# Battery Mineral Resources Corp.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022

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## Introduction

This Management's Discussion and Analysis of Operations and Financial Condition ("**MD&A**") of Battery Mineral Resources Corp. ("**BMR**" or the "**Company**") should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2022, including the notes thereon (the "**Consolidated Financial Statements**").

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of May 1, 2023, and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of the Company's historical operating and financial results and provides estimates of future operating and financial performance based on information currently available. Actual results may vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. Cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found in the sections titled *"Cautionary Statements on Forward-Looking Statements"* and *"Technical Information"*.

## Corporate profile

The Company is a public mineral exploration company incorporated under the laws of British Columbia on November 26, 2019. Its head office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC V6E 4H3.

The Company is a battery metal, multi-commodity explorer and developer of properties for minerals required to meet the anticipated growth in the demand for the raw materials used in the battery and energy storage sectors. The Company is currently developing the previously producing Punitaqui Mining Complex ("**Punitaqui**"), located in the Coquimbo region of Chile, and pursuing the potential near term resumption of operations at Punitaqui.

The Company also controls the Cobalt District Exploration Project in Ontario and Quebec, Canada, comprised of mineral claims and leases covering an aggregate of 74,634 hectares in Ontario and 1,813 hectares in Quebec; other assets prospective for cobalt and lithium in the United States; and graphite properties in South Korea.

The Company's United States cobalt assets include 434 mineral claims covering fourteen cobalt occurrences. The Bonanza and East Fork properties are located in the historic Blackbird Mining District ~30 km west and north of the town of Salmon, Idaho. The Company has one lithium exploration asset in the United States, the Amargosa prospect in Nye County, Nevada. The Amargosa tenements cover approximately 5 $km^2$. The Company has two graphite exploration assets in South Korea. The Geuman prospect, which was an operating graphite mine between 1986 and 1993, and a supplier of graphite to the South Korean battery market, and the Taehwa flake graphite prospect.

The Company also holds a 100% ownership interest in ESI Energy Services Inc. ("**ESI**"), a company in the business of renting and selling backfill separation machines ("**Padding Machines**") to wind and solar and other utility construction contractors, mainline pipeline contractors as well as oilfield pipeline and construction contractors. ESI's financial position, results of operations and cash flows are consolidated in the Financial Statements of the Company, and ESI's results are discussed in the MD&A.

For a discussion as to the business of the Company, see sections *"Results of Operations"*, *"Risk Factors related to the Company's Mineral Properties"* and *"Risk Factors related to ESI"*.

## Project Development

### *Punitaqui*

During 2022, the Company continued to advance the Punitaqui project, its flagship mineral asset. Key accomplishments during the year included the following:

- **NI 43-101-Compliant Resource Estimate:** On October 3, 2022, the Company reported the results of its first ever NI 43-101-compliant resource estimate for the four underground deposits at Punitaqui of 6.2 million tonnes grading 1.14% Cu in the indicated category along with 3.1 million tonnes grading 0.93% Cu in the inferred category. The mineral resource estimate marks a critical milestone in the Company's continued advancement of the Punitaqui project towards the intended restart of copper-silver production. BMR's technical team believe the Company has opportunities to grow these resources further through additional drilling. This is particularly evident at the Dalmacia deposit where the resources reported were contained within only approximately one third of the known mineralized corridor.

- **Environmental Permits Milestones:** The Company announced another major milestone in September 2022 with the approval by the Chilean Environment Assessment Service ("**SEA**") for the Environmental Impact Declaration ("**DIA**") pertaining to mining at its Cinabrio mine and San Andres deposit. The approval of the DIA allows the Company to move forward with starting mining operations in 2023 and restarting the mill at Punitaqui soon after. The DIA is an environmental permit which grants the permission to mine at a rate of up to 100,0000 tonnes per month (~ 3,300 tonnes per day) at the Cinabrio and San Andres zones.

  The Company also obtained an environmental permit through a Consulta de Pertinencia approved by SEA on May 17, 2022. This permit authorizes BMR to expand Punitaqui's tailings capacity by 1 million tonnes. The Company has also filed a Mine Closure Plan for approval by the National Geology and Mining Service ("**SERNAGEOMIN**"). SERNAGEOMIN is the Chilean government agency in charge of regulating the mining industry in Chile.

- **Secured Additional Water Supply:** The Company is currently able to source water from Company owned wells on its property and added an additional supply of water for the resumptions of operations at Punitaqui. The Company has secured procurement for a minimum of 400,000, and a maximum of 600,000 cubic meters of water per year through an agreement with local Chilean water supply company, SAGA. Between the water the Company is able to pump from its own wells and this new supply agreement with SAGA, the Company is confident it will have a sufficient supply of water to resume full operations at Punitaqui;

- **Local Community Engagement:** In 2022, the Company engaged the services of consulting firm Integratio Mediação Social e Sustentabilidade ("**Integratio**"). Integratio is a socio-environmental management, strategic relationship, and stakeholder engagement consultant group operating for over 17 years and based in Belo Horizonte, Brazil. Integratio delivered a report to the Company with community assessment and stakeholder mapping that also highlights the main issues to be focused on in our community relations and social license program and provides the framework for a wholistic and proactive approach to social engagement. The Company initiated a social management and engagement plan that considers the entire relationship and communication of the Company within the area, including the establishment of a social investment program, which will allow direct communication with the entities and population in the area of influence of the Punitaqui project. Numerous meetings were held with residents of the town of Punitaqui and the community of Potrerillos, as well as residents around Los Mantos plant, the Dalmacia and San Andres deposits and the Cinabrio mine. Various agreements have been initiated and the majority of the sentiment towards Punitaqui is positive.

- **Mill Maintenance Audit and Metallurgical Studies:** As part of the planned restart of production, the Company engaged a third-party firm to conduct a full maintenance audit of the Punitaqui mill to assess its readiness to recommence processing ore and producing copper concentrate. The audit scope included all mechanical, electrical and instrumentation items. This included inspection of all pumps, motors, conveyor belts, primary, secondary, and tertiary crushers, ball mills, liners, flotation cells, concentrate filters, tailings thickeners, cranes and hoists, electrical supply and water supply. The results of the audit confirmed that the budgeted cost estimate, which was based on operating and maintenance records, was accurate and no new major repairs or replacements are required. The audit also confirmed that the Punitaqui mill is in good working condition to restart production after the planned maintenance program concludes. The results of the metallurgical studies showed overall copper recoveries ranging from 81% on the low end at Cinabrio Norte up to 96.5% at the Dalmacia deposit. The metallurgical studies also demonstrated the ability to produce copper concentrates from each of the five zones tested, ranging from a low of 23.9% copper up to 30.8% copper in the Cinabrio deposit.

- **Raised Non-dilutive Capital:** On March 31, 2022, the Company announced the closing of a $10.4 million convertible debenture with terms including an 8% interest rate, a three-year term, and a conversion price of $0.65 per share. This non-dilutive financing allowed BMR to drill more meters than was originally planned. On June 13, 2022 the Company announced a sale lease-back transaction of a property held by the Company's 100%-owned operating subsidiary, Ozzie's Inc., for net proceeds of $4.0 million. This non-dilutive transaction provided BMR with further financial resources to advance its corporate and operational initiatives. On October 21, 2022, the Company announced it had entered into a loan agreement to borrow up to USD$4.0 million (the "**Bridge Loan**") from Weston Energy LLC ("**Weston**"), one of its largest shareholders. The Bridge Loan provided the Company with additional non-dilutive funding to advance its Punitaqui project towards a restart of production. On November 7, 2022, the Company also announced the sale of an industrial real estate property located in Leduc, Alberta, by its wholly owned operating subsidiary, ESI Energy Services Inc., that provided net proceeds of $2.1 million. The proceeds of this sale were applied towards advancing the Punitaqui copper mine and for additional working capital. On December 29, 2022, the Company closed an equipment financing through its 100%-owned operating subsidiary, Ozzie's Inc. The Company raised proceeds of USD$2.0 million with this transaction, which will be used towards additional working capital.

  In aggregate, the Company raised net proceeds of approximately $21.0 million in 2022. The Company estimates that, between January 1, 2022, and December 31, 2022, it had disbursed approximately $16.4 million advancing the Punitaqui project.

## Management's Outlook for 2023

The Company has been focused on securing the final funding for the restart of mining and resumption of copper concentrate production from Punitaqui. BMR estimates the remaining funding required for this at approximately USD$15 million. The Company is negotiating non-binding term sheets with several parties and has the goal of closing a funding agreement in the first half of 2023 that could provide this funding without equity dilution. Once this funding is received, the Company is ready to begin mine rehabilitation and development with plant commissioning to occur soon afterwards. The timeframe to complete mine rehabilitation and mine development is estimated at four to six months, with first production expected shortly thereafter."

Simultaneously, the Company intends to continue exploration activities on its current land package around the Cinabrio mine area and other areas in and around the Dalmacia deposit. In addition, the Company is evaluating potential local acquisitions that could supply additional ore to the Punitaqui mill.

Management looks forward to keeping all of the Company's stakeholders appraised of the Company's progress towards the potential re-start of production from the Punitaqui project.

## Corporate activities

### *Corporate Activities*

On February 12, 2021, the Company completed a reverse takeover transaction with Fusion Gold Ltd. ("**Fusion**") to execute a share exchange that resulted in the Company's shareholders taking over Fusion (the "**Transaction**"). The Transaction was structured as a three-cornered amalgamation under the British Columbia Business Corporations Act pursuant to which the Company amalgamated with 1234525 B.C. Ltd. ("**Fusion Subco**"). The amalgamated entity became a wholly-owned subsidiary of Fusion and the security holders of the Company exchanged securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company owning more shares in the combined entity, the Company was deemed to control the new entity and the continuing financial statements are those of the Company. On closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". Trading of the Company's common shares on the TSX Venture Exchange ("**TSXV**") commenced on February 22, 2021, under ticker "BMR"

In connection with the Transaction, the Company completed a private placement of: (i) flow-through common shares of the Company at a price of $0.68 per share; and (ii) common shares of the Company at a price of $0.65 per share, to raise aggregate gross proceeds of $1,750,000. Shares issued under the private placement were immediately exchanged for one post-consolidation common share of Fusion upon closing of the Transaction (together, the "**Concurrent Financing**").

During the year ended December 31, 2021, the Company:

i. Received $1,750,000 of subscription receipts consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares at an issuance price of $0.68 per flow-through share for proceeds of $500,000 and 1,923,077 non flow-through shares at an issuance price of $0.65 per share for proceeds of $1,250,000.

ii. issued 200,000 shares related to the settlement of the claim dispute in Idaho.

iii. issued 900,000 shares related to historic property obligations.

iv. cancelled 425,885 common shares in relation to the Transaction.

v. exercised 62,500 options at $0.20 related to the Fusion amalgamation.

vi. issued 3,100,000 shares related to the share exchange that would result in the Company's shareholders taking over Fusion.

vii. issued 21,156,074 shares for a cash consideration of $12,822,485 (consisting of $815,130 and US$9,793,039) and non-cash consideration of $662,866 (US$555,952) related to the Punitaqui acquisition. The non-cash consideration of 1,069,138 shares were issued to Weston in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui.

viii. issued 10,000,000 shares related to Bluequest Resources AG for $6,200,000 (U$5,000,000) pursuant to a loan purchase agreement with Bluequest Resources AG .

ix. issued 1,538,462 common shares for additional proceeds of $1,001,120 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition. The shares were issued to Weston.

x. issued 1,388,888 flow-through shares ("**Flow-Through Shares**") at a price of $0.72 per Flow-Through Share for total gross proceeds of $999,999.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. (a 100%-owned subsidiary of the Company) to incur $999,999 of qualifying Canadian Exploration Expenses ("**CEE**") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of $97,222 and reduced share capital by the same amount. Transaction costs relating to the this subscription amounted to $60,000.

xi. issued 1,675,384 Flow-Through Shares at a price of $0.78 per Flow-Through Share for total gross proceeds of $1,306,800.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $1,306,800 of CEE and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of $311,770 and reduced share capital by the same amount. Transaction costs relating to this subscription amounted to $75,600.

