



**CHAKANA**  
C O P P E R

**CHAKANA COPPER CORP.**

**MANAGEMENT DISCUSSION & ANALYSIS**

**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**



**CHAKANA COPPER CORP.**

**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022  
(EXPRESSED IN CANADIAN DOLLARS)**

---

## **GENERAL**

This Management Discussion and Analysis (“MD&A”) of Chakana Copper Corp. (the “Corporation” or “Chakana”) dated January 26, 2023 provides an analysis of the Corporation’s financial results for the six months ended November 30, 2022. The following information should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements as at November 30, 2022 and for the six months then ended 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 (“CDN”), unless otherwise stated. The Corporation’s condensed interim 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. The Corporation employs the latest technological innovations to test the upside potential of projects with aggressively funded exploration programs.

## **GENERAL OVERVIEW OF MARKET CONDITIONS**

Compounding the impact of the global pandemic caused by COVID-19 commencing in 2020 and up to the date of this MD&A, the war in Ukraine triggered the start of a rampant inflation and increased interest rates which contributed in part to a global recession. 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 has caused uncertainty for the mining industry, particularly recently with the impeachment of Pedro Castillo and subsequent arrest. 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 \$4.28 per pound. During the same period, gold and silver prices fluctuated in value, with gold trading between US \$1,629 per ounce and US \$2,052 per ounce, closing at US \$1,947 per ounce, and silver trading between US \$17 per ounce and US \$28 per ounce, closing at US \$23.90 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 2022.

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. Castillo was impeached by Congress on December 7, 2022 following an illegal attempt to dissolve Congress and rule by decree. Castillo had been under multiple investigations for fraud. A new President, Dina Boluarte, was sworn in and she has appointed a new

Cabinet with more credentials and experience than before. Castillo is being held in pre-trial detention while he is investigated on charges of rebellion.

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

- 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:
  - Inferred Resources were estimated for seven breccia pipes that start at surface and extend to an average depth of approximately 330 metres; all zones remain open at depth.
  - 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.
  - 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.
  - The total initial Inferred Resource contains 191,000 ounces of gold, 11.7 million ounces of silver and 130 million pounds of copper.
  - 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.
  - 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 September 22, 2022, the Corporation provided an exploration update announcing the following:
  - The Corporation completed eight exploration holes totaling 2,144 metres on new targets on the north half of the project where the Corporation is fully permitted for exploration drilling.
  - A geometallurgical 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 BX 5, then will transition to BX 1, Huancarama and other zones of high-grade mineralization identified in the resource with the objective of resolving precious and critical metal deportment in sulfide and sulfosalt minerals to optimize mineral processing options and to identify deleterious element deportment for effective waste management planning.

Permitting update – the Corporation continues with the process of modifying the semi-detailed environmental impact assessment 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. 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 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 of 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 Resources Inc. ("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 \$4,425,000 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: (i) paying US \$2,800,000 and issuing 9,480,198 common shares to Condor's Peruvian subsidiary prior to June 23, 2022, or (ii) making the following cash and share payments to Condor's Peruvian subsidiary over the next three-year period:

<b>Date</b>	<b>Cash payment (in US \$)</b>	<b>Shares in CDN\$ equivalent</b>
On or prior to June 23, 2022 (completed)	800,000	200,000
On or prior to June 23, 2023	1,000,000	200,000
On or prior to June 23, 2024	1,000,000	200,000
On or prior to June 23, 2025	1,425,000	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 \$5,089,605. Each unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional share at a price of \$0.20 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 per unit. The Corporation paid aggregate finder's fees of \$265,190 and issued 2,410,823 broker's warrants in connection with the first tranche of the private placement. Each broker's warrant is exercisable to purchase one share at a price of \$0.20 for a period of two years from closing of the private placement. The broker warrants were valued at \$111,636 using the Black-Sholes option pricing model.
- 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. Each unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional share at a price of \$0.20 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 per unit. Combined with the first tranche that closed in May 2022, the financing resulted in total gross proceeds of \$6,241,355.
- On September 29, 2022, the Corporation granted 4,200,000 stock options to certain of its directors, officers, employees and consultants. Each option is exercisable to acquire one share of the Corporation at a price of \$0.075 until September 29, 2027.

