



## **Atacama Copper Corporation**

(Formerly 1246773 BC Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**



[www.atacamacopper.ca](http://www.atacamacopper.ca)

**TSX.V: ACOP**

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## **INTRODUCTION**

This management discussion and analysis ("**MD&A**") of financial condition and results of operations focuses upon the activities, results of operations, liquidity, and capital resources of Atacama Copper Corporation (formerly 1246773 BC Ltd.), (the "**Company**") for the nine months ended September 30, 2022. To better understand this MD&A, it should be read in conjunction with the Company's condensed interim financial statements and related notes for the nine months ended September 30, 2022 and the Company's audited financial statements and related notes for the year ended December 31, 2021.

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.atacamacopper.ca](http://www.atacamacopper.ca).

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") and filed with appropriate regulatory authorities in Canada. Except as otherwise disclosed, all dollar figures included therein and, in this MD&A, are quoted in Canadian dollars, unless otherwise stated.

Gino Zandonai, is a qualified person as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and has reviewed and approved for inclusion the scientific and technical disclosure in this MD&A. Mr. Zandonai is the Senior VP Business Development of the Company.

This MD&A is current to November 18, 2022.

## **FORWARD LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of the Common Shares (as defined herein) price and volume and other reports and filings with the applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in the Company's documents filed from time to time via the Company's website along with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

## **OVERVIEW**

Atacama Copper Corporation (formerly 1246773 BC Ltd.) ("773", the "Company") was incorporated under the Business Corporations Act of British Columbia on April 8, 2020. The Company's head office is located at 550-800 West Pender Street, Vancouver, BC, V6C 2V6. The common shares of the Company began trading on the TSX Venture Exchange ("TSXV") on September 7<sup>th</sup>, 2021 under the symbol "ACOP".

The principal business of the Company is to identify, explore and evaluate mineral properties in Chile and elsewhere

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in the Americas. The Company holds 76 mining concessions through its ownership of the El Cofre and Placeton projects in Chile held through its subsidiaries Aconcagua Minerals SpA (“Aconcagua”) and Cobalt Chile SpA (“Cobalt Chile”). The success of the Company will be dependent on obtaining the necessary financing to evaluate these projects and the results that come from that evaluation.

## **HIGHLIGHTS & RECENT DEVELOPMENTS**

On March 28, 2022, the Company announced the initial exploration results from the Placeton project covering both the Placeton and Caballo Muerto targets. The results of the detailed surface geological and structural mapping, geochemistry survey, and geophysics surveys identified multiple occurrences of D-veins, phyllic alteration and leach capping, along with geophysical and copper and molybdenum geochemical anomalies indicative of porphyry style mineralisation. Consequently, the Placeton Central-North and Caballo Muerto targets were designated as high priority. Placeton South remains an area of significant interest but requires further follow-up work to confirm and upgrade its potential. An additional IP survey is planned for the Placeton targets to better define the sulphide-related anomalies along and below the high-priority targets ahead of drilling.

On May 24, 2022, the Company provided an update on the ongoing trenching program at the El Cofre project. As at the date of the press release, the 3,000-metre program was 40% complete and had identified multiple zones of copper oxide mineralisation on the Viñita area. The mineralisation was identified across 1- to 5-metre-wide mineralised veins along a strike of 600 m, with over 800 m of strike in the Viñita area remaining to be tested. The laboratory results of the 156 samples taken up until this date are expected shortly.

On August 9, 2022, 50,000 stock options expired.

On August 15, 2022, the Company announced the appointment of Tim Warman as CEO of the Company. In connection with this appointment, the Company granted Mr. Warman 300,000 stock options in the Company. Each stock option is exercisable, for a period of 5 years from the date of grant, to acquire one common share of Atacama Copper at an exercise price of C\$0.20. The stock options shall vest in three equal parts on the grant date, first anniversary and second anniversary of the grant date.

## **OUTLOOK**

The Company’s strategy is to advance the development of the Placeton and El Cofre projects while opportunistically looking to expand its operating footprint through the acquisition of other high-value copper exploration, development and production assets in Chile and elsewhere in the Americas.

