



(An exploration stage business)

Coppernico Metals Inc.

## Management's Discussion & Analysis

For the three and nine months ended September 30,  
2022

Dated: November 28, 2022

## **Coppernico Metals Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**for the three and nine months ended September 30, 2022 (In Canadian dollars, unless otherwise noted)**

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#### **1. HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND THE PERIOD TO NOVEMBER 28, 2022**

- On October 11, 2022, Coppernico Metals Inc. ("Coppernico" or the "Company") announced a corporate update on its mineral exploration projects in Peru, South America, and its progress towards a stock exchange listing. The Company continues to pursue community access at its Sombrero properties and believes that it is in the final stages of negotiating access with a community in the Sombrero land position. Additional steps are still required before access to exploration is granted, and the Company remains optimistic about its progress. In an effort to offer increased diversified upside for shareholders and generate an ongoing pipeline of catalysts for the Company, Coppernico has evaluated numerous exploration opportunities in Ecuador where several companies are experiencing success. Coppernico intends to pursue a stock exchange listing application once it meets exchange requirements, including access to one or more qualifying projects and meets the necessary working capital requirements.
- On September 1, 2022, the Company announced the voting results for the election of its Board of Directors at the Annual Meeting of Shareholders held on August 31, 2022, in Vancouver, British Columbia. Voting results have been reported on [www.sedar.com](http://www.sedar.com).
- On April 4, 2022, the Company announced that its Board of Directors had appointed Marie-Hélène Turgeon to the Board of the Company. Ms. Turgeon has 20 years of experience in environmental management, legal compliance, and stakeholder engagement and supports mining companies in designing sustainable projects, assessing and managing environmental and social impacts, as well as obtaining and maintaining social licenses to operate.
- On March 17, 2022, the Company announced the appointment of Margaux Villalpando as the Company's Manager of Investor Relations. Ms. Villalpando will be responsible for implementing and managing corporate communications and investor relations strategies for the Company.
- On March 8, 2022, the Company announced the appointment of Tim Kingsley as its new Vice President, Exploration. Mr. Kingsley is an exploration geologist with over 18 years of precious and base metal exploration experience at multiple operations in the Americas (Peru, Canada, Alaska). He has held senior exploration roles and has a proven track record of discovery and project development. He holds a Master of Science (MSc) in Geological and Earth Sciences/Geosciences from the University of Idaho and a Bachelor of Science (BS) in Geology/Earth Science from the University of the Pacific. On January 24, 2022, the Company provided a corporate update on its activities, and announced that David Smithson, Senior Vice President of Exploration, had resigned due to personal reasons.

< Refer to the section 2.1 for cautionary wording concerning forward-looking information >

#### **2. DATE AND FORWARD-LOOKING STATEMENTS**

This Management's Discussion and Analysis ("MD&A") of Coppernico has been prepared by management to assist the reader to assess material changes in the condensed consolidated interim financial statements and results of operations of the Company as at September 30, 2022, and for the three and nine month periods then ended.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and related notes thereto as at and for the three and nine months ended September 30, 2022. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all dollar amounts presented are Canadian dollars unless otherwise stated.

The effective date of this MD&A is November 28, 2022.

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

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable Canadian and United States securities laws ("forward-looking statements"). These forward-looking statements are presented for the purpose of assisting the Company's shareholders and prospective investors in understanding management's intentions and views regarding future outcomes and are inherently uncertain and should not be heavily relied upon.

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When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, identify such forward-looking statements. Specific forward-looking statements in this MD&A may include, but are not limited to: the Company's ability to execute on its exploration and financing plans, the likelihood of discovering resources; the potential for access to and exploration of the Company's projects, permitting timelines; government regulation of mining operations; environmental and climate-related risks; the possible impairment of mining interests; any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements; the timing and amount of estimated exploration expenditures and capital raises for the Company; the liquidity of the common shares in the capital of the Company and other events or conditions that may occur in the future; the Company's intention to grow its business and its operations; the Company's competitive position; changes to government regulation, in particular Peruvian; and the impact of the COVID-19 pandemic on the Company's operations and the economy generally.

