drill program at the Santa Cecilia gold-copper project located in the world-class Maricunga belt in northern Chile, approximately 100 kilometres ("km") east of the city of Copiapo. This followed from the initiation of the surface exploration work in December 2022.

- On November 28, 2022, the Company announced that, following completion of the phase II drill program, consisting of 11 drill holes totaling approximately 4,000 metre ("m") , it had defined a gold – copper mineralized system over an 800 m strike length at the Falla 13 discovery at its Margarita Iron-Oxide Copper Gold (IOCG) project located in northern Chile, approximately 65 km north of the city of Copiapo. Highlights from this reverse circulation (RC) drill program include: 64 m of 0.63 g/t gold (Au) and 0.63% copper (Cu) in 22MAR-017R, 130 m of 0.36 g/t Au and 0.28% Cu (including 30 m of 1.02 g/t Au and 0.57% Cu) in 22MAR-023R, and 62 m of 0.51 g/t Au and 0.38% Cu (including 16 m of 1.6 g/t Au and 0.98% Cu), in 22MAR-024R.

- On September 13, 2022, the Company announced that it has extended its initial discovery 190 m to the north at the Margarita project. Drill hole 22MAR-014R intercepted 98 m of 0.94 g/t gold and 0.68% copper from 32 m – 130 m depth, successfully following up on the original discovery hole, 22MAR-013R.

- On May 2, 2022, the Company announced the discovery of a new copper and gold sulphide system as a result of its maiden 4,075 m RC drill program at its Margarita project. Drill hole 22MAR-013R intersected 90 m of 0.94% copper and 0.84 g/t gold at a depth of 50 m – 140 m. This discovery successfully identified the copper and gold sulphide source mineralization to the abundant copper oxide mineralization observed on the southern margin of the project, validating the Company's exploration thesis, and represented the potential for a significant new IOCG discovery in the Cretaceous Coastal Cordillera belt in northern Chile.

- On January 26, 2022, the Company provided an update on the exploration and permitting progress at its Santa Cecilia project. Torq's technical team conducted an initial geological evaluation of the available historical drill core and identified multiple phases of porphyry intrusions and believes that there are several potential high-grade targets within the 10 square km hydrothermal alteration system. In addition, the Company is working closely with the local community on a plan for the first phase of exploration, which would include drilling from existing drill pads and roads. The Company subsequently announced it had executed a seven-year community agreement for access to the Santa Cecilia project.

### 1.2 Corporate highlights

- On March 10, 2023, the Company announced that it had a private placement for gross proceeds of C$6,260,339 consisting of 10,433,899 units of the Company (the "Units") at a price of C$0.60 per Unit. Each Unit consisted of one Torq common share ("Share") and one half of a Share purchase warrant, two half-warrants being required to exercise and acquire a full Share at C$0.80 until March 10, 2026.

- On February 10, 2023, the Company announced that it had obtained a receipt for its final short form base shelf prospectus (the "Shelf Prospectus") filed with the securities commissions in each of the provinces and territories of Canada. The filing of this Shelf Prospectus provides the Company with financing flexibility; under the Shelf Prospectus, the Company may issue and sell up to C$60,000,000 of common shares, warrants, subscription receipts, units, debt securities, or any combination thereof, from time to time over the 25-month period that the Shelf Prospectus remains effective.

- On December 13, 2022, the Company announced the drawing a further $500,000 from its $3 million credit facility ("Loan Facility"). The Company issued 769,231 share purchase warrants to the lender that expire on July 11, 2024, exercisable at a price of C$0.65 per common share. The Loan Facility was executed on July 11, 2022, whereby $2 million was advanced to the Company immediately on execution. Amounts drawn under the facility are subject to a 9% annual interest rate. In consideration for the grant of the facility, the Company paid to the lender, 191010 Investments Limited, an entity which is affiliated with a current shareholder, 3,333,333 share purchase warrants exercisable at C$0.60 per common share for a two-year period based on the initial $2 million advance. As at the date of this MD&A, $500,000 remains available to be drawn under the Loan Facility.

- On September 15, 2022, the Company announced that it had closed the $15 million non-brokered private placement with a wholly owned affiliate of NYSE listed international gold mining company, Gold Fields Limited ("Gold Fields") that was previously announced on September 6, 2022. The Company issued an aggregate of 15,000,000 Torq common shares at $1.00 per share, resulting in Gold Fields owning approximately 15.05% of Torq's issued and outstanding shares (undiluted). The funds are to be used to advance Torq's portfolio of projects in Chile, primarily its Santa Cecilia gold-copper project.

- On August 19, 2022, the Company announced the voting results for election of its Board of Directors at the Annual General Meeting of Shareholders held on August 18, 2022, in Vancouver, British Columbia. The director nominees, as listed in the Company's Information Circular dated July 6, 2022, and SEDAR filed July 14, 2022, were elected as directors of the Company to serve until the next annual general meeting.

- On June 21, 2022, the Company announced that two current directors were changing management positions in order to better reflect the expected executive involvement of each person going forward. Shawn Wallace, the current Board Chair, took the position of Chief Executive Officer while Michael Kosowan assumed the office of Vice President, Capital Markets. Mr. Kosowan continues to serve as a director. The Board created the office of Lead Independent Director and appointed Steve Cook to that office.

- On March 18, 2022, the Company announced that it had completed a non-brokered private equity placement of $5.28 million through the issuance of 7,033,400 units at an offering price of $0.75. Each $0.75 unit consisted of a common share and a three-year share purchase warrant, exercisable at $1.10. The warrant is subject to accelerated expiry if the common shares trade above $1.75 for 20 consecutive trading days after the first 12 months. Customary referral fees of approximately 3% of the aggregate proceeds were paid to eligible persons who referred participating investors.