- On December 21, 2022, the Corporation provided an exploration update announcing it entered into an agreement to amend the payment terms under the Aija option agreement.

Under the existing agreement, a final payment of US \$1.5 million dollars was due on May 1, 2023. The parties agreed to extend and amend the terms of the agreement as follows:

Installment	Date	Cash payment Amount (in US \$)	(US \$ paid in shares)
1	December 1, 2022 – (paid)	\$ 100,000	\$ 75,000
2	May 1, 2023	100,000	125,000
3	November 1, 2023	100,000	150,000
4	May 1, 2024	150,000	75,000
5	November 1, 2024	150,000	75,000
6	May 1, 2025	150,000	-
7	November 1, 2025	150,000	-
8	May 1, 2026	150,000	-
9	November 1, 2026	250,000	-
<b>Total</b>		<b>\$ 1,300,000</b>	<b>\$ 500,000</b>

The number of shares will be determined based on the greater of (i) the ten-day volume weighted average trading price of the Chakana common shares as of the date of issuance of such Chakana Shares, or (ii) the market value at the time the obligation arises, provided that the shares for each payment may not be issued at a price of lower than CDN \$0.05 per share. The Agreement is subject to the approval of the TSX-V.

#### 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 (the "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; 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 Option	Aija Project	Barrick	Total
<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
Acquisition costs	1,199,729	130,134	-	1,329,863
Foreign exchange on translation	93,087	20,971	12,663	126,721
<b>Balance – November 30, 2022</b>	\$ 4,079,714	\$ 955,578	\$ 320,922	\$ 5,356,214

**CHAKANA COPPER CORP.**  
**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

During the six months ended November 30, 2022 and 2021, the Corporation incurred exploration and evaluation expenditures as follows:

	Three Months Ended November 30, 2022	Three Months Ended November 30, 2021	Six Months Ended November 30, 2022	Six Months Ended November 30, 2021
Drilling	\$ 11,543	\$ 64,058	\$ 372,089	\$ 1,397,210
Exploration support and administrative	302,399	331,637	719,115	651,054
Field operations and consumables	32,469	381,104	227,707	647,402
Geological consultants	3,493	189,547	87,201	309,995
Permitting and environmental consulting	32,636	46,879	55,931	113,948
Sampling and geological costs	7,759	153,603	33,259	384,507
Transportation	34,821	61,664	86,556	110,563
	\$ 425,120	\$ 1,228,492	\$ 1,581,858	\$ 3,614,679

**SUMMARY OF QUARTERLY RESULTS**

Key financial information for the three months ended November 30, 2022, as well as the most recently preceding seven quarters is summarized as follows:

	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022
Current Assets	\$ 3,300,836	\$ 4,003,708	\$ 5,805,347	\$ 1,842,088
Current Liabilities	\$ 495,672	\$ 528,068	\$ 692,439	\$ 439,290
Total Assets	\$ 9,949,769	\$ 10,512,839	\$ 10,887,871	\$ 6,939,408
Total Liabilities	\$ 638,114	\$ 692,592	\$ 857,492	\$ 612,947
Operating Expenses	\$ (831,746)	\$ (1,486,423)	\$ (1,334,948)	\$ (1,280,359)
Net Loss	\$ (757,100)	\$ (1,503,198)	\$ (1,358,206)	\$ (1,303,281)
Loss per Share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021
Current Assets	\$ 3,515,573	\$ 5,734,497	\$ 8,904,769	\$ 9,642,901
Current Liabilities	\$ 649,829	\$ 1,099,322	\$ 1,288,798	\$ 790,059
Total Assets	\$ 8,081,032	\$ 9,908,339	\$ 13,191,670	\$ 13,559,092
Total Liabilities	\$ 824,629	\$ 1,278,433	\$ 1,483,230	\$ 790,059
Operating Expenses	\$ (1,862,235)	\$ (3,020,958)	\$ (2,940,351)	\$ (2,016,903)
Net Loss	\$ (1,836,899)	\$ (3,433,248)	\$ (3,162,022)	\$ (2,074,339)
Loss per Share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.02)