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

Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to adversely differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Some of the risks and other factors (many of which are beyond the Company's control) which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A include, but are not limited to, the financial market appetite to finance junior resources issuers, the lack of meaningful exploration success, fluctuations in the current and projected prices for gold, other precious and base metals and other commodities (such as natural gas, fuel oil and electricity) which are needed for exploration activities; risks and hazards associated with the business of mineral exploration (including environmental hazards, potential unintended releases of contaminants, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); the speculative nature of mineral exploration; the estimation of mineral resources, the Company's ability to obtain funding, whether debt or equity; the current lack of any estimated mineralized resources; environmental regulations; changes in laws and regulations impacting exploration activities; the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; legal and litigation risks; statutory and regulatory compliance; insurance and uninsurable risks; the Company's limited business history and history of losses and negative cash flow, which will continue into the foreseeable future; our inability to pay dividends, the continuation of our management team and our ability to secure the specialized skill and knowledge necessary to operate in the mining industry; relations with and claims by local communities and non-governmental organizations, including relations with and claims by indigenous populations; the requirements of being a public company; risks associated with the significant resources required to maintain regulatory compliance as a public company; the effectiveness of the Company's internal control over financial reporting; cybersecurity risks; risks relating to the Company's public perception; general business, economic, competitive, political and social uncertainties; and public health crises such as the COVID-19 pandemic and other uninsurable risks. This is not an exhaustive list of the risks and other factors that may affect any of the Company's forward-looking statements. Additional information relating to the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.copernicometals.com](http://www.copernicometals.com). These documents are for information purposes only and not incorporated by reference in this MD&A.

The Company's management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its MD&A and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## **Coppertino Metals Inc.**

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### **3. DESCRIPTION OF THE BUSINESS**

The Company is assembling a world class South American exploration portfolio seeking to create significant value for shareholders through exploration and potential discovery. The Company is currently focused on its flagship Sombrero project in Southeast Peru and is reviewing additional premium projects in Central and South America. The Company is an unlisted reporting issuer in British Columbia, Alberta and Ontario. Management is targeting to apply for listing on the Toronto Stock Exchange ("TSX") in 2023 and has initiated this process.

As at the date of this MD&A, the corporate organization structure includes one wholly owned subsidiary in Peru, Sombrero Minerales S.A.C, a 50% owned Peruvian service company, Universal Mineral Services Peru S.A.C. ("UMS Peru"), and a 25% owned Canadian service company, Universal Mineral Services Ltd. ("UMS Canada"). The arrangements that support the investment in UMS Canada and UMS Peru are described in Note 5 to the condensed consolidated interim financial statements for the three and nine months ended September 30, 2022.

The Company is primarily focused on the Sombrero district, a copper-gold project, located in southern Peru, covering approximately 130,000 hectares acquired through a combination of staking and option agreements, and the Takana district, a copper-nickel project, located in southeastern Peru, covering 50,300 hectares acquired through an option agreement.

#### **3.1 Climate related risks**

The Company acknowledges the impact that climate change may have on the Company's ability to travel to the communities and to perform onsite work where permitted. Significant rainfall events are known to occur, but no such events have incurred so far in 2022.

### **4. DISCUSSION OF OPERATIONS**

#### **4.1 Three months ended September 30, 2022, and 2021 (Q3 2022 vs. Q3 2021)**

During the three months ended September 30, 2022, the Company reported a loss of \$979,944 compared to a loss of \$681,449 for the same period in 2021. Significant variances within operating expenses and other expenses resulted in a combined \$298,495 increase in the current period's loss, and are discussed as follows:

- Project investigation costs in Q3 2022 were \$197,169 compared to \$956 in Q3 2021, representing an increase of \$196,213 in Q3 2022 due to the evaluation of additional premium projects in Central and South America during the current period.
- Exploration and evaluation costs in Q3 2022 were \$401,433 compared to \$314,466 in Q3 2021, representing an increase of \$86,967 as the Company continues evaluating the samples, historical data, and ongoing costs relating to the Takana project which was optioned in mid-2021.
- Fees, salaries, and other employees' benefits were \$166,886 in Q3 2022 compared to \$223,114 in Q3 2021, a decrease of \$56,228 due to lower headcount costs as the Company is mainly focused on the investigation and evaluation of new projects.
- In Q3 2022 the Company recorded a loss of \$7,440 on its equity investments in its associate and joint venture service providers. This is the second quarter that the Company has had ownership in these entities; accordingly, there is no similar 2021 comparative figure.

#### **4.2 Nine months ended September 30, 2022, and 2021 (YTD 2022 vs YTD 2021)**

Loss for the nine months ended September 30, 2022, was \$2,843,996 compared to a loss of \$2,326,602 for the nine months ended September 30, 2021.

Significant variances for the comparable nine-month period were generally driven by the same factors discussed above for the three-month period. Specifically, the increase of \$355,564 in project investigation costs as a result of increased project evaluation which was partially offset by the decrease in legal and professional fees from \$244,159 during the nine months ended September 30, 2021, to \$155,137 in the same comparative period, as well as a decrease of \$44,952 in fees, salaries and employee benefits from \$621,799 in the first nine months of 2021 to \$576,847 in the same period in 2022.