## 2. DATE OF INFORMATION AND CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") of Torq has been prepared by management to assist the reader in assessing material changes in the consolidated financial condition and results of operations of the Company as at December 31, 2022 (the "financial statements"). Commentary is made on the results of the period under review. This MD&A should be read in conjunction with the financial statements of the Company and related notes thereto as at and for the years ended December 31, 2022 and 2021. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts presented are Canadian dollars unless otherwise stated.

United States readers should be aware that the Company uses mineral terminology based on the Canadian Institute of Mining and Metallurgy ("CIM"). CIM standards are not the same as those accepted by the US Securities Exchange Commission for US domestic mining company disclosure. Further details of these differences can be found in our Annual Information Form filings.

The effective date of this MD&A is March 27, 2023.

### 2.1. Forward-looking statements and risk factors

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable Canadian and United States securities laws ("forward-looking statements"). These forward-looking statements are presented for the purpose of assisting the Company's shareholders and prospective investors in understanding management's intentions and views regarding future outcomes and are inherently uncertain and should not be heavily relied upon. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, identify such forward-looking statements. Specific forward-looking statements in this MD&A may include, but are not limited to: the Company's ability to execute on its exploration and financing plans, the likelihood of discovering resources; the potential for access to and exploration of the Company's Margarita, Andrea or Santa Cecilia projects; permitting timelines; government regulation of mining operations; environmental and climate-related risks; the possible impairment of mining interests; any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements; the timing and amount of estimated exploration expenditures and capital raises for the Company; the liquidity of the common shares in the capital of the Company and other events or conditions that may occur in the future; the Company's intention to grow its business and its operations; the Company's competitive position; changes to government regulation, in particular Chilean; and the impact of the COVID-19 pandemic on the Company's operations and the economy generally.

The forward-looking statements contained in this MD&A represent the Company's views as of the date hereof. The assumptions related to these plans, estimates, projections, beliefs and opinions may change without notice and in unanticipated ways. Many assumptions may prove to be incorrect, including the Company's budgeting plans, expected costs, assumptions regarding market conditions and other factors upon which the Company has based its expenditure and funding expectations; the Company's ability to obtain or renew the licenses and permits necessary for exploration; that operations and financial markets will not in the long term be adversely impacted by the COVID-19 pandemic; the Company's ability to complete and successfully integrate acquisitions; the possible effects of climate change, extreme weather events, water scarcity, and seismic events, and the effectiveness of strategies to deal with these issues; the Company's expectations regarding the future demand for, and supply and price of, precious and base metals; the Company's ability to recruit and retain qualified personnel; the Company's ability to comply with current and future environmental, safety and other regulatory requirements and to obtain and maintain required regulatory approvals.

Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to adversely differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Some of the risks and other factors (some of which are beyond the Company's control) which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A include, but are not limited to, fluctuations in the current and projected prices for gold, other precious and base metals and other commodities (such as natural gas, fuel oil and electricity) which are needed for exploration activities; risks and hazards associated with the business of mineral exploration (including environmental hazards, potential unintended releases of contaminants, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); the speculative nature of mineral exploration and development; the estimation of mineral resources, the Company's ability to obtain funding, including the Company's ability to complete future equity financings; the current lack of any estimated mineralized deposit; environmental risks and remediation measures, including evolving environmental regulations and legislation; changes in laws and regulations impacting exploration activities; the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; legal and litigation risks; statutory and regulatory compliance; insurance and uninsurable risks; the Company's limited business history and history of losses and negative cash flow, which will continue into the foreseeable future; our inability to pay dividends, volatility in the Company's share price, the continuation of our management team and our ability to secure the specialized skill and knowledge necessary to operate in the mining industry; availability of drilling equipment and other exploration equipment; timely receipt of appropriate exploration permits; relations with and claims by local communities and non-governmental organizations, including relations with and claims by indigenous populations; the requirements of being a public company, including maintaining the listing requirements TSX Venture Exchange ("TSX-V"); risks associated with the significant resources required to maintain regulatory compliance as a public company; the effectiveness of the Company's internal control over financial reporting; cybersecurity risks; risks relating to the Company's public perception; general business, economic, competitive, political and social uncertainties; and public health crises such as the COVID-19 pandemic. This is not an exhaustive list of the risks and other factors that may adversely affect any of the Company's forward-looking statements. Readers should refer to the risks discussed herein and in the Company's Annual Information Form for the year ended December 31, 2022, filed on or about the date hereof, and subsequent disclosure filings with the Canadian Securities Administrators, available on SEDAR at www.sedar.com. and on the Company's website at www.torqresources.com. These documents are for information purposes only and not incorporated by reference in this MD&A.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

## 3. DESCRIPTION OF THE BUSINESS

Torq is a junior mineral exploration company focused on the acquisition and exploration of mineral resource properties. The Company is incorporated under the Business Corporations Act (British Columbia) and is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX-V where its shares trade under the symbol TORQ.V and on the OTCQX where its shares trade under the US symbol TRBMF.

The information presented consists of the financial statements of the Company, and the following 100% beneficially owned subsidiaries:

| **Subsidiaries (in USD functional currency)** | **Place of incorporation** |
|---|---|
| Torq Resources Chile SpA | Chile |
| Minera Margarita SpA | Chile |
| Minera Andrea SpA | Chile |
| Minera Santa SpA | Chile |
| Candelaria Minerals S.A.C | Peru |

Candelaria Minerals S.A.C. was dissolved subsequent to the year end (see Subsequent Events). During the year ended December 31, 2022, the Company dissolved Stratton Resources (Canada) Inc. and Torq Resources Holding Inc. which were also dormant entities. On April 1, 2022, the Company acquired a 25% share interest in Universal Mineral Services Ltd ("UMS Canada") a shared-service provider.