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022**

Total operating expenses for the three months ended November 30, 2022 were \$831,746 (2021 - \$1,862,235). The significant expenditures for the current quarter were as follows:

- Exploration and evaluation expenditures were \$425,120 during the three months ended November 30, 2022 (2021 - \$1,228,492), inclusive of drilling expenses of \$11,543 (2021 - \$64,058). Decreased drilling expenses were a result of the Corporation's reduced exploration program for 2023 in an effort to maximize its drilling program and conserving cash to navigate current economic conditions.
- Exploration support and administrative of \$302,399 (2021 - \$331,637) remained relatively consistent.
- Field expenses of \$32,469 (2021 - \$381,104) declined as a result of reduced drilling as the company reduced its exploration program for the current year.
- Geological consulting fees of \$3,493 (2021 - \$189,547) decreased due a reduced drilling and exploration program for the current year.



- Permitting and environmental consulting fees of \$32,636 (2021 - \$46,879) also remained relatively consistent with prior year's costs.
- Sampling and geological costs of \$7,759 (2021 - \$153,603) decreased due to the reduced drilling program for the current year.
- Transportation expenses of \$34,821 (2021 - \$61,664) declined as a result of the company reducing its exploration program for the year.
- Consulting fees were \$53,820 and salaries and wages were \$70,781 during the three months ended November 30, 2022, compared to \$59,067 of consulting fees and \$65,900 of salaries and wages for the three months ended November 30, 2021. Both expenses remained relatively consistent year on year.
- General and administrative expenses of \$27,689 (2021 - \$99,190) decreased due to cost cutting measures for the current year.
- Legal and professional fees of \$83,394 (2021 - \$60,838) increased during the current year, as the Corporation entered into option amending agreements to restructure payment obligations for its exploration projects.
- Stock-based compensation was \$113,799 (2021 - \$203,391). The change in stock-based compensation during the three months ended November 30, 2022 is the result of no new options granted during the current period.
- Investor relations expenses were \$24,409 (2021 - \$98,378) decreased, as the Corporation has engaged in less promotional activities during the current period as part of its efforts to conserve cash during the current economic conditions.

As a result of the foregoing, the Corporation recorded a net loss of \$757,100 during the three months ended November 30, 2022 (2021 - \$1,836,899).

#### **RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED NOVEMBER 30, 2022**

Total operating expenses for the six months ended November 30, 2022 were \$2,318,169 (2020 - \$4,883,193). The significant expenditures for the current quarter were as follows:

- Exploration and evaluation expenditures were \$1,581,858 during the six months ended November 30, 2022 (2021 - \$3,614,679), inclusive of drilling expenses of \$372,089 (2021 - \$1,397,210). Exploration support and administrative were \$719,115 (2021 - \$651,054), field expenses were \$227,707 (2020 - \$647,402), geological consulting fees of \$87,201 (2021 - \$309,995), permitting and environmental consulting fees were \$55,931 (2021 - \$113,948), sampling and geological costs of \$33,259 (2021 - \$384,507) and transportation expenses were \$86,556 (2021 - \$110,563). Decreased drilling expenses were a result of the Corporation's reduced exploration program for 2023 in an effort to conserve cash given the current economic climate.
- Consulting expenses were \$94,487 and salaries and wages were \$141,633 during the six months ended November 30, 2022, compared to \$125,420 of consulting fees and \$134,175 of salaries and wages for the six months ended November 30, 2021. Consulting expenses decreased as a result of the Corporation's cost cutting measures for the current year. Wages and salaries remained relatively constant year to year.
- General and administrative expenses were \$119,889 during the six months ended November 30, 2022, compared to \$187,159 during the six months ended November 30, 2021. These expenses decreased as a result of the Corporation's cost cutting measures for the current year.
- During the six months ended November 30, 2022, the Corporation incurred \$108,894 of legal and professional fees (2021 - \$86,839). These expenditures increased during the current year, as the Corporation entered into option amending agreements to restructure payment obligations for its exploration projects.
- Stock-based compensation and investor relations expenses were \$152,695 and \$54,840, respectively, during the six months ended November 30, 2022 (2020 - \$505,047 and \$148,804, respectively). Stock-based compensation expense realized during the respective periods is the result of amortization of share-based expense from stock options granted during the prior year. Investor relations expenses decreased during the

six months ended November 30, 2022, as the Corporation has engaged in less promotional activities during the current period as part of its efforts to conserve cash during the current economic conditions.