During the year ended December 31, 2022, the Company:

i. completed a non-brokered private placement of unsecured convertible debentures (the "**Debentures**") for gross proceeds of $10,375,460. The Debentures have three-year terms, bear interest of 8% per annum, payable annually on the anniversary of the issue date. The holder of any Debenture may, at its option, at any time from six months from the date of issuance, and prior to the close of business on the business day immediately preceding the Maturity Date, convert all, but not less than all, of the principal amount of such Debenture into common shares of the Company at the conversion price of $0.65 per share.

ii. entered into a sale-leaseback agreement, through its 100%-owned operating subsidiary Ozzie's Inc, with an unrelated party involving land and building property located in Phoenix, AZ, USA. Under the arrangement, the property with a net book value of USD$1,742,920 was sold for USD$6,900,000 and leased back under a five-year finance lease agreement. The Company recorded net sale proceeds of USD$6,390,263 after deducting the sale-related expenses of USD$509,736.

iii. entered into the Bridge Loan between Weston, BMR (the "**Borrower**"), and Ozzie's, Inc. (the "**Guarantor**", and together with the Borrower, each an "**Obligor**" and together the "**Obligors**"). By means of the Bridge Loan, Weston agrees to advance to the Company one or more loans from time to time prior to the Maturity Date (as defined below), in an aggregate principal amount not to exceed USD$4,000,000. The entire principal amount of the Bridge Loan, together with all accrued and unpaid interest thereon shall be due and payable on June 17, 2023 (the "**Maturity Date**") as amended on April 17, 2023.

iv. entered into a Master Lease Agreement, through its 100%-owned operating subsidiary, Ozzie's Inc, with an unrelated party involving equipment. This transaction raised proceeds of USD$2.0 million and is structured as a lease with a four-year term.

During the year ended December 31, 2022, the Company also announced the additions of Derek White and Julia B. Aspillaga Rodriguez to the Board of Directors.

- Derek White has over 30 years of experience in the mining and metals industry. He holds an undergraduate degree in Geological Engineering from the University of British Columbia and is also a Chartered Accountant. Prior to joining Ascot Resources, Mr. White, was the Principal of Traxys Capital Partners LLP, a private equity firm specializing in the mining and minerals sectors. Mr. White was President and CEO of KGHM International Ltd. from 2012 to 2015, and held the positions of Executive Vice President, Business Development and Chief Financial Officer of Quadra FNX Mining Ltd. from 2004 to 2012. Mr. White has held executive positions with International Vision Direct Ltd., BHP-Billiton Plc, Billiton International Metals BV and Impala Platinum Ltd., in Vancouver, Toronto, London, The Hague, and Johannesburg. Mr. White is also an ICSA Accredited Director.

- Julia Aspillaga is a mining executive and partner of several mining exploration companies having worked in Chile and in several other Latin American countries since the 1980's. At present, Miss Aspillaga is Managing Partner of Andeak Global Management, a firm providing mining exploration services to several international companies, including Lowell Mineral Exploration, Orestone Resources (Canada), and Emerita Resources which has exploration projects in Spain. Miss Aspillaga studied at the Pontifical Catholic University of Chile, graduating as an English teacher in 1977, then completed studies and graduated in Business Administration in 1979. Miss Aspillaga has participated in the discovery and development of several mining projects, including as a partner of Dr. David Lowell in the San Cristobal gold project, in Region II, Chile at the end of the 1980's. In the 1990's she was manager of Bema Gold in Chile, a company that developed the Refugio gold deposit in Region III, Atacama-Chile, that was previously exploited by Kinross Gold Corp. (Canada). From the year 2000 to date, Miss Aspillaga has participated as manager and/or management advisor for various international companies including Mineral Resource Development (Great Britain), Yorkton Securities (Canada), Endeavour Financial (Canada), Galileo Minerals (Canada), and Global Hunter Corp (Canada).

### *Punitaqui Acquisition*

On May 28, 2021, the Company entered into a number of agreements with Minera Altos de Punitaqui Limited ("**MAP**"), their parent company Xiana Mining Inc. ("**Xiana**") and their creditors, Bluequest Resources AG ("**Bluequest**"), to acquire the rights to certain properties, plant and equipment related to the Punitaqui project in Chile.

Consideration included:

i. The issuance of 10,000,000 Common Shares to Bluequest equal to $6,200,000 (USD$5,000,000);

ii. Contingent consideration of up to USD$5,000,000 of additional payments subject to achieving certain production milestones at Punitaqui, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of $0.41), or a combination of both. The milestone payments include: (i) an amount equal to USD$2,000,000, payable 60 days following the date on which commercial restart is achieved, (ii) an amount equal to USD$1,000,000, payable 60 days following the date on which the first production milestone is achieved, (iii) an amount equal to USD$1,000,000, payable 60 days following the date on which the second production milestone is achieved, and (iv) an amount equal to USD$1,000,000, payable 60 days following the date on which the third production milestone is achieved. The production milestones include the achievement of aggregate production equal to or greater than 291,600 tonnes for the commercial restart milestone, aggregate production of 583,200 tonnes for the first production milestone, aggregate production of 874,800 tonnes for the second production milestone, and aggregate production of 1,166,400 tonnes for the third production milestone. As of December 31, 2022, and up to and including the date of this MD&A, the Company continues to engage in discussions and negotiations with various counter-parties who have expressed an interest in potentially providing financing to be applied towards the re-start of production at Punitaqui. As of December 31, 2022, and up to and including the date of this MD&A, the aforementioned financing has not closed, nor has the Company's Board of Directors approved a re-start plan or budget for the Punitaqui project. The Company considers the aforementioned to be at least two critical factors requiring completion prior to the commencement of any re-start activities. Re-start activities, if completed, could potentially be followed by mining and production of minerals at the Punitaqui project. Therefore, as of December 31, 2022, and up to and including the date of this MD&A, the Company cannot accurately estimate the probability of achieving the milestones;

iii. Cash consideration of $180,000 (USD$149,217) to Bluequest;

iv. An upfront payment to MAP to satisfy certain creditors debts amounting to $4,510,000 (USD$3,736,175);

v. Future payments to MAP to satisfy certain creditors debts amounting to $8,080,000 (USD$6,379,416) over 23 quarterly installments beginning on June 30, 2021;

vi. $5,343,000 (USD$4,426,193) in future cash consideration related to an option agreement to obtain ownership over all land and equipment;

vii. The issuance of 1,069,138 shares to Weston in exchange for the debtor in possession ("**DIP**") secured loan. These were exchanged at the market rate of the trading shares in a non-arm's length transaction.

There were transaction costs of $559,000 which were capitalized to the assets. The assets acquired did not have processes capable of generating outputs, therefore did not meet the definition of a business in accordance with IFRS 3 Business Combinations and were accounted for as an asset acquisition. The value of consideration paid after allocation to the other net assets acquired, was allocated to the property, plant and equipment based on their relative fair values on May 28, 2021.

The arrangement included a 99-year lease agreement, which exceeds the life of the assets, to access and utilize MAP's mining concessions, mineral properties, equipment, and water rights. This structure allows the Company to complete a pre-economic analysis and apply for the proper permits with the Chilean mining authorities, without assuming any potential unknown liabilities within MAP. MAP has granted a four-year call option to sell the entirety of the mining properties to the Company, and the Company entered into a promissory purchase agreement for the equity of MAP for USD$100 on the 10-year anniversary of the closing of the transaction.

Subsequent to the asset acquisition, the Company entered into an Inventory Purchase Agreement with MAP, to acquire all the spare parts located on Punitaqui for total consideration of $2,188,000 (US$1,825,812).

***Significant Projects***

The Company considers Punitaqui to be its most significant project. Punitaqui is a former producing copper mine and ore processing plant which has been idle since April 2020. For 2023, the Company's plans for Punitaqui primarily include:

- The continuation of in-fill and exploration drilling, which commenced in 2021;
- The continued execution of exploration activities on its current land package around the Cinabrio mine area and other areas in and around the Dalmacia deposit.
- The continued execution of community consultation plans in the areas immediately surrounding the Punitaqui project, as well as consultation with any other communities that may be impacted by potential production and related activities at the mine;
- The continued execution of a detailed engineering and planning program, the objectives of which will be to provide additional information to the Company in connection with a potential re-start of mining activities;
- If a decision to re-start mining activities at Punitaqui is made by the Company, securing additional funding towards the mine development, the acquisition of certain capital items, and for the working capital required for such re-start;
- If a decision to re-start mining activities at Punitaqui is made by the Company, engaging in pre-production stage mine development, the acquisition of certain capital items, as well as the refurbishment of the ore processing plant; and
- If a decision to re-start mining activities at Punitaqui is made by the Company, the potential commencement of such re-start activities in the third quarter of 2023.

As of the date of this MD&A, management estimates that the Punitaqui project is on-track to meet the objectives set out by management.

During 2021 and 2022 the Company made the following expenditures towards the advancement of the project:

| | **Punitaqui**<br>**$** |
|---|---|
| **Balance at December 31, 2020** | - |
| **Additions** | |
| Exploration expenditures | |
| Consulting | 329,058 |
| Drilling | 4,170,262 |
| Environmental and permitting | 7,936 |
| Field office and other | 918,957 |
| Project management | 270,807 |
| Travel | 14,247 |
| Additions during the year | 5,711,267 |
| Currency Translation Adjustment | (387,707) |
| **Balance as December 31, 2021** | **5,323,560** |

| | **Punitaqui**<br>**$** |
|---|---|
| **Balance at December 31, 2021** | **5,323,560** |
| **Additions** | |
| Exploration expenditures | |
| Consulting | 520,938 |
| Drilling | 4,705,963 |
| Environmental and permitting | 855,510 |
| Field office and other | 5,878,871 |
| Project management | 1,658,760 |
| Travel | 202,463 |
| Additions during the year | 13,822,505 |
| Currency Translation Adjustment | 1,211,363 |
| **Balance as December 31, 2022** | **20,357,428** |

The expenditures were a necessary step towards the subsequent phase of advancing the project. As of the date of this MD&A, the Company has completed the in-fill and exploration drilling and remains on-track to complete the next phase of its plans as outlined herein. The Company does not anticipate any material delays to take the project through the next phase. The Company anticipates making additional expenditures on the Punitaqui project. Numerous factors outside of the Company's control, including but not limited to commodity prices, political, or environmental issues may have an effect on the value of the project (Also, see section *"Risk Factors related to the Company's Mineral Properties"*).