### *Placeton Project*

The Company commenced field exploration at the Placeton Project in Q3 2021. Detailed geological mapping and surface geochemical sampling was carried out across approximately 30 km<sup>2</sup> of the total 72.5 km<sup>2</sup> land package that makes up Placeton. Geophysical surveys were also carried out, including a low altitude magnetometry survey using a GeoMagDrone unmanned aerial vehicle over 40 km<sup>2</sup> of the Placeton target, and a single IP line conducted at Caballo Muerto. This work program resulted in the identification of three high-priority targets in Placeton Central-North, Placeton South and Caballo Muerto. A follow-up IP survey, to be conducted over the high-priority targets, will be used to triangulate the metallic sulphide targets to assist with drill targeting. The Company is also working to negotiate longer-term easements with the underlying landowners to allow access for a future drilling program at Placeton and Caballo Muerto.

### *El Cofre Project*

Following a review of historical information, the Company commenced geological mapping work at the El Cofre project in Q2 2022. In February 2022, the Company applied for three additional claims covering 300 Hectares adjacent to the existing project claims. These claims are currently pending final approval by the local issuing authority. In April 2022, the Company commenced a trenching program on the property following up on previously identified mineralised structures discovered in historical geochemical and mapping surveys of the property. The trenching survey was planned to cover a total of 3,000 metres across 18 trenches and was completed during Q2

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2022. Initial results from this program were announced on May 24, 2022 as described earlier in this MD&A.

**MINERAL PROPERTIES**

Aconcagua holds the rights to the Placeton Project which consists of the Placeton, Caballo Muerto and Los Naranjos projects. Altogether, the Placeton Project is comprised of thirty-nine exploitation tenements. The Aconcagua mineral claims are subject to a 2.0% Net Smelter Royalty (“Placeton NSR”) as described in Note 6 of the financial statements for the nine months ended September 30, 2022.

Cobalt Chile holds the rights to the El Cofre Project, which represents 100% interest in thirty-seven exploitation claims and three pending claims. The Cobalt Chile mineral claims are subject to a 2.0% Net Smelter Royalty (“El Cofre NSR”) as described in Note 6 of the financial statements for the nine months ended September 30, 2022.

During the nine months ended September 30, 2022, the Company’s incurred \$516,077 (2021 – \$nil) in exploration and evaluation expenses.

	<b>Placeton</b>	<b>El Cofre</b>	<b>Total</b>
Camp	\$ 22,935	\$ 10,497	\$ 33,432
Claims, licences and permits	93,074	66,766	159,840
Equipment rentals	13,277	-	13,277
Fuel	10,002	-	10,002
Geology and geophysics	162,218	44,937	207,155
Geologists	13,224	88,957	102,181
Insurance	153	3,448	3,601
Legal	35,845	9,429	45,274
Property management	464	13,929	14,393
Subcontractors	546	8,966	9,512
Travel and accommodations	17,422	19,591	37,013
<b>Total</b>	<b>\$ 369,160</b>	<b>\$ 266,520</b>	<b>\$ 635,680</b>

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company’s continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis.

**SELECTED ANNUAL FINANCIAL INFORMATION**

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2021. The information set forth should be read in conjunction with the consolidated audited financial statements, prepared in accordance with IFRS and the related notes thereon.

	<b>For the year ended December 31, 2021</b>	<b>From Date of Incorporation on December 23, 2020 to December 31, 2020</b>
Revenues	\$ Nil	\$ Nil
Loss	\$ (4,060,267)	\$ (1,199)
Loss per Common Share	\$ (0.19)	\$ (0.001)
Cash on hand	\$ 2,898,566	\$ 2,001
Total assets	\$ 11,709,575	\$ 2,001
Total liabilities	\$ 143,228	\$ 1,199

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## DISCUSSION OF FINANCIAL AND OPERATING RESULTS

*For the nine months ended September 30, 2022 and 2021*

During this period, the Company reported a net loss of \$1,819,405 (2021 – \$3,714,109). The primary contributors to the quarter's loss were exploration and evaluation expenses of \$635,680 (2021 – \$99,079), management and director fees of \$324,496 (2021 – \$33,333), and professional fees of \$200,728 (2021 – \$79,219).