### 3.1. Ongoing response to COVID-19

While the Company continues to monitor developments with regards to COVID-19 and permitted activities, there were no impacts to the Company's operating activities in 2022 arising from COVID-19.

### 3.2. Qualified persons and technical disclosures

Michael Henrichsen P.Geo, Torq's Chief Geological Officer, is the qualified person as defined by National Instrument 43-101 with respect to the technical disclosures in this MD&A.

## 4. MINERAL PROPERTY INTERESTS

The Company's mineral property interests are composed of the following:

| | | **Margarita Project** | | **Andrea Project** | | **Santa Cecilia Project** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| As at December 31, 2020 | $ | - | $ | - | $ | - | $ | - |
| Finder's Fees Shares | | 159,969 | | - | | - | | 159,969 |
| Additions | | 293,537 | | 164,745 | | 265,286 | | 723,568 |
| Foreign currency translation | | 380 | | 1,081 | | 3,200 | | 4,661 |
| As at December 31, 2021 | $ | 453,886 | $ | 165,826 | $ | 268,486 | $ | 888,198 |
| Additions | | 3,435 | | - | | - | | 3,435 |
| Options payments | | 477,841 | | 170,937 | | 409,470 | | 1,058,248 |
| Foreign currency translation | | 35,977 | | 21,000 | | 5,510 | | 62,487 |
| **As at December 31, 2022** | **$** | **971,139** | **$** | **357,763** | **$** | **683,466** | **$** | **2,012,368** |

### 4.1. Margarita project

On March 8, 2021, the Company announced it had acquired the option to earn a 100% interest in the Margarita project located in Chile within the prolific Coastal Cordillera belt. The Company acquired the rights that constitute the Margarita project through two option agreements: the Margarita claims and the La Cototuda claim.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

In relation to the option arrangement of the Margarita project, a finder's fee of 466,667 shares (the "Finder's Fee Shares") of the Company are payable. Of this total, 81,250 shares were issued on April 7, 2021, 141,667 shares were issued on March 31, 2022, and 243,750 shares are to be issued on March 31, 2023.

During the second quarter of 2022, the Company acquired the concession rights for two strategic parcels of land adjacent to the project.

<u>Margarita Claims</u>

Under the option agreement, the Company can acquire a 100% interest in the Margarita claims by making cash payments totaling US$6,200,000 over 66 months. The Company is also required to incur work expenditures totaling US$3,050,000 within 30 months of the signing date of the definitive agreement (February 22, 2021), which had been incurred as at December 31, 2022.

| | | Cash payments (US$) | | Work expenditure requirements (US$) |
|---|---|---|---|---|
| April 20, 2021 (paid C$62,445) | $ | 50,000 | $ | - |
| August 22, 2021 (paid C$64,280 and work requirements met) | | 50,000 | | 400,000 |
| August 22, 2022 (paid C$155,013 and work requirements met) | | 100,000 | | 1,150,000 |
| August 22, 2023 | | 300,000 | | 1,500,000 |
| August 22, 2024 | | 1,200,000 | | - |
| August 22, 2025 | | 2,000,000 | | - |
| August 22, 2026 | | 2,500,000 | | - |
| | **$** | **6,200,000** | **$** | **3,050,000** |

The Margarita claims are subject to a net smelter return ("NSR") royalty of 1.0% with 50% (being 0.5%) which can be repurchased by the Company, at the Company's discretion, for US$2,000,000.

<u>La Cototuda Claim</u>

Under the La Cototuda option agreement, the Company can acquire 100% interest in the La Cototuda claim by making cash payments totaling US$900,000 over 36 months as follows:

| | | Cash payments (US$) |
|---|---|---|
| February 23, 2021 (paid C$63,065) | $ | 50,000 |
| February 23, 2022 (paid C$31,745) | | 25,000 |
| August 23, 2022 (paid C$291,083) | | 225,000 |
| October 23, 2023 | | 250,000 |
| February 23, 2024 | | 350,000 |
| | **$** | **900,000** |

The schedule of the La Cototuda option payments were amended during the first quarter of 2022, and the table above shows the commitments as agreed at the date of the financial statements.

Certain legal claims have arisen regarding the mineral exploration rights over a non-material section (approximately 10 m wide) at the edge of the Margarita southern property, comprised of four opposition filings. While the outcome of these legal claims is uncertain, management has reviewed the situation and believes the claims have no merit.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

<u>Exploration Activities</u>

A summary of exploration and evaluation costs for the Margarita project is as follows:

| | Year ended December 31, 2022 | | 2021 |
|---|---|---|---|
| Drilling | **$ 1,383,575** | $ | 108,594 |
| Geological consulting, salaries and wages | **1,346,334** | | 761,086 |
| Geophysics, sampling and assays | **564,633** | | 235,055 |
| Project support | **780,668** | | 347,410 |
| Travel, meals and accommodation | **305,212** | | 89,776 |
| Environmental, permitting and concessions | **39,414** | | 44,643 |
| Equipment, vehicles, rent and field supplies | **69,455** | | 24,501 |
| Share-based compensation | **89,562** | | 143,148 |
| **Total** | **$ 4,578,853** | $ | 1,754,213 |

On May 2, 2022, the Company completed its maiden 4,075 m RC drill program at the Margarita project, with the discovery of a new copper and gold sulphide system. Drill hole 22MAR-013R intersected 90 m of 0.94% copper and 0.84 g/t gold at a depth of 50 m – 140 m. This discovery successfully identified copper and gold sulphide mineralization, validating the Company's exploration thesis that sulphide mineralization is present on the project as a potential source to the abundant copper oxide mineralization observed on the southwestern margin of the project.