During 2021 and 2022, Exploration and Evaluation expenditures towards the advancement of other projects include:

## Canadian Cobalt Projects

| | McAra | Gowganda | Fabre | Shining Tree | Elk Lake | Wilder | White Reserve | Iron Mask | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at December 31, 2020** | 7,393,900 | 4,737,535 | 1,402,881 | 1,490,687 | 2,047,036 | 1,012,789 | 797,635 | - | 763,665 | 19,646,128 |
| **Additions** | | | | | | | | | | |
| Property acquisition and staking costs | 69,857 | 546,301 | 2,248 | 8,550 | 93,681 | 213,338 | 21,465 | 145,739 | 29,729 | 1,130,908 |
| Exploration expenditures | | | | | | | | | | |
| Assay | - | 34,007 | 12,614 | 26,691 | 22,507 | - | 17,560 | - | - | 113,379 |
| Consulting | 29,551 | 90,189 | 15,337 | 26,796 | 27,613 | 32,779 | 13,542 | 947 | 2,551 | 239,305 |
| Drilling | 12,334 | 498,884 | 263,712 | 272,245 | 193,965 | - | 260,467 | - | - | 1,501,607 |
| Environmental and permitting | - | 36,907 | - | - | - | - | - | - | - | 36,907 |
| Field office and other | 18,090 | 41,741 | 3,358 | 7,520 | 2,851 | 3,450 | 3,445 | 29 | 91 | 80,575 |
| Geological | 41,874 | 224,355 | 90,492 | 104,168 | 62,020 | 25,318 | 115,795 | - | 2,580 | 666,602 |
| GIS, mapping and surveying | - | 69,375 | - | - | - | - | - | - | - | 69,375 |
| Government and land payments | 1,393 | 14,745 | (49,288) | 5,700 | 3,879 | 434 | 6,026 | 445 | - | (16,666) |
| Project management | 48,674 | 78,483 | 31,988 | 24,529 | 33,566 | 6,148 | 25,701 | - | 1,143 | 250,232 |
| Travel | 14,341 | 122,735 | 38,922 | 57,206 | 56,271 | 5,997 | 39,211 | - | 1,047 | 335,730 |
| Additions during the year | 236,114 | 1,757,722 | 409,383 | 533,405 | 496,353 | 287,464 | 503,212 | 147,160 | 37,141 | 4,407,954 |
| Impairment | - | (2,023,808) | - | - | - | - | - | (147,160) | (13,000) | (2,183,968) |
| **Balance as December 31, 2021** | **7,630,014** | **4,471,449** | **1,812,264** | **2,024,092** | **2,543,389** | **1,300,253** | **1,300,847** | **-** | **787,806** | **21,870,114** |

| | McAra | Gowganda | Fabre | Shining Tree | Elk Lake | Wilder | White Reserve | Iron Mask | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as December 31, 2021** | 7,630,014 | 4,471,449 | 1,812,264 | 2,024,092 | 2,543,389 | 1,300,253 | 1,300,847 | - | 787,806 | 21,870,114 |
| **Additions** | | | | | | | | | | |
| Property acquisition and staking costs | 27,036 | 33,279 | - | - | 27,546 | 25,870 | 6,489 | 20,324 | 5,357 | 145,901 |
| Exploration expenditures | | | | | | | | | | |
| Assay | 24,740 | 11,546 | 67,723 | - | - | - | - | - | - | 104,009 |
| Consulting | 7,358 | 7,412 | 9,797 | - | 5,723 | 834 | 151 | 2,916 | 1,029 | 35,220 |
| Drilling | 153,791 | 146,898 | 11,675 | - | - | - | - | - | - | 312,364 |
| Environmental and permitting | - | 38,136 | - | - | - | - | - | - | - | 38,136 |
| Field office and other | 1,051 | 3,688 | 1,328 | 659 | 2,218 | 827 | 827 | 530 | 28 | 11,156 |
| Geological | 30,066 | 31,610 | 23,706 | 1,497 | 13,333 | 5,257 | 312 | - | 735 | 106,516 |
| GIS, mapping and surveying | - | - | - | - | 5,118 | - | - | - | - | 5,118 |
| Government and land payments | 1,146 | 2,254 | - | - | - | 50 | - | 885 | 521 | 4,856 |
| Ground truthing and trenching | - | 7,498 | - | - | - | - | - | - | - | 7,498 |
| Project management | 31,727 | 35,173 | 11,668 | 1,016 | 5,017 | 2,416 | 1,200 | 600 | - | 88,817 |
| Travel | 44,242 | 30,810 | 6,830 | 454 | 6,832 | 912 | 1,385 | - | 314 | 91,779 |
| Additions during the year | 321,157 | 348,304 | 132,727 | 3,626 | 65,787 | 36,166 | 10,364 | 25,255 | 7,984 | 951,370 |
| Impairment | - | (19,597) | - | - | - | - | - | (25,255) | (795,790) | (840,642) |
| **Balance as December 31, 2022** | **7,951,171** | **4,800,156** | **1,944,991** | **2,027,718** | **2,609,176** | **1,336,419** | **1,311,211** | **-** | **-** | **21,980,842** |

**U.S. Cobalt Projects**

| | Bonanza<br>$ |
|---|---|
| **Balance at December 31, 2020** | 1,280,366 |
| **Additions** | |
| Property acquisition and staking costs | 262,435 |
| Exploration expenditures | |
| Consulting | 27,667 |
| Environmental and permitting | 10,066 |
| Field office and other | 9,607 |
| Government and land payments | 862 |
| Additions during the year | 310,637 |
| **Balance as December 31, 2021** | **1,591,003** |

| | Bonanza<br>$ |
|---|---|
| **Balance at December 31, 2021** | 1,591,003 |
| **Additions** | |
| Property acquisition and staking costs | 136,817 |
| Exploration expenditures | |
| Consulting | 1,151 |
| Field office and other | 18,298 |
| Project management | 1,250 |
| Additions during the year | 157,515 |
| Currency Translation Adjustment | 39,576 |
| **Balance as December 31, 2022** | **1,788,094** |

**U.S. Lithium Projects**

| | Amargosa<br>$ |
|---|---|
| **Balance at December 31, 2020** | 378,718 |
| **Additions** | |
| Property acquisition and staking costs | 4,152 |
| **Balance as December 31, 2021** | **382,870** |

| | Amargosa<br>$ |
|---|---|
| **Balance at December 31, 2021** | 382,870 |
| **Additions** | |
| Property acquisition and staking costs | 5,348 |
| Currency Translation Adjustment | 7,597 |
| **Balance as December 31, 2022** | **395,815** |

**South Korea Graphite Projects**

| | Geuman & Taehwa $ |
|---|---|
| **Balance at December 31, 2020** | 1,874,104 |
| **Additions** | |
| Property acquisition and staking costs | 10,286 |
| Drilling | 27,846 |
| Field office and other | 27,829 |
| Project management | 211,328 |
| Travel | 266 |
| Additions during the year | 277,555 |
| Impairment | (217,727) |
| **Balance as December 31, 2021** | **1,933,932** |

| | Geuman & Taehwa $ |
|---|---|
| **Balance as December 31, 2021** | 1,933,932 |
| **Additions** | |
| Property acquisition and staking costs | 23,716 |
| Exploration expenditures | |
| Assay | 2,640 |
| Project management | 145,152 |
| Additions during the year | 171,508 |
| Currency Translation Adjustment | 27,359 |
| **Balance as December 31, 2022** | **2,132,799** |

## Summary of annual data

### *Summary of Financial Results and Financial Position for year ended December 31, 2022*

The following table is a summary of the Company's financial results and position for the year ended December 31, 2022, as well as the year ended December 31, 2021.

| | | For the year ended December 31 2022 | For the year ended December 31 2021 |
|---|---|---|---|
| Revenue | $ | 12,671,037 | 11,614,193 |
| Loss from Operations | $ | (8,086,827) | (9,574,678) |
| Total Assets | $ | 107,563,395 | 81,147,245 |
| Total non-current liabilities | $ | 28,783,669 | 9,266,483 |

## *Historical Results*

The following table is a summary of the Company’s financial results and position for the eight most recently completed quarters.

| Selected Financial Information | | 2022 Q4 | Restated 2022 Q3 | Restated 2022 Q2 | Restated 2022 Q1 | 2021 Q4 | 2021 Q3 | 2021 Q2 | 2021 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| Total (loss) gain attributable to common shareholders | $ | $ (2,577,533) | $ (176,904) | $ 1,040,881 | $ (1,782,611) | $ (6,437,547) | $ 231,783 | $ (2,099,205) | $ (5,023,605) |
| Comprehensive gain (loss) attributable to common shareholders | $ | $ 112,371 | $ 2,455,273 | $ (3,123,193) | $ 284,616 | $ (7,784,734) | $ (1,193,587) | $ (1,979,827) | $ (5,293,172) |
| (Loss) gain per share attributable to common shareholders (basic and diluted) | $ | (0.02) | (0.00) | 0.01 | (0.01) | (0.04) | 0.00 | (0.01) | (0.04) |
| Comprehensive gain (loss) per share attributable to common shareholders (basic and diluted) | $ | 0.00 | 0.01 | (0.02) | 0.00 | (0.05) | (0.01) | (0.01) | (0.04) |
| Basic weighted average number of ordinary shares outstanding | | 171,500,133 | 171,705,612 | 171,705,612 | 171,696,353 | 158,099,142 | 170,075,730 | 156,147,100 | 134,773,154 |
| Diluted weighted average number of ordinary shares outstanding | | 179,210,132 | 178,582,278 | 178,157,278 | 171,696,353 | 158,099,142 | 170,075,730 | 156,147,100 | 134,773,154 |

There was an error in the accounting for the convertible debentures that were issued in the first quarter of 2022. As such, as of March 31, 2022, convertible debentures liability should have decreased by $1,011,362, the equity component increased by $921,428 with a related adjustment to the statement of loss of $88,135. As of June 30, 2022, convertible debentures liability should have increased by $1,239,164, the equity component decreased by $1,329,098 with a related adjustment to the statement of loss of $103,505. As of September 30, 2022, convertible debentures liability should have increased by $1,239,164, the equity component decreased by $1,329,098 with a related adjustment to the statement of loss of $195,344.

Generally, the Company has historically experienced a net loss attributable to owners of the Company. The period-to-period variations in the net gain (loss) attributable to owners of the Company have been primarily a result of:

- Changes in the revenue attributable to ESI; revenue attributable to ESI is, in part, dependent on the general level of activity in the wind and solar and other utility construction sectors, as well as oilfield pipeline and construction sectors; to a lesser extent, revenue attributable to ESI is also subject to seasonal variation, as customers typically engage in a higher volume of construction activity during the May through October period, while reducing their activity in the November through April period – the reduction in the volume of construction activities during the aforementioned period can have an adverse impact on ESI’s revenues during such period.
- A $2.4 million impairment charge in 2021, mainly related to the Gowganda Transition project, part of the Canadian Cobalt Projects, because the Company did not meet its exploration expenditure requirements for this project; compared to a $0.8 million impairment charge in 2022 mainly due to the abandonment of the White Lake and Otter properties, also part of the Canadian Cobalt Projects.
- The adoption of a restricted stock unit plan subsequent to September 30, 2021, coupled with an increase in the number of Directors and employees participating in the Company’s stock option plan resulted in a significant increase in both restricted stock unit expenses and stock option expenses in 2022.
- An increase in the level of general and administrative expenses of the Company beginning in the first quarter of 2022 and including increases in such expenses during periods of increased activity at the Company’s various mineral properties.
- A $3.6 million gain on disposal of assets held for sale in 2022 due to the sale of a real estate property located in Leduc, Alberta, Canada; compared to $nil in 2021;
- An increase in the gain on disposal of property and equipment in 2022, mainly due to the sale of a real estate property located in Phoenix, Arizona, USA.
- An increase in finance costs in 2022, mainly due to accretion expenses arising from the convertible debentures closed in the first quarter of 2022, the deferred payments on the acquisition of Punitaqui and Punitaqui’s asset retirement obligation.