- During the six-month ended November 30, 2021, 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 \$410,493.

As a result of the foregoing, the Corporation recorded a net loss of \$2,260,298 during the six months ended November 30, 2022 (2021 - \$5,270,145).

## 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. ("MVS"), a Peruvian subsidiary of TSX-V-listed 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). The Corporation must complete 12,500 metres of exploration drilling at the Soledad Project. As at November 30, 2022, the Corporation has drilled over 12,500 metres on the Soledad Project, therefore meeting all of its drilling commitments under the Condor Option.

On April 14, 2022, the Corporation reached an agreement with Condor to amend the terms of the Mining Assignment and 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 \$4,425,000 was due to Condor on April 23, 2022. The parties agreed to extend and amend the terms of the Mining Assignment and Option Agreement to provide that Chakana may complete the exercise of the option by either: (i) paying US \$2,800,000 and issuing 9,480,198 common shares to Condor's Peruvian subsidiary prior to June 23, 2022, or (ii) making the following cash and share payments to Condor's Peruvian subsidiary over the next three-year period:

Date	Cash payment (in US \$)	Shares in CDN\$ equivalent
On or prior to June 23, 2022 (paid)	800,000	200,000
On or prior to June 23, 2023	1,000,000	200,000
On or prior to June 23, 2024	1,000,000	200,000
On or prior to June 23, 2025	1,425,000	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 most recent amendment to the Mining Assignment and Option 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 November 30, 2022, the Corporation has made total payments US \$1,950,000.

Pursuant to the Mining Assignment and Option Agreement as amended, the Corporation may purchase from MVS 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 NSR was reduced 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. In addition, the pre-royalty payment obligation was eliminated.

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 payment 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 Soledad Project discussed above.

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

Installment	Date	Amount (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)	100,000
10	November 1, 2022 (paid subsequent to November 30, 2022)	100,000
11	May 1, 2023 (amended and extended)	1,500,000
Total		2,300,000

As at the date of this MD&A, the Corporation has paid installments 1 to 10, totaling US \$800,000.

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.

Subsequent to November 30, 2022, the Company amended the payment terms under the Aija Option. Please refer to Note 15. "Subsequent Events" in the associated financial statements.

The Corporation has completed detailed soil and rock sampling, geological mapping, surface electromagnetic surveys, ground magnetics surveys, and both gradient array and offset induced polarization surveys within the portions of the Aija Project where mineralization is 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 mineralization is known or expected based upon soil sampling and geological modeling. Results are encouraging with the identification of seven confirmed breccia pipes, areas of intrusive-hosted mineralization, and an area with high sulfidation alteration within the Barrick Option concessions. The Corporation has obtained access agreements with private surface rights owners and is in the process of modifying the semi-detailed Environmental Impact Assessment (EIAsd) to allow drilling in this area.

In October 2021, the Corporation amended the July 11, 2018 option agreement with Barrick regarding the 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 drill permit for exploration drilling on or before September 27, 2023. The Corporation then has four years from the date of the drill permit to complete a minimum of 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 169,529,258 (November 30, 2022 - 169,529,258) common shares, 31,294,352 (November 30, 2022 - 31,294,352) common share purchase warrants and 11,125,000 (November 30, 2022 - 11,125,000) stock options issued and outstanding.

#### Issued capital

During the six months ended November 30, 2022, the Corporation issued common shares as follows:

- On June 21, 2022, the Corporation completed the second and final tranche of its private placement for 10,470,451 units at a price of \$0.11 per unit for gross proceeds of \$1,151,750. Each unit consists of one common share in the capital of the Corporation and one-half of one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional share at a price of \$0.20 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 per

unit. The Corporation paid aggregate finder's fees of \$56,511 and issued 513,736 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 for a period of two years from closing of the private placement. Combined with the first tranche that closed in May 2022, the financing resulted in total gross proceeds of \$6,241,355.

- On June 22, 2022 the Corporation issued 1,379,310 shares valued at US \$200,000, as per the amended option agreement with Condor (see above).