On July 14, 2022, the Company announced that it had commenced a follow-up RC drill program ("phase II"), which consisted of approximately 4,000 m over 11 drill holes, along a 1 km length of the Falla 13 structural corridor, which exhibits clear geochemical and geophysical signatures corresponding to the mineralization encountered in the discovery drill hole, 22MAR-013R. On August 2, 2022, the Company announced the identification of new high priority targets, Remolino and Cototuda, at the Margarita IOCG project and on September 13, 2022, the Company announced it had extended its initial discovery 190 m to the north. Drill hole 22MAR-014R intercepted 98 m of 0.94 g/t gold and 0.68% copper from 32 m – 130 m depth.

On November 28, 2022, the Company announced that it had defined a gold – copper mineralized system over an 800 m strike length at the Falla 13 discovery at its Margarita project. Highlights from the second phase of drilling included: 64 m of 0.63 g/t Au and 0.63% Cu in 22MAR-017R, 130 m of 0.36 g/t Au and 0.28% Cu (including 30 m of 1.02 g/t Au and 0.57% Cu) in 22MAR-023R, and 62 m of 0.51 g/t Au and 0.38% Cu (including 16 m of 1.6 g/t Au and 0.98% Cu), in 22MAR-024R.

The work planned for 2023 is discussed in in section 7, *Exploration Plans for 2023*.

### 4.2. Andrea project

On May 25, 2021, the Company announced it had acquired the option to earn a 100% interest in the Andrea copper porphyry project located in northern Chile, 100 km east of the city of La Serena. The property is located at the western margin of the Miocene aged El Indio belt which hosts the world class El Indio and Pascua Lama epithermal gold and silver deposits.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

The Company acquired the rights that constitute the Andrea project through three option agreements. Under these option agreements the Company can acquire 100% interest in the project, through cash payments as follows:

| | | Cash payments (US$) |
|---|---|---|
| July 23, 2021 (paid C$132,038) | $ | 105,000 |
| May 24, 2022 (paid C$170,937) | | 135,000 |
| May 24, 2023 | | 185,000 |
| May 24, 2024 | | 300,000 |
| May 24, 2025 | | 1,000,000 |
| May 24, 2026 | | 4,275,000 |
| | **$** | **6,000,000** |

The Andrea project option agreements include a NSR of 1.5%, which can be repurchased by the Company, at the Company's discretion, for US$3,000,000.

Exploration Activities

A summary of exploration and evaluation costs for the Andrea project is as follows:

| | | **Year ended December 31,** | | |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Geological consulting, salaries and wages | **$** | **276,193** | $ | 89,523 |
| Geophysics, sampling and assays | | **8,570** | | - |
| Project support | | **83,392** | | 6,468 |
| Travel, meals and accommodation | | **21,679** | | 1,606 |
| Environmental, permitting and concessions | | **22,841** | | 10,588 |
| Equipment, vehicles, rent and field supplies | | **2,813** | | 1,541 |
| Share-based compensation | | **17,992** | | 13,342 |
| **Total** | **$** | **433,480** | $ | 123,068 |

During the year ended December 31, 2022, the Company continued to focus on geochemical sampling and comprehensive mapping at the Andrea project, integrating these with the results of previous geophysics, with the goal of updating targeting at the property for future drill testing. Surface analysis has been completed and targets have been delineated.

### 4.3. Santa Cecilia project

On October 21, 2021, the Company announced that it had acquired an option to earn a 100% interest in the 3,250-hectare Santa Cecilia gold-copper project, located approximately 100 km east of the city of Copiapo in northern Chile. The project is in the southern region of the world-class Maricunga belt and to the north of the El Indio belt.

Under the option agreement the Company can acquire 100% interest in the project through cash payments as follows:

| | | Cash payments (US$) |
|---|---|---|
| October 21, 2021 (paid C$123,580) | $ | 100,000 |
| October 21, 2022 (paid C$409,470) | | 300,000 |
| October 21, 2024 | | 600,000 |
| October 21, 2025 | | 1,000,000 |
| October 21, 2026 | | 3,000,000 |
| October 21, 2027 | | 5,000,000 |
| October 21, 2028 | | 15,000,000 |
| | **$** | **25,000,000** |

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

Under the option agreement, the Company is also committed to the following work expenditures, which are scheduled from the date the Company obtains the necessary permits, which includes both drill permits and social license from indigenous communities located in the area of interest, to start its exploration campaigns. The option agreement also includes the requirement to achieve 25,000 m of drilling during the exploration campaign.

| Within 12, 24 and 36 months from achieving permits, which occurred on October 21, 2022: | | **Work Expenditures Requirements (US$)** |
|---|---|---|
| October 20, 2023 | $ | 3,000,000 |
| October 21, 2024 | | 4,500,000 |
| October 21, 2025 | | 8,000,000 |
| | **$** | **15,500,000** |

The option agreement includes a NSR of 3.0%, half of which is buyable once the option is executed for a price that will be based on the fair value of the project, determined by mutual agreement between the parties.

During the year ended December 31, 2022, the Company paid the option cash payment due by October 21, 2022, and agreed with the optionor that the date of obtaining necessary permits for exploration had been achieved on October 21, 2022, and any exploration expenditure incurred prior to that date could be included in the work expenditure requirements for the period ended October 20, 2023. The Company has incurred approximately $2,000,000 (US$1,620,000) of eligible work expenditures up to December 31, 2022.