## Results of operations and financial position

### *Year ended December 31, 2022, compared to the year ended December 31, 2021*

The following table provides a summary of the financial results of the Company for the year ended December 31, 2022, and for the year ended December 31, 2021. Tabular amounts are in Canadian dollars.

| | | For the year ended December 31 2022 | For the year ended December 31 2021 |
|---|---|---|---|
| ***Summary of Financial Results*** | | | |
| Revenue | $ | 12,671,037 | 11,614,193 |
| Costs and Expenses | $ | 20,757,864 | 21,188,871 |
| Income (Loss) from Operations | $ | (8,086,827) | (9,574,678) |

The following table provides a summary of the financial position of the Company as of December 31, 2022, and as of December 31, 2021. Tabular amounts are in Canadian dollars.

| | | As of December 31 2022 | As of December 31 2021 |
|---|---|---|---|
| ***Summary of Financial Position*** | | | |
| Cash and cash equivalents | $ | 4,254,172 | 2,629,995 |
| Total assets | $ | 107,563,395 | 81,147,245 |
| Current liabilities | $ | 14,291,148 | 12,091,621 |

## Results of operations

### *Revenues*

All the Company's revenues for the year ended December 31, 2022, being $12,671,037, were generated by ESI (For the year ended December 31, 2021: $11,614,193).

| | | For the year ended December 31, 2022 | | For the year ended December 31, 2021 |
|---|---|---|---|---|
| Machine rental | | | | |
| Padding machines | | | | |
| Large padders | $ | 2,938,625 | $ | 4,872,932 |
| Small padders | | 4,275,957 | | 3,939,905 |
| Screening buckets | | 683,733 | | 789,853 |
| Other services | | 370,122 | | 67,677 |
| **Rental revenue** | $ | 8,268,437 | $ | 9,670,367 |
| Mobilization | | 895,401 | | 732,536 |
| Spare part sales | | 733,432 | | 661,279 |
| Machine sales | | 2,077,895 | | 71,335 |
| Other | | 695,872 | | 478,676 |
| **Other revenue** | $ | 4,402,600 | $ | 1,943,826 |
| **Total** | **$** | **12,671,037** | **$** | **11,614,193** |

Approximately 96% of ESI's rental revenue in the U.S market was generated from renewables construction (mainly wind and solar construction). Almost all revenue generated in Canada, ESI's other operating market, was generated from pipeline construction. Approximately 57% of the revenue generated during the year ended December 31, 2022, came from Padding Machine rentals, 41% of which was from large Padding Machines and 59% from small Padding Machines. The remainder of the rental revenue was generated from padding bucket rentals and other services. Revenue from small Padding Machines was generated from renewables construction. Approximately 45% of large Padding Machine revenue was from renewables, almost exclusively coming from OPP-200 Padding Machines. OPP-200

Padding Machines are used for both pipeline and renewables construction, whereas OPP-300 Padding Machines, being ESI's other type of rental machine, are used almost exclusively for large diameter mainline pipeline construction. The OPP-200 Padding Machine is designed to backfill large diameter mainline pipelines ranging from 10 to 24 inches in diameter. The OPP-300 Padding Machine is designed to backfill large diameter mainline pipelines ranging from 24 to over 60 inches in diameter.

| **Revenue by Geography** | **Year-ended December 31, 2022** | Year-ended December 31, 2021 |
|---|---|---|
| United States | $9,970,911 | $9,349,712 |
| Canada | $2,700,126 | $2,264,481 |
| **Total Revenue** | **$12,671,037** | **$11,614,193** |

### *Expenses*

Total expenses for the year ended December 31, 2022 were $20,757,864 (for the year ended December 31, 2021: $21,188,871).

| | | **For the year ended December 31 2022** | **For the year ended December 31 2021** |
|---|---|---|---|
| ***Expenses*** | | | |
| Cost of sales | $ | 1,254,239 | 512,447 |
| Depreciation of equipment | | 3,015,449 | 3,614,523 |
| Impairment of exploration and evaluation assets | | 840,642 | 2,401,695 |
| Management fees | | 1,584,481 | 2,264,057 |
| Operating and maintenance | | 4,144,999 | 4,969,353 |
| Professional fees | | 1,684,821 | 1,132,547 |
| Property examination costs | | - | 31,422 |
| Restricted stock units expense | | 2,231,206 | 1,335,252 |
| General and administration | | 4,475,268 | 3,804,914 |
| Stock based compensation | | 1,526,759 | 1,122,661 |
| **Total Expenses** | **$** | **20,757,864** | **21,188,871** |

### *Discussion of Significant Changes in Expenses*

The increase in cost of sales for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to an increase in machine sales. The decrease in operating and maintenance costs and depreciation of equipment for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to a decrease in operating costs due to a decrease in Padding Machine rentals. The decrease in management fees for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to the restructuring of ESI's management team in 2021, when significant severance expenses were incurred, while no severance expenses were incurred in 2022. The increase in professional fees for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to greater use of external professional advisors by the Company. The increase in restricted stock unit expense for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is attributable to the Company adopting a restricted stock unit plan subsequent to September 30, 2021. The increase in stock-based compensation for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to an increase in the number of employees, consultants, and Directors who participated in the stock option plan. The increase in general and administration expenses for the year ended December 31, 2022, when compared to the year ended December 31, 2021, is primarily attributable to the increase in investor relations activities pursued by the Company.

In 2022, the Company's impairment of exploration and evaluation assets was primarily due to the impairment of the White Lake property, which was abandoned in 2022, and the Otter property, which is expected to be abandoned in

2023. In 2021, the Company's impairment of exploration and evaluation assets was primarily due to the impairment of the Gowganda Transition project as the Company did not meet the exploration expenditure commitments stipulated in the earn-in agreement with the optionor.

### *Gross Profit and Gross Margins*

For the year ended December 31, 2022, the Company realized a gross profit of $4,256,350, representing a gross profit margin of approximately 34%, compared to a gross profit of $2,517,870 and a gross profit margin of approximately 22% for year ended December 31, 2021. The gross profit for the years ended December 31, 2022, and December 31, 2021, were entirely attributable to the operations of ESI. The increase in gross profit margin from 22% in 2021 to 34% in 2022 was mainly due to a decrease in the depreciation of equipment and operating and maintenance expenses as a result of the decrease in Padding Machine rentals, partially offset by an increase in cost of sales resulting from an increase of machine sales.

The Company has included certain non-IFRS measures including "Gross profit" and "Gross profit margin" to supplement its financial statements, which are presented in accordance with IFRS. Gross profit is equal to revenue less the cost of sales, less operating and maintenance expense, less depreciation. Gross profit margin is equal to gross profit divided by revenue. The Company believes that these measures provide investors with an alternative view to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore, they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS

| **Gross Profit and Gross Profit Margin** | | **For the year ended December 31 2022** | **For the year ended December 31 2021** |
|---|---|---|---|
| **Revenue** | **$** | **12,671,037** | **11,614,193** |
| Less: | | | |
| Cost of sales | | 1,254,239 | 512,447 |
| Depreciation of equipment | | 3,015,449 | 3,614,523 |
| Operating and maintenance | | 4,144,999 | 4,969,353 |
| **Gross Profit** | **$** | **4,256,350** | **2,517,870** |
| **Gross Profit Margin** | | **34%** | **22%** |

### *Loss and comprehensive loss for the year attributable to common shareholders*

For the year ended December 31, 2022 and the year ended December 31, 2021, the Company's comprehensive loss attributable to common shareholders was $270,933 and $16,251,320, respectively. For the year ended December 31, 2022 and the year ended December 31, 2021, the Company's comprehensive loss per share attributable to common shareholders was $0.00 and $0.10, respectively. The decrease in comprehensive loss attributable to common shareholders for the year ended December 31, 2022, when compared to the year ended December 31, 2022, was primarily attributable to a $3,633,322 gain on disposal of assets held for sale, and a $4,834,165 gain on disposal of property and equipment; coupled with a $3,225,234 currency translation gain, primarily attributable to ESI and the Company's investment in the Punitaqui project. All partially offset by increases in restricted stock units expense, general and administration expense, stock based compensation, as explained in the "*Discussion of Significant Changes in Expenses*" section, and finance costs of $2,448,008, primarily attributable to accretion expenses on the Debentures and the deferred payments related to the acquisition of Punitaqui.

### *Exploration and Evaluation Expenditures*

Mining claims and deferred exploration costs represent costs pertaining to the Company's various copper, cobalt, lithium, and graphite projects.

| | Canadian Cobalt Projects | U.S. Cobalt Projects | U.S. Lithium Projects | South Korea Graphite Projects | Chile Copper Punitaqui Project | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance as December 31, 2020** | **19,646,128** | **1,280,366** | **378,718** | **1,874,104** | **-** | **23,179,316** |
| Additions during the year | 4,407,954 | 310,637 | 4,152 | 277,555 | 5,711,267 | 10,711,565 |
| Impairment | (2,183,968) | - | - | (217,727) | - | (2,401,695) |
| Currency translation adjustment | - | - | - | - | (387,707) | (387,707) |
| **Balance as December 31, 2021** | **21,870,114** | **1,591,003** | **382,870** | **1,933,932** | **5,323,560** | **31,101,479** |
| Additions during the year | 951,370 | 157,515 | 5,348 | 171,508 | 13,822,505 | 15,108,246 |
| Impairment | (840,642) | - | - | - | - | (840,642) |
| Currency translation adjustment | - | 39,576 | 7,597 | 27,359 | 1,211,363 | 1,285,895 |
| **Balance as December 31, 2022** | **21,980,842** | **1,788,094** | **395,815** | **2,132,799** | **20,357,428** | **46,654,978** |

*Copper*

The Company's copper projects include the Punitaqui project, located in the Coquimbo region of Chile.

*Cobalt*

The Company's cobalt properties primarily include the Cobalt District Exploration Project in Ontario and Quebec, Canada, as well as mineral claims covering cobalt occurrences in the Blackbird Mining District ~30 km west of the town of Salmon, Idaho, USA, among others.

*Lithium*

The Company's lithium property is the Amargosa prospect in Nye County, Nevada, USA.

*Graphite*

The Company's graphite properties include the Geuman and Taehwa flake graphite prospects in South Korea.