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 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 per unit. 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 for a period of two years from closing of the Private Placement.

The following incentive stock options were outstanding at January 26, 2023 and November 30, 2022:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>January 26, 2023</b>	<b>November 30, 2022</b>
February 5, 2023	\$0.20	700,000	700,000
March 29, 2023	\$0.94	100,000	100,000
December 12, 2024	\$0.20	1,050,000	1,050,000
July 10, 2025	\$0.40	1,650,000	1,650,000
April 22, 2026	\$0.50	3,425,000	3,425,000
September 29, 2027	\$0.075	4,200,000	4,200,000
<b>Total outstanding options</b>	<b>\$0.41</b>	<b>11,125,000</b>	<b>11,125,000</b>
<b>Total exercisable options</b>	<b>\$0.40</b>	<b>8,825,000</b>	<b>8,825,000</b>

On September 29, 2022, the Corporation granted 4,200,000 stock options to certain of its directors, officers, employees and consultants. Each option is exercisable to acquire one share of the Corporation at a price of \$0.075 until September 29, 2027.

## **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 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 November 30, 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 six months ended November 30, 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 November 30, 2022, the Corporation had cash of \$3,058,445 and working capital of \$2,805,164.

Cash used in operating activities was \$2,421,614 during the six months ended November 30, 2022. The cash used in operating activities is mainly for exploration and evaluation expenditures.

Cash used in investing activities was \$1,160,006 during the six months ended November 30, 2022, and was primarily related to option payments related to the Corporation's properties, as per the renegotiated amended agreements.

Cash from financing activities was \$1,013,310 during the six months ended November 30, 2022, and was due to the private placement closed in June 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 \$2.9 million in cash and cash equivalents. Exploration will continue to focus on mineralization hosted in tourmaline breccia pipes. Surface exploration over the northern half of the property has largely been completed and drill targets have been defined. 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 six months ended November 30, 2022 and 2021, the Corporation paid and/or accrued the following fees to key management personnel:

- During the six months ended November 30, 2022, the Corporation incurred \$132,873 (2021 - \$127,739) 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 six months ended November 30, 2022, the total fees incurred under this agreement are \$51,000 (2021 - \$51,000).
- During the six months ended November 30, 2022, the Corporation incurred \$6,000 (2021 - \$6,000) of consulting expense from John Black, a director of the Corporation. As of November 30, 2022, the amount of \$56,000 (May 31, 2022 - \$50,000) was owed to Mr. Black, which is included in accounts payable and accrued liabilities. The amount owed is non-interest-bearing, unsecured and due on demand.
- During the six months ended November 30, 2022, the Corporation incurred \$30,000 (2021 - \$30,000) of consulting expense from Chelmer Consulting Corp., a company controlled by Darren Devine, a director of the Corporation. As of November 30, 2022, the amount of \$5,250 (May 31, 2022 - \$nil) 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 six months ended November 30, 2022, the Corporation incurred \$39,886 (2021 - \$45,636) of consulting expense from Balfour Holdings LLC, a company owned by Douglas Silver, a director of the Corporation. As of November 30, 2022, the amount of \$39,054 (May 31, 2022 - \$nil) was owed to Balfour Holdings LLC, which is included in accounts payable and accrued liabilities.

- During the six months ended November 30, 2022, the Corporation incurred \$6,000 (2021 - \$6,000) of consulting expense from Tom Wharton, a director of the Corporation. As of November 30, 2022, the amount of \$11,000 (May 31, 2022 - \$11,000) was owed to Mr. 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 the condensed interim 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. 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 \$46,130 in minimum lease payments under the premises lease 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. A judgment hearing was held on January 12, 2023, in which the plaintiff proclaimed to have worked for another company the month following his resignation from Chakana. With this, the plaintiff has shown that he was not incapacitated to perform work, for which reason the judge should dismiss the compensation requested in the lawsuit. As the outcome of this claim is not resolved, no amount has been accrued for any potential loss under this complaint.

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

The preparation of the Corporation's condensed interim 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 condensed interim 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 condensed interim 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.

- *Leases*

The Corporation applies judgment in determining whether the contract contains an identified asset, whether the Corporation has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.

#### **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.