Exploration Activities

A summary of exploration and evaluation costs, which are not all eligible work expenditures under the Santa Cecilia option agreement, is as follows:

| | | | | **Year ended December 31,** |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Drilling | **$** | **31,427** | $ | - |
| Geological consulting, salaries and wages | | **1,070,380** | | 254,979 |
| Geophysics, sampling and assays | | **137,712** | | - |
| Project support | | **391,196** | | 23,045 |
| Travel, meals and accommodation | | **159,106** | | 2,718 |
| Environmental, permitting and concessions | | **70,661** | | 43,293 |
| Equipment, vehicles, rent and field supplies | | **43,910** | | - |
| Share-based compensation | | **28,277** | | 12,928 |
| Community relations | | **297,110** | | - |
| **Total** | **$** | **2,229,779** | $ | 336,963 |

During the year ended December 31, 2022, the Company continued to focus its efforts on advancing dialogue and negotiation with the local Colla community, which culminated in the execution of a seven-year agreement on September 1, 2022. On December 13, 2022, the Company announced that it had initiated surface exploration at its Santa Cecilia gold – copper project. Furthermore, the team has been reviewing available historical data from prior exploration activities, including the re-logging and re-habilitation of existing historical drill cores available from previous drilling campaigns by a major mining company and the property owners. This work is driving the development of drill targets at Santa Cecilia, where Torq's inaugural drill campaign commenced in March 2023.

### 4.4. Project investigation

The Company continues to review and evaluate new projects to potentially add to its top tier mineral portfolio. A summary of project investigation costs during the year ended December 31, 2022, is as follows:

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Geological consulting, salaries and wages | **$** | **191,277** | $ | 214,168 |
| Project support | | **19,793** | | 17,911 |
| Share-based compensation | | **3,132** | | 47,507 |
| Environmental, permitting and concessions | | **5,796** | | 9,952 |
| Equipment, vehicles, rent and field supplies | | **25,283** | | 3,059 |
| Travel, meals and accommodation | | **11,252** | | - |
| **Total** | **$** | **256,533** | $ | 292,597 |

### 4.5. Climate related risks

The Company recognizes the impact of climate change on weather patterns in its recently acquired projects. The Company's projects (Margarita, Andrea and Santa Cecilia) are all located in northern Chile, but in different geographical and altitude conditions. For this reason, local conditions vary, and specific care and protocols must be applied accordingly. It is also evident that there have been climatic changes that affect the entire national territory, including persistent drought and a change of climate for the seasons that were clearly defined more than a decade ago. This has produced two fundamental effects: less water resources in rivers, lakes and lagoons, and changing consequences of rain events in desert lands, producing mud currents, which in recent years have had a significant impact on some rivers in the northern part of the country.

At Margarita, due to its position and relatively low altitude, no major climate-related challenges are being experienced or expected imminently. There is a general decrease in water availability and a risk of mud currents in the lower sectors, especially those related to smaller courses such as the Salado River (60 km north of Inca de Oro) or the Copiapo River (100 km to the south of the project). However, it is possible to access the property and work effectively throughout the year at the Margarita project.

Due to the position and altitude of the Andrea project, it is less accessible than Margarita. The Company began its reconnaissance work in September 2021, once access was granted. The project is expected to be accessible for field work for at least eight months of the year (September to April).

In the case of the Santa Cecilia project, although it has a similar altitude to Andrea, it is slightly more accessible. The Company was able to carry out field activities at Santa Cecilia in the fourth quarter of 2022.

The Company is taking extensive measures to prioritize safe access to the three projects for all personnel working in each area. The field experience of the local teams and the knowledge of neighboring projects play a fundamental role in this care, and in the proactive management of the risks associated with working in remote exploration areas, particularly for the Andrea and Santa Cecilia projects, with the access limitations due to their particular weather conditions.

## 5. DISCUSSION OF OPERATIONS

### 5.1. Three months ended December 31, 2022 and 2021 (Q4 2022 vs Q4 2021)

The net loss for Q4 2022 was $3,349,939 or $0.03 loss per share, compared to $1,941,866 or $0.03 loss per share for Q4 2021. Overall costs increased to support the additional exploration activities at the Margarita, Santa Cecilia and Andrea projects.

Significant variances are discussed as follows:

- During Q4 2022, exploration and evaluation expenses increased to $2,193,525 compared to $832,086 in Q4 2021 as a result of increased exploration activities on the properties that were optioned in 2021. This was primarily due to the completion of analytical work on the results of the phase II drill campaign at the Margarita project, and the initiation of surface exploration work at Santa Cecilia project.

- During Q4 2022, fees, salaries and other employee benefits increased to $625,646 from $564,243 in Q4 2021 due to an increase in consulting fees and administrative salaries needed to support the higher level of exploration and corporate development activities.

- During Q4 2022, project investigation costs increased to $83,390 from $9,541 in Q4 2021, as management continues to consider, given its greater presence and connectivity in Chile, potentially accretive ancillary concessions to its existing projects, as well as potential additional premium projects in Chile.

- During Q4 2022, the Company recorded an accretion expense of $53,425, all of which associated to the Loan Facility, no similar expense has been recorded in the comparable period as the Loan Facility was initiated in July 2022.

- During Q4 2022, the Company recorded a foreign exchange loss of $88,951 compared to a gain of $3,208 in Q4 2021. The loss in the current period is driven by the fluctuation of the US dollar against the Chilean peso during the quarter. The Company's exposure to fluctuations in the Chilean peso has increased in correlation to the Company's continued ramp up activities since acquiring its projects in 2021.

- During Q4 2022, the Company recorded an interest expense of $47,466, all of which associated to the Loan Facility, no similar expense has been recorded in the comparable period as the Loan Facility was initiated in July 2022.

- During Q4 2022, the Company recorded a gain of $20,067 on its equity investment in UMS Canada. This is the third quarter that the Company has had its 25% ownership interest in this entity and accordingly there is no similar 2021 comparative figure.

- Partially offsetting the increase in the net loss during Q4 2022 was interest and other income of $137,196 compared to $4,143 in Q4 2021. The increase is due to interest income from the Company's cash deposits held in interest-bearing accounts with a Canadian institution following the $15,000,000 private placement on September 15, 2022.