### *Three months ended December 31, 2022 compared to the three months ended December 31, 2021*

The following table provides a summary of the financial results of the Company for the three months ended December 31, 2022, and the three months ended December 31, 2021. Tabular amounts are in Canadian dollars.

| | | For the three months ended December 31 2022 | For the three months ended December 31 2021 |
|---|---|---|---|
| ***Summary of Financial Results*** | | | |
| Revenue | $ | 3,577,285 | 2,666,890 |
| Costs and Expenses | $ | 6,040,517 | 8,251,235 |
| Income (Loss) from Operations | $ | (2,463,232) | (5,584,345) |

### Results of operations

#### *Revenues*

All the Company's revenues for the three months ended December 31, 2022, being $3,577,285, were generated by ESI (three months ended December 31, 2021: $2,666,890). The increase in revenue for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, was primarily attributable to an increase in machine sales, partially offset by a decrease in Padding Machine rentals.

| | | For the three months ended December 31, 2022 | | For the three months ended December 31, 2021 |
|---|---|---|---|---|
| Machine rental | | | | |
| Padding machines | | | | |
| Large padders | $ | 730,726 | $ | 1,176,086 |
| Small padders | | 957,328 | | 872,089 |
| Screening buckets | | 161,619 | | 194,691 |
| Other services | | 266,642 | | - |
| **Rental revenue** | $ | 2,116,315 | $ | 2,242,866 |
| Mobilization | | 292,510 | | 138,733 |
| Spare part sales | | 138,936 | | 136,098 |
| Machine sales | | 771,667 | - | 8,568 |
| Other | | 257,857 | | 157,761 |
| **Other revenue** | $ | 1,460,970 | $ | 424,024 |
| **Total** | **$** | **3,577,285** | **$** | **2,666,890** |

| Revenue by Geography | Three months ended December 31, 2022 | Three months ended December 31, 2021 |
|---|---|---|
| United States | $2,529,807 | $1,668,871 |
| Canada | $1,047,477 | $998,019 |
| **Total Revenue** | **$3,577,284** | **$2,666,890** |

### *Expenses*

| | | For the three months ended December 31 2022 | For the three months ended December 31 2021 |
|---|---|---|---|
| ***Expenses*** | | | |
| Cost of sales | $ | 295,563 | 83,647 |
| Depreciation of equipment | | 798,905 | 848,289 |
| Impairment of exploration and evaluation assets | | 797,635 | 2,243,049 |
| Management fees | | 818,726 | 1,199,485 |
| Operating and maintenance | | 1,050,199 | 1,065,748 |
| Professional fees | | 690,129 | 499,577 |
| Property examination costs | | - | - |
| Restricted stock units expense | | 467,231 | 1,335,252 |
| General and administration | | 780,319 | 306,284 |
| Stock based compensation | | 341,810 | 669,904 |
| **Total Expenses** | **$** | **6,040,517** | **8,251,235** |

### *Discussion of Significant Changes in Expenses*

The increase in cost of sales for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is primarily attributable to an increase in machine sales. The slight decrease in operating and maintenance costs and depreciation of equipment for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is primarily attributable to a decrease in operating costs due to a decrease in Padding Machine rentals. The decrease in management fees for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is primarily attributable to the reduction of ESI's management fees due to a restructuring of ESI's management team in 2021. The increase in professional fees for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is primarily attributable to greater use of external professional advisors by the Company. The decrease in restricted stock unit expense for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is due to less restricted stock units granted in the fourth quarter of 2022, compared to the same period of 2021. The decrease in stock-based compensation for the three months ended December 31, 2022, when compared to the three months ended December 30, 2021, is due to less stock options granted in the fourth quarter of 2022, compared to the fourth quarter of 2021. The increase in general and administration expenses for the three months ended December 31, 2022, when compared to the three months ended December 31, 2021, is primarily attributable to the increase in investor relations and other corporate activities pursued by the Company.

For the three months ended December 31, 2022, the Company's impairment of exploration and evaluation assets was primarily due to the impairment of the White Lake property, which was abandoned in 2022, and the Otter property, which is expected to be abandoned in 2023. For the three months ended December 31, 2021, the Company's impairment of exploration and evaluation assets was primarily due to the impairment of the Gowganda Transition project as the Company did not meet the exploration expenditure commitments stipulated in the earn-in agreement with the optionor.

### *Loss and comprehensive loss for the period attributable to shareholders*

For the three months ended December 31, 2022, the Company's comprehensive gain attributable to shareholders was $263,933. For the three months ended December 31, 2021, the Company's comprehensive loss attributable to shareholders was $7,784,734. For the three months ended December 31, 2022, the Company's comprehensive gain per share attributable to shareholders was $0.00. For the three months ended December 31, 2021, the Company's comprehensive loss per share attributable to shareholders was $0.04.

## Financial position

| | Note | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | **4,254,172** | $ | 2,629,995 |
| Receivables | 6 | | **3,178,208** | | 3,746,001 |
| Prepaids | | | **227,321** | | 231,061 |
| Assets included in disposal group held for sale | 25 | | **-** | | 2,289,232 |
| **Total current assets** | | | **7,659,701** | | 8,896,289 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 7 | | **53,088,950** | | 40,563,854 |
| Intangible assets | | | **159,766** | | 181,623 |
| Exploration advances | | | **-** | | 404,000 |
| Exploration and evaluation assets | 8 | | **46,654,978** | | 31,101,479 |
| **Total non-current assets** | | | **99,903,694** | | 72,250,956 |
| **TOTAL ASSETS** | | $ | **107,563,395** | $ | 81,147,245 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 9 | $ | **3,120,668** | $ | 3,766,995 |
| Income taxes payable | | | **2,924,326** | | 1,729,027 |
| Current portion of lease liability | 12 | | **284,526** | | - |
| Current portion of loans and borrowings | 15 | | **628,185** | | 527,831 |
| Bridge loan | 13 | | **2,073,146** | | - |
| Current portion of deferred payments on acquisition | 11 | | **1,846,486** | | 1,918,190 |
| Liabilities related to disposal group held for sale | 25 | | **-** | | 3,868,295 |
| Other current liabilities | 10, 17 | | **3,413,811** | | 281,283 |
| **Total current liabilities** | | | **14,291,148** | | 12,091,621 |
| **Non-current liabilities** | | | | | |
| Lease liability | 12 | | **1,351,056** | | - |
| Deferred payments on acquisition | 11 | | **4,053,305** | | 5,079,310 |
| Loans and borrowings | 15 | | **2,411,173** | | 4,187,173 |
| Convertible debenture | 16 | | **10,049,611** | | - |
| Asset retirement obligation | 14 | | **10,918,524** | | - |
| **Total non-current liabilities** | | | **28,783,669** | | 9,266,483 |
| **TOTAL LIABILITIES** | | | **43,074,817** | | 21,358,104 |
| **EQUITY** | | | | | |
| Share capital | 17 | | **60,952,703** | | 60,952,703 |
| Contributed surplus | 16, 17 | | **24,195,021** | | 19,224,651 |
| Accumulated other comprehensive loss | | | **(639,050)** | | (3,864,284) |
| Deficit | | | **(20,020,096)** | | (16,523,929) |
| **TOTAL EQUITY** | | | **64,488,578** | | 59,789,141 |
| **TOTAL LIABILITIES AND EQUITY** | | $ | **107,563,395** | $ | 81,147,245 |

### *Assets*

### *Cash*

At December 31, 2022, cash and cash equivalents totaled $4,254,172 (December 31, 2021: $2,629,995). Cash and cash equivalents increased by $1,624,177 during the year ended December 31, 2022. The Company's cash flows during the year ended December 31, 2022 consisted of net cash provided by financing activities of $6,604,058 (December 31, 2021: $11,913,326), offset by net cash used in operating activities of $112,086 (December 31, 2021: cash provided by operating activities of $1,997,158), and net cash used in investing activities of $4,942,960 (December 31, 2021: $25,494,459).

### *Receivables*

Receivables at December 31, 2022 totaled $3,178,208 (December 31, 2021: $3,746,001). Receivable included accounts receivable from customers of $1,586,293 (December 31, 2021: $1,623,632), finance lease receivable of $1,123,597 (December 31, 2021: $329,543), as well as sales and value added tax ("**VAT**") receivables of $468,318 (December 31, 2021: $1,792,826). Receivables at December 31, 2022, decreased compared to December 31, 2021 mainly due to a decrease in VAT receivables in Chile as the Company recovered $3,100,404 under a VAT-recovery program approved by the Chilean Ministry of Economy, Development and Tourism. The decrease in VAT receivables was partially offset by an increase in finance lease receivable at ESI.

### *Liabilities*

### *Trade and other payables*

As of December 31, 2022, trade and other payables totaled $3,120,668 (December 31, 2021: $3,766,995). The balance is comprised of $1,953,885 of trade payables (December 31, 2021: $2,368,299) and $1,166,783 of accrued liabilities (December 31, 2021: $1,398,696). Trade and other payables at December 31, 2022 decreased compared to December 31, 2021, mainly due to a decrease in timing of payments.

### *Income taxes payable*

As of December 31, 2022, income taxes payable were $2,924,326 (December 31, 2021: $1,729,027). Income taxes payable at December 31, 2022 increased compared to December 31, 2021, mainly due to the recognition of income taxes payable by ESI for the dividends received in 2021 from its 100%-owned subsidiary Ozzie's Inc.

### *Convertible unsecured debentures*

The Company completed a non-brokered private placement of unsecured convertible debentures for gross proceeds of $10,375,460. The Debentures have three-year terms, bear interest of 8% per annum, payable annually on the anniversary of the issue date. The holder of any Debenture may, at its option, at any time from six months from the date of issuance, and prior to the close of business on the business day immediately preceding the Maturity Date, convert all, but not less than all, of the principal amount of such Debenture into common shares of the Company at the conversion price of $0.65 per share.

The estimated fair value of the convertible debenture was calculated as $9,151,021 using a discount rate of 11%-13%, with $1,224,439 being allocated to the conversion feature. The effective interest rate of the convertible debenture was estimated to be 11.28-12.99%.

The Company has $10,049,611 in undiscounted Debentures outstanding as of December 31, 2022.

### *Additional Information*

### *Working Capital*

The Company has a working capital deficiency of $6,631,447 as of December 31, 2022 (December 31, 2021: working capital deficiency of $3,195,332). The increase in the working capital deficiency was primarily due to an increase in income taxes payable and other current liabilities because of the recognition of income taxes payable by ESI (see somewhere else on this MD&A) and the VAT liability related to Minera BMR SpA. (See Note 10 *"Other current liabilities"* to the Consolidated Financial Statements), respectively. The increase in current liabilities was partially offset by an increase in Cash as of December 31, 2022, as a result of a series of strategic, non-diluting, financing transactions closed in 2022.

To address the working capital deficit, the Company entered into a Master Lease Agreement, through its 100%-owned operating subsidiary, Ozzie's Inc, with an unrelated party involving equipment. This transaction raised proceeds of USD$2.0 million and is structured as a lease with a four-year term. The Company also amended the terms of the Bridge Loan with Weston, extending the Maturity Date to June 17, 2023 (see sections *"Liquidity and capital resources"* and *"Subsequent events").*

### *Liquidity and capital resources*

As at December 31, 2022, the Company had cash and cash equivalents of $4,254,172 (December 31, 2021: $2,629,995) and no cash held in escrow. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of six months or less. See section "*Liquidity and capital resources*".

The Company does not currently generate sufficient revenue to fund its planned exploration and development activities and will need to continue to obtain additional financing to execute such activities and discharge its day-to-day obligations. There is no assurance that the Company's funding initiatives will be successful, and the Consolidated Financial Statements do not reflect the adjustments to carrying values of assets and liabilities and the reported and consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

During 2022, the Company was successful in raising approximately $21.0 million through a series of strategic, non-dilutive financing transactions (see section "*Corporate activities*"). In 2023 the Company has been focused on securing the final funding for the restart of mining and resumption of copper concentrate production at Punitaqui. Management estimates the remaining funding required for this at approximately USD$15 million. The Company is negotiating non-binding term sheets with several parties and has the goal of closing a funding agreement in the first half of 2023. Once this funding is received, the Company will be ready to begin mine rehabilitation and development with plant commissioning to occur soon afterwards.