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### 4.3 Summary of quarterly results

Three months ended	Loss for the period	Comprehensive loss	Loss per share
<b>September 30, 2022</b>	<b>\$ 979,944</b>	<b>\$ 605,225</b>	<b>\$ 0.01</b>
June 30, 2022	1,108,862	945,203	0.01
March 31, 2022	755,190	837,088	0.01
December 31, 2021	866,703	902,732	0.01
September 30, 2021	681,449	530,529	0.01
June 30, 2021	812,444	867,601	0.01
March 31, 2021	832,709	888,665	0.01
December 31, 2020	892,426	1,132,397	0.01

### 4.4 Summary of Project Costs and impairment

During the nine months ended September 30, 2022, the Company incurred \$189,233 of mineral property additions, and \$1,137,423 in exploration and evaluation costs. The mineral property additions relate to the scheduled annual US\$100,000 payment regarding the Aceros option in January 2022, and US\$35,000 payment regarding the Guadalupe concession (part of the Sombrero Project) in August 2022.

On June 7, 2022, the Company gave notice to Ximenita de Casma S.M.R.L to terminate its option in the Soldaduyoc concession and therefore incurred an impairment of \$100,320 in relation to that concession.

	Sombrero	Takana	Total
<b>Balance as at December 31, 2020</b>	<b>\$ 5,053,193</b>	<b>\$ -</b>	<b>\$ 5,053,193</b>
Mineral property additions	1,104,496	222,016	1,326,512
Currency translation adjustment	(12,361)	3,410	(8,951)
<b>Balance as at December 31, 2021</b>	<b>\$ 6,145,328</b>	<b>\$ 225,426</b>	<b>\$ 6,370,754</b>
Mineral property additions	189,233	-	189,233
Mineral property impairment	(100,320)	-	(100,320)
Currency translation adjustment	489,709	14,056	503,765
<b>Balance as at September 30, 2022</b>	<b>\$ 6,723,950</b>	<b>\$ 239,482</b>	<b>\$ 6,963,432</b>

Exploration and evaluation costs	Sombrero	Takana	Total
Concession holding	\$ 427,742	\$ 164,137	\$ 591,879
Community and environmental	152,888	157,461	310,349
Project support	167,535	67,660	235,195
<b>Total for the period ended September 30, 2022</b>	<b>\$ 748,165</b>	<b>\$ 389,258</b>	<b>\$ 1,137,423</b>

### 4.5 Future operations and community involvement

The Company continues to have regular communications with the Huanca Sancos and Lucanamarca communities surrounding the Sombrero district and is actively working toward securing long-term access agreements. The Company has had recent positive developments with a community within the Sombrero land position, and while there remains some minority opposition, the Company hopes to finalize the access agreement in the near term. Once the access agreements are in place, the Company is prepared to advance its drill permitting efforts. The Company continues to support communities with applications to Agroideas, a government organization that sponsors agricultural programs within the local area.

For Takana, the Company has been pursuing community access for this project, and therefore exploration plans are on hold.

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In order to diversify and enhance the Company's portfolio, management has elected to pursue an additional premium exploration project in Ecuador. The Company is reviewing several opportunities with a focus on base and precious metal projects that could be ready for drilling in early 2023.

Coppernico plans to apply to list its shares on the TSX; the Company's listing is targeted for early 2023.

## 5. FINANCIAL POSITION, LIQUIDITY, AND CAPITAL RESOURCES

### 5.1 Financial position and liquidity

	September 30, 2022	December 31, 2021
Cash	\$ 111,594	\$ 2,965,269
Accounts receivable	\$ 37,704	\$ 20,175
Mineral property interests	\$ 6,963,432	\$ 6,370,754
Current liabilities	\$ 776,467	\$ 837,468

The Company's primary source of liquidity is equity. The funds are primarily used to finance working capital and to make certain annual payments to ensure that all the Company's mineral properties remain in good standing. The Company has working capital deficit of \$427,566 as at September 30, 2022 (December 31, 2021 - working capital surplus of \$2,660,664) which includes cash of \$111,594 (December 31, 2021 - \$2,965,269), that is entirely unrestricted. The Company did not have long term liabilities, and there were no other commitments held by the Company at the balance sheet date other than as disclosed in Note 5 of the condensed consolidated interim financial statements.

During the nine months ended September 30, 2022, the Company used cash of \$2,655,476 in operating activities compared to \$2,945,663 during the nine months ended September 30, 2021. The cash outflow during 2022 was lower than the cash outflow in 2021 due to lower exploration activities from limited access to the projects and costs incurred on the TSX listing application in the first half 2021.