### 5.2. Years ended December 31, 2022 and 2021 (YTD 2022 vs YTD 2021)

The net loss for the year ended December 31, 2022 was $11,719,346 or $0.13 loss per share, compared to $6,478,104 or $0.08 loss per share for the year ended December 31, 2021.

Significant variances are discussed as follows:

- During the year ended December 31, 2022, exploration and evaluation expenses increased to $7,242,112 compared to $2,214,244 in year ended December 31, 2021 as a result of increased exploration activities on the properties optioned in 2021. This was primarily related to the drill campaigns at the Margarita project, and the subsequent results analysis, as well as exploration costs at Santa Cecilia where community relations costs were incurred associated with obtaining the seven-year access agreement in September 2022. Surface exploration work at Santa Cecilia was also initiated in the fourth quarter of 2022.

- During the year ended December 31, 2022, fees, salaries and other employee benefits increased to $2,090,738 from $1,644,273 in the year ended December 31, 2021 due to an increase in consulting fees and administrative salaries needed to support the higher level of exploration and corporate development activities.

- During the year ended December 31, 2022, marketing and investor relations increased to $1,251,320 from $1,130,453 in the year ended December 31, 2021. The increase is due to the Company's increased marketing and investor relations efforts to communicate the exploration progress and results, as well as key corporate developments such as the Loan Facility and the Gold Fields investment, to the investor community.

- During the year ended December 31, 2022, the Company recorded an accretion expense of $93,981, all of which associated to the Loan Facility, no similar expense has been recorded in the comparable period as the Loan Facility was initiated in July 2022.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

- During the year ended December 31, 2022, foreign exchange gain of $26,487 was recognized compared to a loss of $105,020 in the year ended December 31, 2021. The gain in the current year is driven by the fluctuation of the US dollar against the Chilean peso during the year. The Company's exposure to fluctuations in the Chilean peso has increased in correlation to the Company's continued ramp up activities since optioning its projects in 2021.

- During the year ended December 31, 2022, the Company recorded an interest expense of $83,466, all of which associated to the Loan Facility, no similar expense has been recorded in the comparable period as the Loan Facility was initiated in July 2022.

- During the year ended December 31, 2022, the Company recorded a loss of $23,976 on its equity investment in UMS Canada. This is the third quarter that the Company has had a 25% ownership interest in this entity and accordingly there is no similar 2021 comparative figure.

- Partially offsetting the increase in the net loss during the year ended December 31, 2022 was interest and other income of $195,681 compared to $39,291 in Q4 2021. The increase is due to interest income from the Company's cash deposits held in interest-bearing accounts with a Canadian institution following the $15,000,000 private placement on September 15, 2022.

### 5.3. Summary of quarterly results

A summary of quarterly results is shown below:

| Quarter ended | Interest and other income | Net loss | Total comprehensive loss | Loss per share |
|---|---|---|---|---|
| **December 31, 2022** | **$ 137,196** | **$ 3,349,939** | **$ 3,300,462** | **$ 0.03** |
| September 30, 2022 | 41,849 | 3,216,631 | 3,162,685 | 0.04 |
| June 30, 2022 | 8,980 | 2,556,757 | 2,520,764 | 0.03 |
| March 31, 2022 | 7,656 | 2,596,019 | 2,593,395 | 0.03 |
| December 31, 2021 | 4,143 | 1,941,866 | 1,962,501 | 0.03 |
| September 30, 2021 | 6,523 | 1,612,254 | 1,626,874 | 0.02 |
| June 30, 2021 | 17,269 | 1,606,792 | 1,619,465 | 0.02 |
| March 31, 2021 | 11,356 | 1,317,192 | 1,320,180 | 0.02 |

The summary of last eight quarters reflects a significant increase in losses as the Company entered Chile and set-up corporate entities, built a key portfolio of mineral projects, and began surface exploration on the Andrea and Santa Cecilia projects and drilling activities at the Margarita project which expanded in the third quarter of 2022. There were increases in salaries and office and administration costs, as well as marketing and investor relations costs, as a result of this ramp up in exploration activities.

## 6. SELECTED ANNUAL INFORMATION

| | **December 31, 2022** | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Net loss for the year | **$ 11,719,346** | $ 6,478,104 | $ 2,087,836 |
| Comprehensive loss for the year | **11,577,306** | 6,529,020 | 2,089,164 |
| Basic and diluted loss per share | **0.13** | 0.08 | 0.03 |
| Total assets | **15,605,744** | 3,985,483 | 9,094,848 |
| Total non-current liabilities | **1,966,710** | - | - |

The Company generated no revenues from operations during the years presented above. See Discussion of Operations for factors that have caused the year-to-year variation between YTD 2022 and YTD 2021 in the loss and loss per share data.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

## 7. EXPLORATION PLANS FOR 2023

Following the results of the most recent drill campaign at Margarita, the Company is planning a follow-up drill program later in 2023. The purpose of this additional drilling will be to further delineate additional targets on the project. A multi-element geochemical soil survey was initiated in 2023 and this will focus on the delineation of gold and trace element anomalies associated with the mineralization discovered to date. Additional mapping is underway covering the road cuts in the area of drilling and will be completed in an effort to better understand the geometry of the mineralization encountered.

At Santa Cecilia, the Company began surface exploration at the end of 2022 and on March 13, 2023, announced it had commenced drilling at the project. In parallel to the drill campaign, the Company is completing surface exploration and a multi-element geochemical soil survey, with detailed alteration mapping and geological mapping. Results of this work will be forthcoming.

At the Andrea project, having completed the targeting definition, the work at this project is on hold while the Company focuses resources at Margarita and Santa Cecilia.