### *Equity*

As of December 31, 2022, the Company has 171,705,612 shares outstanding. As of December 31, 2022, 9,383,332 options remain outstanding, of which 9,370,832 were issued to officers, directors and consultants of the Company and 12,500 relating to the Fusion amalgamation. As of December 31, 2022, 7,697,499 restricted share units ("RSU's") were issued to officers, directors, and consultants of the Company. See section "*Disclosure of data for outstanding common shares and stock options*".

## Outlook

### *Chile*

Punitaqui is a former producing copper mine located in the Coquimbo region of Chile with more than eight years operating history within which up to 25 million pounds of copper in concentrate were produced annually. The Company began developing the project by initiating a drill program, operating and environmental permit modifications and conducting engineering studies. This development work is designed to assess the economic viability of returning the mine to sustainable operations. The conclusion of the work was summarized in a NI 43-101 technical report released by the Company on October 1, 2022.

During 2022, the Company's main focus was on the completion of 32,526 meters of resource infill and step-out drilling targeting extensions of the Cinabrio orebody as well as the Dalmacia satellite zone. This drilling resulted in the delineation of the San Andres zone west of Cinabrio and the discovery of the Cinabrio Norte zone just north of the Cinabrio deposit.

*Exploration and Infill Drill Program*

On January 14, 2022, the Company announced a 102-meter ("m") intersection in hole DS-21-08 grading 1.41% copper ("Cu") from 48m downhole at its Dalmacia deposit, which included an internal interval of 16m grading 3.52% Cu. Previously, it was believed that mineralization at Dalmacia was discontinuous, so this long intercept changed the interpretation of the mineralization.

On February 22, 2022 , the Company also announced drilling from the San Andres deposit including an interval from hole SAS-21-36 of 27.4m grading 1.55% Cu, including 17.7m grading 2.12% Cu from 178.4m downhole.

On March 2, 2022, the Company reported the results of hole DS-21-21 at Dalmacia that included 53m grading 2.34% Cu from 68m downhole that included 17m grading 3.77% from 76m downhole.

At Cinabrio Norte, an exploration drill program targeted the northern extension of the Cinabrio orebody and identified a new zone of high-grade mineralization in the northern portion of the target area. The discovery hole CNN-22-08 produced a 33.4m intercept grading 1.08% Cu including 18.9m at 1.23% Cu. To date, the Phase 1 resource drill program of 53 diamond drill holes totaling 13,731m has delineated a copper zone with over 350m vertical extent at Cinabrio Norte. On June 27th, the Company reported hole CNN-22-30 that cut a 164m interval grading 0.80% Cu including 48.0m at 1.31% Cu, 12.5m at 0.91% Cu and 19.4m at 1.15% Cu. This zone remains open to the north and at depth.

In October 2022, the Company made its most important announcement to date, as it reported the results of its first ever NI 43-101-compliant resource estimate for the four underground deposits at our Punitaqui copper mining complex of 6.2M tonnes grading 1.14% Cu in indicated category along with 3.1M tonnes grading 0.93% Cu in the inferred category. This resource estimate is a major milestone for the company and is documented in an update NI 43-101 technical report. The resource estimate is based on our 2021-2022 drill program and also includes the drilling and mining data from the Cinabrio mine completed by prior operators including Glencore PLC.

It had been the Company's goal to outline 4 to 5 million tonnes of total resources, so this resource estimate more than exceeded management goals. The Company's technical team believe the Company has opportunities to grow these resources further through additional drilling. This is particularly evident at the Cinabrio Norte and Dalmacia deposits where the resources remain open along strike and at depth.

In 2023, resource infill and extensional drilling will be focused on the Cinabrio deposit and the San Andres resource. At San Andres and Cinabrio Norte, detailed logging of all drillcore is planned with the objective to better define and model shale units that host most of the high-grade copper mineralization. This new data will be used to produce updated 3D geological models which will form the basis for the planning of extensional infill and step-out resource drillhole planning.

BMR also conducted an exploration field work program focused on the Cinabrio block which hosts the Cinabrio mine, San Andres resource and Cinabrio Norte resource. Exploration targeting has identified a select number of zones with outcropping favorable sedimentary rocks similar to the host rocks at the Cinabrio deposit and surface copper oxide mineralization exposed in historic prospect pits and/or workings.

The 2023 Cinabrio block field exploration work program will focus on the existing portfolio of targets as well as follow-up of new targets identified by the ground magnetics. Detailed geological mapping, prospecting, rock grab sampling and channel sampling are planned to define drill targets.

A ground magnetic survey over the Cinabrio block concessions commenced in July 2022. The initial survey completed covered approximately 50% of the planned survey area. The completed survey consists of 240-line km of survey lines covering an area of 12 km2. Survey Grid lines were oriented west and spaced at 50 meters apart. The eastern portion of the Cinabrio block survey will be completed in 2023. The processed magnetics data will enhance our understanding of bedrock geology and the key structural controls.

The Dalmacia mineral rights cover an area of 8.88 km2. The Company's exploration work has centered on the western central part of the concession area. In the area explored, historic exploration work consisted of limited geologic mapping, 52,725 m of drilling in 225 drill holes and small "trial" open pit excavations.

The northern Dalmacia resource remains open at depth and warrants additional exploration diamond core drilling that could be staged from surface or later from the underground workings. Additional step-out reverse circulation drilling is planned in 2023 to test the remaining strike length at Dalmacia.
In 2023, work at Dalmacia will include surface geological mapping as well as detailed logging of all existing drill core to improve the 3D geological model which will be used to finalize resource infill and extensional drill planning.

At the San Andres zone located 500m West of the Cinabrio mine, a program of 8,156m of drilling in 38 holes was completed in 2022. An updated 3D geological model was compiled and a resource estimate is in progress.

### *Canada*

The Company controls the Cobalt District Exploration Project in Ontario and Quebec, Canada, comprised of mineral claims and leases covering an aggregate of 81,881 hectares in Ontario and 1,813 hectares in Quebec that includes land positions in the Gowganda and Elk Lake historic mining camps.

The Ontario-Quebec exploration program conducted between 2016 and 2022 included 26,709 line-km of airborne geophysical surveys and 1,324.84sqkm of LiDAR topography coverage which was followed by 37 ground geophysical surveys (514.64 line-km).

At McAra, the Company completed a multi-faceted exploration program that included geophysical surveys, geochemical sampling and diamond drilling (63 Drillholes / 11631.37m) to define a NI 43-101 compliant Measured and Indicated resource of 1,124,000lbs Co-Eq that includes 1,102,000 pounds of cobalt and 11,260 ounces of silver.

The Company plans to increase the geological knowledge and economic potential of the project through further drilling, resource identification and delineation, metallurgical testing, and NI 43-101 compliant studies.

### *United States – Mining Exploration*

The Company currently owns the Bonanza and East Fork Cobalt properties in the Idaho Cobalt Belt. The Bonanza project is located immediately adjacent to Jervois Global's Idaho Cobalt Operations mine.

The Bonanza property hosts seven mineralized occurrences within an area over 3 kilometers wide within the same package of rocks that hosts the Jervois Global's Ram deposit and the historic Blackbird cobalt/copper mine. Historic exploration at Bonanza included a limited drill program that produced intercepts grading up to 0.76% Co and 5.15% Cu over a width of 1.5m from surface to 100m depth.

The Company's exploration program included 550 line-km of airborne magnetics and radiometrics followed by a limited 3-line ground geophysical survey (3,650m) of induced polarization 2D time domain IP. Detailed geological mapping as well as geochemical sampling resulted in the collection of 45 rock grab samples, 712 soil samples and 92 channel samples. The channel samples were collected in the historic UG adits. This sampling returned; 2m at 2.58% Co, 2.7% Cu, and 1.14 g/t Au, and 1m at 5.51% Co, 1.0% Cu, and 1.28 g/t Au within a section with a weighted average of 0.70% Co, 2.12% Cu, and 0.58 g/t Au over 17m from the central portion of the target area. Five additional 1m intervals yielded assays from 0.25% to 5.0% Co with peak assays of 6.91% Cu and 3.57g/t Au.

Bonanza is a "drill-ready" target immediately along strike from an operating mine in the historic Cobalt Mining district in the USA.

The East Fork project is located on US Forest Service land in the Salmon-Challis National forest, about 48km to the north-northwest of Salmon Idaho. The property was originally staked as 731 claim block (5,987.7ha / 14,796 acres) but was trimmed to 349 claims (about 6,980 acres).

BMR's East Fork exploration to date has included several campaigns of prospecting, sampling as well an airborne magnetics and radiometric surveys (1,600 line-km) and a 2 line (1,600m) induced polarization survey. To date 927 Soil and 13 rock grab sampling collected. East Fork is an exploration stage property with potential to host cobalt mineralization within stratigraphic horizons where structural features such as shear zones control fluid flow and deposition of cobalt minerals. Assay results from soil samples and rock samples confirm the presence of cobalt on the property and, with the combination of ground and airborne geophysics, prospective targets have been identified.

***South Korea***

The Company is formulating plans necessary to advance the historic flake graphite producing properties of Geuman and Taehwa to the next stages of development through the planning of a comprehensive exploration program designed to increase the current outlined resources.

***United States – ESI***

ESI continues to experience strong sale and rental demand for its Padding Machines, particularly in the U.S. market. ESI expects that it will continue to experience strong rental demand for the foreseeable future, due to the robust market demand from pipeline contractors and for renewable energy projects.

## Liquidity and capital resources

As at December 31, 2022, the Company had cash and cash equivalents of $4,254,172 (December 31, 2021: $2,629,995) and no cash held in escrow (as further described below). Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of six months or less.

As of the date of this MD&A, the Company does not have any firm commitments to incur material capital expenditures. The Company expects that it will have to incur certain expenditures in the future, in order to fund its development activities. These expenditures may include, but may not be limited to: the development of the ore bodies currently existing at the Company's Punitaqui project; the acquisition of certain mining equipment and consumables, if a decision is made to commence and operate the Punitaqui project; operating and general & administrative costs associated with operating the Punitaqui project; the drilling of the Company's other mineral projects, including those located in Canada, the U.S. and South Korea; the costs of maintaining its mineral project licenses and mineral claims; permitting costs; and general corporate expenses. Those aforementioned expenditures relating to the Punitaqui project will, in large part, depend on whether or not the Company decides to proceed with mining activities at the project. As of the date of this MD&A, the Company cannot accurately estimate the total of the aforementioned expenditures.

The Company currently has cash flow from ESI, though the sources of operating cash flow are not sufficient to fund the Company's continued exploration and development efforts and the Company's primary sources of capital resources are comprised of cash and cash equivalents. The Company will continuously monitor its capital structure and based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt, as necessary. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company's properties and the possible loss of title to such properties. Significant reliance is placed on Weston, the Company's controlling shareholder, for providing ongoing financing to the Company. Failure of Weston to provide or participate in financing, or the inability of Weston to provide or participate in financing, would likely result in difficulty for the Company to attract separate third-party investment. If the Company is able to continue to advance its Punitaqui project, management expects that it may be able to access additional sources of capital, in addition to those described herein, to fund the development of the Punitaqui project. Such sources of capital may include, among others, a concentrate offtake prepayment financing, a private debt financing, or a financing by way of a sale of a royalty interest over the potential future production from Punitaqui project. Should any such sources of capital be obtained by the Company, the Company's capital structure, credit risk profile, cash flow profile, as well as the average cost of capital for the Company may change materially.