During the nine months ended September 30, 2022, the Company used cash in investing activities of \$190,401 whereas \$786,339 was used in 2021, relating to mineral property additions. The mineral property additions during the nine months ended September 30, 2022, was the scheduled Aceros option holding payment, and payments regarding the Guadalupe concession (part of the Sombrero project). Also, included in the cash outflow for investing activities are the acquisition of investments. The mineral property additions during the nine months ended September 30, 2021, related primarily to the initial payment of the Soldaduyocc option, as well as the payment related to the extension of the force majeure on the Molleacruz concessions.

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

### 5.2 Capital Resources

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

## 6. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements. Earn-in arrangements are not viewed as off-balance sheet arrangements, and there are no other commitments held by the Company at the balance sheet date other than the commitment disclosed in Note 5 to the condensed consolidated interim financial statements for the three and nine months ended September 30, 2022.

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### 7. RELATED PARTY TRANSACTIONS

#### (a) Services rendered and balances

UMS Canada is a shared service provider company in which the Company holds a 25% equity interest, the 75% balance being shared equally by three other junior resource explorers. UMS Canada provides geological, financial and transactional advisory services as well as administrative services to the Company on a cost recovery basis.

UMS Peru is a company incorporated under Peruvian law, which provides administrative and geological services to Sombrero Minerales S.A.C and the Peruvian subsidiaries of Tier One. In order to comply with Peruvian transfer pricing rules, UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Exploration and evaluation	\$ 101,270	\$ 79,627	\$ 283,769	\$ 125,216
Project investigation	128,912	79	255,762	4,222
Marketing and investor relations	13,860	12,494	45,618	59,358
General and administration	176,741	138,144	540,543	370,820
<b>Total transactions for the period</b>	<b>\$ 420,783</b>	<b>\$ 230,344</b>	<b>\$ 1,125,692</b>	<b>\$ 559,616</b>

As at September 30, 2022, \$67,366 (December 31, 2021 - \$63,021) was included in accounts payable and \$120,000 (December 31, 2021 - \$370,000) in prepaid expenses and deposits relating to transactions with UMS Canada; upon the acquisition of the share of UMS Canada in April 2022, \$150,000 was reclassified to the investment in associate balance.

As at September 30, 2022, \$4,139 (December 31, 2021 - \$nil) was included in accounts payable, and \$16,174 (December 31, 2021 - \$75,202) was included in prepaid expenses and deposits relating to transactions with UMS Peru.

#### (b) Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management and board members, being its four executives, of which one is a director, and six non-executive directors:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salary and benefits provided to executives	\$ 115,008	\$ 148,534	\$ 414,107	\$ 444,541
Fees paid to non-executive directors	38,350	30,984	111,357	92,559
	<b>\$ 153,358</b>	<b>\$ 179,518</b>	<b>\$ 525,464</b>	<b>\$ 537,100</b>

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's CFO and Chief Geological Officer ("CGO") terminated their direct employment status with the Company, became employed by UMS Canada and entered into secondment employment arrangements between the Company and UMS Canada. Following the change to the secondment arrangements, the salaries for these executives are now charged to the Company based on the actual percentage of time incurred during the period and therefore the compensation amounts for these members of management fluctuate depending on the activities of the Company.

On April 4, 2022, the Company announced it had appointed Marie-Hélène Turgeon to the Board of Directors.

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#### **8. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

In preparing the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, the Company applied the significant accounting estimates and judgements disclosed in Note 2 of its audited consolidated financial statements for the year ended December 31, 2021.

#### **9. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company confirms that it has adopted and continued the same accounting policies that were disclosed in the audited consolidated financial statements for the year ended December 31, 2021, except for the following:

##### **Equity investments**

The Company conducts a portion of its business through equity interests in an associate and a joint venture. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when the decisions about relevant activities require the unanimous consent of the parties that control the arrangement.

The Company accounts for its investment in associate and joint venture using the equity method. Under the equity method, the Company's investment in an associate and joint venture are initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and joint venture, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The Company's share of an associate and joint venture's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. The Company's share of earnings and losses of its associate are recognized in net loss during the period.

#### **10. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at September 30, 2022, the Company's financial instruments consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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

#### **11. OTHER REQUIRED DISCLOSURE**

##### **11.1 Capital structure**

The capital structure of the Company is as follows:

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at September 30, 2022, and November 28, 2022:  
112,340,434



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#### **11.2 Disclosure controls and procedures**

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in the Company's MD&A for the year ended December 31, 2021.

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

During the quarter ended September 30, 2022, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

On behalf of the Board of Directors,

*"Ivan Bebek"*

**Ivan Bebek**

President, Chief Executive Officer, and Director

November 28, 2022