## 8. LIQUIDITY AND CAPITAL RESOURCES

### 8.1. Liquidity

| | | **December 31, 2022** | | December 31, 2021 |
|---|---|---|---|---|
| Working capital | **$** | **11,364,985** | $ | 2,037,479 |
| Cash | | **12,470,543** | | 1,899,324 |
| Non-current liabilities | | **1,966,710** | | - |
| Cash used in operating activities | | **(10,095,788)** | | (5,792,269) |
| Cash used in investing activities | | **(1,063,332)** | | (1,033,310) |
| Cash provided by financing activities | | **21,727,664** | | 42,300 |

The Company's primary sources of liquidity are equity issuances and the Loan Facility. The funds are primarily used to finance working capital, explore mineral properties and to make certain annual payments to ensure that all the Company's mineral properties remain in good standing. As at December 31, 2022, the Company had net working capital of $11,364,985 (December 31, 2021 - $2,037,479) which included cash of $12,470,543 (December 31, 2021 - $1,899,324). The Company's non-current liabilities consist of the carrying value of the Loan Facility of $1,966,710 as at December 31, 2022 (December 31, 2021 - $nil).

During the year ended December 31, 2022, the Company used cash of $10,095,788 in operating activities compared to $5,792,269 during the year ended December 31, 2021. The higher cash outflow in 2022 was the result of significant exploration costs on the properties acquired in 2021, particularly due to the ramp up of targeting activities in preparation for the RC drill campaign at the Margarita project which commenced part-way through the quarter in July, and community relations costs associated with obtaining the seven-year access agreement with the Colla community near to the Santa Cecilia project.

During the year ended December 31, 2022, the Company used cash in investing activities of $1,063,332 compared to the $1,033,310 in 2021. The investing cash outflow in 2022 was the result of the scheduled option payments on the mineral property interests, purchases of equipment for exploration and evaluation activities offset by the interest income from the Company's interest-bearing deposit held with a Canadian institution.

During the year ended December 31, 2022 cash provided by financing activities increased to $21,727,664 from $42,300 in 2021 as a result of net proceeds from two equity private placements and the Loan Facility, net of interest repayments made towards the Loan Facility.

The Company has incurred operating losses to date and does not generate revenue from operations to support its activities. With no source of revenue, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The ability to continue as a going concern remains dependent upon Torq's ability to obtain the financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

### 8.2. Capital resources

*September 15, 2022 Gold Fields Investment*

On September 15, 2022, the Company completed a $15,000,000 non-brokered private placement with a wholly owned affiliate of a NYSE listed international gold mining company, Gold Fields, at a purchase price of C$1.00 per common share. Torq will primarily use the net proceeds for drilling at its Santa Cecilia project, as well as for drilling at the Company's Margarita project.

*March 31, 2022 Common Share Offering*

On March 31, 2022, the Company issued 141,667 common shares with a $28,169 fair value, pursuant to the Margarita Project finder's fee agreement. Net proceeds were used as intended by the Company, to carry on the drill campaign at Margarita, perform a comprehensive review of those results and subsequently plan for the next phase of drilling. The funds were also used to perform targeting work at the Andrea and Santa Cecilia projects and to collaborate with the local community near Santa Cecilia, where an access agreement was obtained on September 1, 2022.

*March 18, 2022 Common Share Offering*

On March 18, 2022, the Company announced it had completed a non-brokered equity private placement for gross proceeds of $5,275,050 which improved the Company's liquidity and provided the capital to fund the drilling activities and to conduct further exploration on the newly optioned properties. Share issuance costs including commissions and professional and regulatory fees, totaled $230,175.

A reconciliation of net proceeds and the funds used as at December 31, 2022 is as follows:

| **March 2022 Equity Private Placement** | **Number of common shares** | | **Proceeds** |
|---|---|---|---|
| Units issued at $0.75 per unit | 7,033,400 | $ | 5,275,050 |
| Share issuance costs | | | (230,175) |
| Net proceeds of 2022 Private Placement | | $ | 5,044,875 |
| Actual use of proceeds: | | | |
| Exploration activities | | | (4,362,747) |
| General working capital | | | (682,128) |
| **Funds remaining as at December 31, 2022** | | **$** | **-** |

*February 2017 Common Share Offering*

On February 27, 2017, the Company closed an equity private equity placement for gross proceeds of $13,195,000 and issued an aggregate of 20,300,000 common shares at a price of $0.65 per common share. Share issue costs including commissions and professional and regulatory fees, totaled $447,036. Net proceeds were used to complete the work required to leave its abandoned properties in good standing, acquire the Margarita, Andrea and Santa Cecilia concessions, fund exploration activities, including the first phase of drilling at Margarita, continue with project investigation activities and to cover administration and general working capital requirements.

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

A reconciliation of net proceeds and the funds used as at December 31, 2022 is as follows:

| **February 2017 Equity Private Placement** | **Number of common shares** | | **Proceeds** |
|---|---|---|---|
| Common shares issued at $0.65 per common share | 20,300,000 | $ | 13,195,000 |
| Share issuance costs | | | (447,036) |
| Net proceeds of 2017 Private Placement | | $ | 12,747,964 |
| Actual use of proceeds: | | | |
| Project investigation and acquisition costs | | | (6,084,600) |
| General working capital | | | (6,663,364) |
| **Funds remaining at December 31, 2022** | | **$** | **-** |

The Company will continue to require additional working capital for the foreseeable future to fund its ongoing activities. As an exploration company that does not generate revenue, the most likely source of additional capital will be further equity financings, which are not assured and will depend on, among other things, financial market conditions, metal prices and the Company's exploration results.