The above factors, together with the potential for additional unforeseen issues and delays in the realization of the potential benefits from the Company's capital projects, such as the Punitaqui Project, give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration and development programs will result in profitable mining operations. The Company does not currently generate sufficient revenue to fund its planned exploration and development activities and will need to continue to obtain additional financing to execute such activities and discharge its day-to-day obligations. There is no assurance that the Company's funding initiatives will be successful, and the Consolidated Financial Statements do not reflect the adjustments to carrying values of assets and liabilities and the reported and consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

## Transactions with related parties

Related parties of the Company include directors, officers, Weston, and ESI.

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares.

On May 28, 2021, the Company issued 1,069,138 common shares to Weston, valued at $662,866 (US$555,952) in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui.

On July 5, 2021, the Company issued 1,538,462 common shares to Weston for additional proceeds of $1,001,120 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition.

During the year, Weston subscribed for $9,651,500 of the Debentures.

On October 20, 2022, the Company entered into the Bridge Loan to borrow up to USD$4,000,000 from Weston. Proceeds from the Bridge Loan are received by the Company in one or more advances (each, an "**Advance**"). The Bridge Loan will mature on June 17, 2023 as amended on April 17, 2023.

As of December 31, 2022, the Company paid or accrued management fees of $1,584,481 (December 31, 2021: $2,170,518).

As of December 31, 2022, trade and other payables included $297,927 (December 31, 2021: $143,299) due to directors and officers of the Company.

## Disclosure of data for outstanding common shares and stock options

### *Common Shares*

During the year ended December 31, 2022, 833,333 common shares were issued as a result of the exercise of the same amount of restricted share units.

### *Stock options*

As of December 31, 2022, 9,383,332 options remain outstanding, of which 9,370,832 were issued to officers, directors and consultants of the Company and 12,500 relating to the Fusion amalgamation. Total stock-based compensation expense for the year ended December 31, 2022, was $1,526,759 (for the year ended December 31, 2021: $1,122,661)

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

***Restricted share units***

As of December 31, 2022, 7,697,499 RSU's were issued to officers, directors, and consultants of the Company. The total RSU expense for the year ended December 31, 2022 was $2,231,206 (December 31, 2021: $1,335,252).

***Outstanding Share Data***

As of December 31, 2022, the Company has 171,705,612 shares outstanding. As of the date of this MD&A, the Company has 172,143,111 shares outstanding.

## Off-balance sheet transactions

The Company did not have any off-balance sheet arrangements as at December 31, 2022, December 31, 2021, or as of the date of this MD&A.

## Critical accounting policies and estimates

Refer to Notes 3 and 4 in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021.

## Recent accounting pronouncements

Refer to Note 3 in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021.

## Financial instruments and capital management

As at December 31, 2022, the Company's financial instruments consist of cash, receivables, and trade and other payables, deferred payments on acquisition, loans and borrowings, convertible debenture and bridge loan. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The fair value of long-term debt approximates its carrying value as the contractual interest rates are comparable to current market interest rates. The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company minimizes its credit exposure related to short term investments when applicable by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company invests cash with financial institutions that are financially sound based on their credit rating. The Company's receivables primarily include balances receivable from the government of Canada and Chile, which are considered low risk ESI also has finance lease receivables with exposure to credit risk influenced mainly by the characteristics of its customers, which have historically met its contractual obligations.

(b) Liquidity risk

Liquidity risk is the exposure of the Company to the risk of being unable to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs.

The Company expects that cash and cash flow from operations, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets.

Contractual cash flow requirements as at December 31, 2022 were as follows:

| | 1 year $ | 2 year $ | 3 year $ | 4 year $ | >4 years $ | Total $ |
|---|---|---|---|---|---|---|
| Long term debt | 628,185 | 697,394 | 771,782 | 854,184 | 87,813 | 3,039,358 |
| Trade payables | 2,564,413 | - | - | - | - | 2,564,413 |
| Income tax payables | 2,924,326 | - | - | - | - | 2,924,326 |
| Finance lease | 284,526 | 330,339 | 381,695 | 439,219 | 199,803 | 1,635,582 |
| Other current liabilities | 3,100,404 | - | - | - | - | 3,100,404 |
| Bridge Loan | 2,073,146 | - | - | - | - | 2,073,146 |
| Deferred payments on acquisition | 1,846,486 | 810,661 | 810,661 | 810,661 | 1,621,322 | 5,899,791 |
| Convertible debenture | - | - | 10,049,611 | - | - | 10,049,611 |
| Total | **13,421,486** | **1,838,394** | **12,013,749** | **2,104,064** | **1,908,938** | **31,286,631** |

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk
The Company conducts exploration and evaluation activities in the United States, Canada, South Korea and Chile and exposed to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at December 31, 2022, the Company had foreign currency liabilities and foreign currency assets in United States Dollars ("USD"), Chilean Pesos ("CLP"), Australian Dollars ("AUD"), and Korean Won ("KRW"). Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $681,658.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's interest rate risk is minimal as there are no variable rate interest-bearing outstanding loans. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

(d) Commodity price risk
The demand, pricing and terms for ESI's services depend significantly upon the level of expenditures made by renewable energy companies, pipeline companies and other types of customers. Generally, when demand for commodities is high and expectations of future prices are high, , demand for ESI's equipment is high. The converse is also true. The prices for crude oil and gas have fluctuated widely during recent years and may continue to be volatile in the future, as such, ESI has commodity price risk facing it at the present.

The fair values or cash flows associated with the Company's projects will vary due to changes in the prices of particular commodities, e.g. copper, cobalt and lithium. The Company does not engage in programs to mitigate its exposure to commodity price risk.

### *Capital management*
The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company.

## Subsequent events

Subsequent to December 31, 2022, the Company:

- On March 31, 2023, the Company settled the first year of interest on the debenture by issuing 5,202,902 common shares to settle $830,038 of accrued interest owing to certain holders of convertible debentures of the Company.

- On April 3, 2023, the Company granted a total of 2,330,000 Performance Share Units ("PSUs") to 13 management personnel, officers, and directors of the Company. The vesting for the PSUs shall be determined by the Company's stock close price. The PSUs will be fully vested on any single day that the Company's closing stock price reaches or exceeds $0.50, within the performance cycle, which commenced on March 30, 2023, and will end on March 30, 2026.

- On April 17, 2023, the Company amended the Bridge Loan to be extended to June 17, 2023.

## Other risks and uncertainties

The Company is engaged in mineral exploration and development activities which, by nature, are speculative. Through ESI, the Company is also engaged in the sale and rental of Padding Machines.

Due to the high-risk nature of the Company's mineral exploration and development business division, and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A under *"Risk Factors"*. Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business, result of operations, financial results, prospects, and price of common shares.

## Risk Factors related to the Company's Mineral Properties

### *Fluctuating Commodity Prices*

Historically, copper, gold, silver and other metals prices have fluctuated widely and are affected by numerous external factors beyond the Company's control, including industrial demand, production and cost levels in major producing regions, short-term changes in supply and demand because of speculative activities, confidence in the global monetary system, the strength of the US dollar (the currency in which the price of copper is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events. Resource prices have fluctuated widely and are sometimes subject to rapid short-term changes because of speculative activities. The exact effect of these factors cannot be accurately predicted, but any one of or any combination of, these factors may result in not receiving an adequate return on invested capital and a loss of all or part of an investment in securities in the Company.

### *Construction and Start-up of Mines*

The success of construction projects and the start-up of mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of ore passes, recovery plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with mines could delay or prevent the construction and start-up of mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance construction and start-up activities, that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Company will be able to obtain all necessary governmental approvals and permits or that the completion of the construction, the pre-production costs and the ongoing operating costs associated with the development of mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

### *Uncertainty of Production Estimates*

Future estimates of production for the Company's mining operations are derived from a mining plan and these estimates are subject to change. There is no assurance the production estimates will be achieved and failure to achieve production estimates could have a materially adverse effect on the Company's future cash flow, results of operations and financial condition. These plans are based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores and estimated rates and costs of production. Actual ore production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above. Such occurrences could result in damage to mineral properties, interruptions in production, money losses and legal liabilities and could cause a mineral property that has been mined profitably in the past to become unprofitable. Any decrease in production or change to the timing of production or the prices realized for copper and precious metal sales, will directly affect the amount and timing of the cash flow from operations. A production shortfall or any of these other factors would change the timing of the Company's projected cash flow and its ability to use the cash to fund capital expenditures.

### *Financing Risk*

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing debt and equity market conditions, the prices of copper, gold and silver, the performance of the Company and other factors outlined herein. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If the Company raises additional funds through the sale of equity securities or securities convertible into equity securities, shareholders may have their equity interest in the Company diluted. In addition, failure to comply with covenants under the Company's current or future debt agreements or to make scheduled payments of the principal of, or to pay interest on, its indebtedness would likely result in an event of default under the debt agreements and would allow the lenders to accelerate the debt under these agreements, which may affect the Company's financial condition.

### *Nature of Mineral Exploration and Mining*

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, allowable production, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The operations of the Company are also subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to inclement or hazardous weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected geological formations, rock bursts, formation pressures, cave-ins, flooding, or other conditions may be encountered in the drilling and removal of material. Other risks include, but are not limited to, mechanical equipment performance problems, industrial accidents, labor disputes, drill rig shortages, the unavailability of materials and equipment, power failures, hydrological conditions, earthquakes, fires, landslides, and other Acts of God. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

***Estimates of Mineral Resources and Mineral Reserves***

Mineral Reserves and Mineral Resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves can be mined or processed profitably. Mineral Reserve and Mineral Resource estimates may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Fluctuations in commodity prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of copper (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of mineral reserves mined and processed, and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

***Failure to further develop the Punitaqui project may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.***

Risks and unknowns inherent in all projects include, but are not limited to: the accuracy of mineral reserve and mineral resource estimates; metallurgical recoveries; geotechnical and other technical assumptions; capital and operating costs of ongoing production of the project; the future price of commodities; environmental compliance regulations and restraints; political climate and/or governmental regulation and control; the accuracy of engineering; the ability to manage large-scale construction and scoping of major projects, including delays, aggressive schedules and unplanned events and conditions. The capital expenditures and time period required to further develop Punitaqui project are considerable and changes in costs and market conditions or unplanned events or construction schedules can affect project economics. The Company's ability to maintain licenses to operate the Punitaqui project is also important to the success of this project. Actual costs and economic returns may differ materially from estimates prepared by the Company, or the Company could fail or be delayed in obtaining all approvals necessary for execution of the project, in which case, the project may not proceed either on its original timing or at all. In addition, the Punitaqui project may not demonstrate attractive economic feasibility at low commodity prices. The capital costs for the Punitaqui project may outweigh the Company's capital, financial and staffing capacity and may adversely affect the development of the Punitaqui project. The inability to further develop the Punitaqui project could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects. Projects also require the successful completion of feasibility studies, the resolution of various fiscal, tax and royalty matters, the issuance of, and compliance with, necessary governmental permits and the acquisition of satisfactory surface or other land rights. It may also be necessary for the Company to, among other things, find or generate suitable sources of water and power for the project, ensure that appropriate community infrastructure is developed by third parties to support the project and to secure appropriate financing to fund these expenditures. It is also not unusual in the mining industry for mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring the investment of more capital than anticipated.

***If the Company is not able to obtain additional financing required to advance exploration and development at the Punitaqui project, it may be required to reduce the scope of its planned business objectives which may have a material adverse effect on its future prospects.***

The Company will have various exploration and development expenditures as it proceeds to expand exploration and development activities at its mineral properties, develop any such properties or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. The continued exploration and future development of the Company's exploration and development-stage properties will therefore depend on the Company's ability to obtain the required financing. In particular, any potential development of its projects will require substantial capital commitments, which the Company cannot currently quantify and may not currently have in place. The Company can provide no assurance that it will be able to obtain financing on favorable terms or at all. In addition, the Company may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the metals & mining industry in particular), the price of copper on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management personnel. If the Company is unable to obtain additional financing as needed, it may not be able to move forward with its planned exploration and development activities for the Punitaqui project. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

***No Assurance of Title***

The acquisition of title to mineral projects is a detailed and time-consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in its name where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of the Company in any of its properties may not be challenged or impugned. Title insurance is generally not available for mineral properties and the Company has a limited ability to ensure that it has obtained secure ownership claims to individual mineral claims. While the Company's intention is to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that the Company will be successful in extending or renewing mineral rights on or prior to expiration of their term or that the title to any such properties will not be affected by an unknown title defect. Should the Company be unsuccessful in extending or renewing mineral rights on or prior to expiration of their term, or if the title to any such properties is affected by an unknown title defect, the Company may not have the ability to explore on any such properties, and their value may be impaired.

***Permits and Licenses***

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. Where required, obtaining necessary licenses and permits can be a complex and time-consuming process. The costs and delays associated with obtaining necessary licenses and permits could stop or materially delay or restrict the Company from proceeding with the development of an exploration project. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development, and mining operations at its mineral projects or that the Company will be able to comply with the conditions of all such necessary licenses and permits in an economically viable manner.

### *Environmental Regulations and Potential Liabilities*

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental hazards may exist on the properties on which the Company holds interests which are unknown at present, and which have been caused by previous or existing owners or operators of the properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration or mining operations may be required to compensate those suffering loss or damage by reason of the exploration or mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties. The potential financial exposure may be significant.

### *Infrastructure*

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition, and results of operations.

### *Availability and Costs of Infrastructure, Energy and Other Commodities*

Mining, processing, mine construction and development, capital development projects and exploration activities depend on adequate infrastructure. Reliable access to energy and power sources and water supply are important factors that affect capital and operating costs. If the Company does not have timely access to adequate infrastructure, there is no assurance that it will be able to start or continue exploiting and develop projects, complete them on timely basis or at all. There is no assurance that the ultimate operations will achieve the anticipated production volume, or that construction costs and operating costs will not be higher than estimates calculated. The profitability of the Company's business is also affected by the market prices and availability of commodities and resources which are consumed or otherwise used in connection with the Company's operations and development projects such as diesel fuel, electricity, finished steel, tires, steel, chemicals, and reagents. Prices of such commodities and resources are also subject to volatile price movements, which can be material and can occur over short periods of time due to factors beyond the Company's control.

If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to engage in production and development activities and this could have an adverse effect on profitability. An increase in worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labor could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules. Further, the Company relies on certain key third party suppliers and contractors for services, equipment, raw materials used in, and the provision of services necessary for, the development, construction, and continuing operation of its assets. As a result, the Company's activities are subject to a number of risks some of which are outside its control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or a contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen event and failure of a supplier or contractor to perform under its agreement with the Company. The occurrences of one or more of these events could have a material effect on the business, results of operations and financial condition of the Company.

***Dependence on Key Personnel***

The Company's success is dependent on a relatively small number of key employees. The loss of one or more of these key employees, if not replaced, could have a material adverse effect on the Company's business, results of operations and financial condition.

***Dependence on Third Parties***

The Company relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. The Company also relies upon third parties to provide essential contracting services. There can be no assurance that existing relationships will continue to be maintained or that new ones will be successfully formed, and the Company could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Company, its business, operating results, and prospects.

***Losses from or Liabilities for Risks which are not Insured***

Hazards such as unusual or unexpected geological formations and other conditions are involved in mineral exploration and development and mining. The Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities would have a material, adverse effect on the Company's financial position and results of operations. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition and results of operations.

***Governmental Regulation***

Exploration, development and mining of minerals are subject to extensive federal, state or provincial, and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, water use, land use, land claims that may be brought by third parties, environmental protection and remediation, endangered and protected species, mine safety and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition, and results of operations of the Company. The costs and delays associated with obtaining necessary licenses and permits and complying with these licenses and permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of a project. Any failure to comply with applicable laws and regulations or licenses and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties, or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. These laws and regulations are administered by various governmental authorities including the federal, state or provincial, and local governments.

### *Health and Safety*

Mining operations generally involve a high degree of risk. Personnel involved in the Company's operations are subject to many inherent risks, including but not limited to, rock bursts, cave-ins, flooding, fall of ground, electricity, slips and falls and moving equipment that could result in occupational illness, health issues and personal injuries. The Company has implemented various health and safety measures designed to mitigate such risks. Such precautions, however, may not be sufficient to eliminate health and safety risks and employees, contractors and others may not adhere to the occupational health and safety programs that are in place. Any such occupational health and personal safety issues may adversely affect the business of the Company and its future operations.

### *Tax Matters*

The Company's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Company's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect on the Company's business, results of operations and financial condition. The Company may be subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively impact the Company's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

### *Information Technology*

A failure or breach of the Company's network systems could corrupt the Company's financial or operational data and may have a material adverse impact on the Company's reputation and results of operations. Major equipment failures, natural disasters including severe weather, terrorist acts, acts of war, cyber-attacks or other breaches of network systems or security that affect computer systems within the Company's network could disrupt the Company's business functions, including the Company's exploration and development activities. The mining industry has become increasingly dependent on digital technologies. Mines and mills are automated and networked, and the Company relies on digital technologies to conduct certain exploration, development, production, processing and other activities. The mining industry faces various security threats, including cyber-security threats. Such attacks are increasing and include malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions to critical systems, unauthorized release of confidential information and corruption of data. A cyber-attack could negatively impact the Company's operations. A corruption of the Company's financial or operational data or an operational disruption of the Company's infrastructure could, among other potential impacts, result in: accidental discharge; expensive remediation efforts; distraction of management; damage to the Company's reputation or its relationship with customers, vendors and employees; or events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse impact on the Company's reputation, profitability, future cash flows, earnings, results of operations and financial condition.

### *Labor Difficulties*

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Company's business. This would have a negative effect on the Company's business and results of operations which might result in the Company not meeting its business objectives.

### *Competition*

There is significant competition in the base and precious metals mining industries for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labor to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals but conduct refining and marketing operations on a global basis. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future. Increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of the Company, its operations and financial condition could be materially adversely affected. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### *Conflicts of Interest*

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (British Columbia) to disclose the conflict of interest and to abstain from voting on the matter.

### *International Conflict*

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global commodity and financial markets and supply chains. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. Volatility in commodity prices and supply chain disruptions may adversely affect the Company's business, financial condition and results of operations. The extent and duration of the current Russia-Ukraine conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this MD&A, including those relating to commodity price volatility and global financial conditions. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize and may have an adverse effect on the Company's business, results of operation and financial condition.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

***COVID-19 and Other Global Pandemics***

Though work at the Company's properties is continuing with no significant interruptions to date, the Company may nonetheless be impacted at any time by the current global coronavirus outbreak and associated COVID-19 global pandemic, as well as related governmental regulations, restrictions and other measures and business disruptions due to the impact of same on third parties with whom the Company is associated or does business. The Company is currently complying with all federal, provincial or state, and local governmental regulations concerning COVID-19. While the majority of our employees and contractors are currently operating following the contagion prevention measures that have been put in place, the ever-changing nature of the situation may have a material adverse impact on the Company as it could result in delays and increased costs. In addition, government authorities could impose new or additional requirements resulting in further limitations on the activities, or the suspension of all activities.

Alternatively, in the event of an outbreak of COVID-19 at site at any of the Company's projects, government authorities, either federally or locally, or the Company could determine that a full suspension of all of its operations is necessary for the safety and protection of the workers. A complete suspension of operations could result in delays, result in additional increases in costs and have a material adverse effect on the financial position of the Company. If authorities were to impose a suspension order caused by the COVID-19 virus outbreak, or if there is a full suspension of activities at any of our project sites for an undefined period of time there could be additional medical and other costs to be incurred, project delays, and cost overruns. Moreover, the actual and threatened further spread of COVID-19 globally could continue to negatively impact stock markets, including the trading price of the Company's Common Shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive and could result in any operations affected by COVID-19 becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations.

## Risk Factors related to ESI

***Competition***

The industry in which ESI operates is competitive and ESI competes with a substantial number of companies which may have more equipment and personnel as well as greater financial resources. ESI's ability to generate revenue and earnings depends primarily upon its ability to secure new and repeat business. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of ESI or that new or existing competitors will not enter the various markets in which ESI is active. In certain aspects of its business, ESI also competes with several small and medium-sized companies, which, like ESI, have certain competitive advantages such as low overhead costs and specialized strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for ESI.

***Excess Equipment Levels in the Industry***

Due to the long-life nature of service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply and decreased demand. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the ESI's profitability. Additionally, ESI could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on its business, results of operations, financial conditions, and cash flows.

***Third Party Credit Risk***

ESI assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding. ESI views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows. ESI generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers. Management has assessed the customers as creditworthy and ESI has had no history of collection issues with its customers, however, the inability for ESI's customers to meet their financial obligation to ESI could have a material adverse effect on its business, financial condition, results of operations and cash flows.

### *Sources, Pricing and Availability of Equipment and Equipment Parts*

ESI sources its equipment and equipment parts from a variety of suppliers. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to ESI's ability to maintain levels of service to its customers. ESI attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of equipment to ESI's clients could have a material adverse effect on its results of operations and financial condition.

### *Liquidity Risk*

Liquidity risk is the risk that ESI will not be able to meet its financial obligations as they fall due. ESI's approach to managing liquidity is to continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. ESI's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. ESI seeks to manage its financing based on the results of these processes.

### *Reliance on Key Personnel*

The success of ESI is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of ESI. ESI's ability to provide dependable and quality equipment is dependent on its ability to hire and retain a dedicated and quality pool of employees. ESI strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows.

### *Seasonality*

In North America, the level of activity in the energy industry is influenced by seasonal weather patterns. The demand for equipment sales and rentals may be affected by the severity of winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on ESI's business, financial condition, results of operations and cash flows.

### *Income Tax Risk*

ESI has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of ESI due to changes in income tax laws. ESI must file tax returns in the jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the authorities may disagree with the filing positions adopted by ESI. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of ESI.

## Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2022 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

For the disclosure required under Section 5.3 of National Instrument 51-102 – Continuous Disclosure Obligations, see sections *"Exploration Activities"*, and *"Exploration and Evaluation Expenditures"*.

## Forward looking statements

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, the impact of COVID-19 on the future of the Company, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results and as such should not be unduly relied upon by investors. Forward-looking statements contained in this MD&A speak only as to the date of this MD&A, or such other date as may be specified herein, and are expressly qualified in their entirety by this cautionary statement. See additional discussion under *"Other risks and uncertainties"* section above.