A summary of the option payments in the coming years are as follows:

| | **Margarita Project (US$)** | **Andrea Project (US$)** | **Santa Cecilia Project (US$)** | **Total (US$)** |
|---|---|---|---|---|
| 2023 | 550,000 | 185,000 | - | 735,000 |
| 2024 | 1,550,000 | 300,000 | 600,000 | 2,450,000 |
| 2025 | 2,000,000 | 1,000,000 | 1,000,000 | 4,000,000 |
| 2026 | 2,500,000 | 4,275,000 | 3,000,000 | 9,775,000 |
| 2027 | - | - | 5,000,000 | 5,000,000 |
| 2028 | - | - | 15,000,000 | 15,000,000 |

## 9. OFF-BALANCE SHEET ARRANGEMENTS

Other than the commitment described in Note 4 in the financial statements, the Company has not engaged in any off-balance-sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.

## 10. PROPOSED TRANSACTIONS

As at December 31, 2022 and as at the date of this MD&A, the Company had no proposed transactions.

## 11. RELATED PARTY TRANSACTIONS

### 11.1 Services rendered and balances

All transactions with UMS Canada occurred in the normal course of operations. All balances are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

| | | **Year ended December 31,** **2022** | | 2021 |
|---|---|---|---|---|
| Exploration and evaluation | **$** | **353,240** | $ | 72,929 |
| Project investigation | | **61,416** | | 57,318 |
| Marketing and investor relations | | **106,779** | | 49,943 |
| General and administration | | **921,704** | | 551,751 |
| **Total** | **$** | **1,443,139** | $ | 731,941 |

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

As at December 31, 2022, $161,900 (December 31, 2021 - $115,446) was included in accounts payable and $240,000 (December 31, 2021 - $420,000) in prepaid expenses and deposits relating to transactions with UMS Canada. Upon the acquisition of the 25% share of UMS Canada in April 2022, $150,000 of the deposit balance was reclassified to the investment in associate balance.

### 11.2 Key management compensation

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's Chief Financial Officer and Chief Geological Officer terminated their direct employment status with the Company, and became employed by UMS Canada and also entered into secondment employment arrangements between the Company and UMS Canada.

In addition to the two executives' compensation pursuant to the aforementioned transactions, the Company provided the following total compensation to key management members, being its four executives, and five non-executive directors:

| | | | Year ended December 31, | |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Salaries and other employee benefits | **$** | **1,232,844** | $ | 877,866 |
| Fees paid to non-executive directors | | **75,172** | | 79,666 |
| Share-based compensation | | **103,645** | | 283,415 |
| **Total** | **$** | **1,411,661** | $ | 1,240,947 |

As at December 31, 2022 the Company had an outstanding accounts payable and accrued liabilities balance with key management personnel of $355,135 (December 31, 2021 - $50,950) mostly relating to year-end bonuses.

## 12. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical accounting judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Functional currency

The functional currency of the Company's subsidiary is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency to be the Canadian dollar, while the functional currency of its Chilean subsidiaries is the United States dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii) Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that the acquisition of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iii) Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

iv) Financial instruments

Financial instruments are assessed upon initial recognition to determine whether they meet the definition of a financial asset, financial liability or equity instrument depending on the substance of the contractual arrangement. Judgment is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS requires that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgments are made in determining what are appropriate inputs and assumptions to use in calculating the fair value.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

i) Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

ii) Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for rehabilitation and site restoration, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

As the Company's projects are in early-stage exploration, with limited equipment and camp set up, management estimated the provision to be $nil as at December 31, 2022 and 2021.

iii) Share-based compensation

The Company determines the fair value of options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility, and expected life of the option. Changes in these inputs and the underlying assumptions used to develop them can materially affect the fair value estimate.

iv) Income taxes

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

v) Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

## 13. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the financial statements.

## 14. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2022, the Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, and the Loan Facility. The fair values of these financial assets and liabilities approximate their carrying values due to their short-term maturity.

The Company's financial instruments are exposed to certain financial risks including liquidity risk, credit risk, and currency risk. Details of the primary risks that the Company is exposed to are laid out in Note 12 in the Company's financial statements.

## 15. SUBSEQUENT EVENTS

In January 2023, Candelaria Minerals S.A.C., a dormant subsidiary of the Company, was dissolved.

On January 19, 2023, the Company granted incentive share options, for the purchase of 5,405,000 common shares, of which 4,140,000 were granted to directors and officers of the Company. The options are exercisable at $0.73, expire five years from the date of grant and vest 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

On February 10, 2023, the Company obtained a receipt for its final short form base shelf prospectus (the "Shelf Prospectus") filed with the securities commissions in each of the provinces and territories of Canada. The filing of a Shelf Prospectus is intended to provide the Company with financing flexibility. Under the Shelf Prospectus, the Company may issue and sell up to $60,000,000 of common shares, warrants, subscription receipts, units, debt securities, or any combination thereof, from time to time over the 25-month period that the Shelf Prospectus remains effective.

On March 10, 2023, the Company closed a private placement for 10,433,899 units at a price of $0.60 per unit for gross proceeds of $6,260,339. Each unit consists of one common share and one half of a share purchase warrant, each full warrant is exercisable into one common share at an exercise price of $0.80 until March 10, 2026.

## 16. OTHER REQUIRED DISCLOSURE

### 16.1. Capital structure

Authorized share capital consists of: Unlimited number of common shares without par value.

**Issued share capital:**

As at the dates noted in the table, the Company had the following outstanding securities:

Results of Operations for the year ended December 31, 2022 Expressed in Canadian dollars

| | December 31, 2022 | March 27, 2023 |
|---|---|---|
| Common shares | **99,690,481** | **110,124,380** |
| Share purchase options | **3,851,875** | **9,270,625** |
| Share purchase warrants | **11,135,964** | **16,953,947** |

### 16.2 Disclosure controls and procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in the Company's MD&A for the year ended December 31, 2022.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During the year ended December 31, 2022, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors,

*"Shawn Wallace"*
**Shawn Wallace**
Chief Executive Officer and Chair
March 27, 2023