*For the three months ended September 30, 2022 and 2021*

During this period, the Company reported a net loss of \$486,660 (2021 - \$3,616,112). The significant decrease in loss is due primary to listing expense of \$Nil in the current period (2021 - \$3,492,785), exploration and evaluation expenses of \$119,603 (2021 – \$98,643), and management and director fees of \$124,496 (2021 – \$33,333).

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected quarterly financial data reported by the Company.

Quarter-end	Revenues	Income (loss) for the period	Income (loss) per share
September 30, 2022	\$ Nil	\$ (481,298)	\$ (0.01)
June 30, 2022	\$ Nil	\$ (524,952)	\$ (0.02)
March 31, 2022	\$ Nil	\$ (807,793)	\$ (0.02)
December 31, 2021	\$ Nil	\$ (346,158)	\$ (0.01)
September 30, 2021	\$ Nil	\$ (3,616,112)	\$ (0.14)
June 30, 2021	\$ Nil	\$ (89,240)	\$ (0.00)
March 31, 2021	\$ Nil	\$ (8,757)	\$ (0.01)
December 31, 2020	\$ Nil	\$ (1,199)	\$ (0.00)

## LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2022, the Company did not generate positive cash flow from its operations. Therefore, to remedy its working capital obligations and continue its operational and general corporate activities, the Company may have to raise additional funds through the issuance of its common shares.

*For the nine months ended September 30, 2022*

As at September 30, 2022, the Company had working capital of \$1,144,974. During the nine months ended September 30, 2022, the Company's cash flow activities were:

- Cash flow used for operating activities totalled \$1,661,911;
- No cash was used for investing activities;
- No cash was used for financing activities.

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel

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consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. Key management compensation paid to officers and directors of the Company during the nine months ended September 30, 2022 and 2021 is as follows:

	September 30, 2022	September 30, 2021
Management and director fees	\$ 322,500	\$ 33,333
Share-based compensation	164,359	-
Total consideration received	\$ 486,859	\$ 33,333

Other related party transactions:

During the nine months ended September 30, 2022, the Company incurred a total of \$25,516 (2021 - \$Nil) in exploration and evaluation expenses from a company controlled by the Senior VP Business Development.

During the nine months ended September 30, 2022, the Company incurred a total of \$76,500 (2021 - \$20,500) in professional fees from a company controlled by the CFO.

Due to related parties:

As at September 30, 2022, the Company owed \$4,085 (2021 - \$73,588) to related parties. The amount is included in accounts payable and accrued liabilities. The related party amounts owing are non-interest bearing, unsecured, and have no terms of repayment, but is payable on demand.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of these audited financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note.

The critical estimates and judgments applied in the preparation of the financial statements for the nine months ended September 30, 2022 are consistent with those applied and disclosed in Note 3 of the Company's audited financial statements for the year ended December 31, 2021.

## **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

As at September 30, 2022, there are no new standards that have not yet been adopted that will materially impact the presentation of the consolidated financial statements.

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## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a Level 1 fair value measurement. The recorded values of GST receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturities which is the amount presented on the statement of financial position.

### *Financial risk factors*

The Company's risk exposures and the impact on the Company's financial statements are summarized below:

#### *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and GST receivable due from the Government of Canada. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to GST receivable is minimal.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2022, the Company had a working capital balance of \$1,144,974.

#### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to floating rates of interest. The interest rate risk on cash is not considered significant.

#### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities, denominated in Chilean Pesos. A 10% fluctuation between the Canadian dollar against the Chilean Peso would impact profit or loss by approximately \$5,617.

#### *Price risk*

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

## **COMMITMENTS**

### **Placeton NSR Agreement**

On December 17, 2020, Aconcagua agreed to settle an amount due to Durus Copper SPA ("Durus"), a company

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wholly owned by the then-CEO of the Company, through the payment of a two percent (2%) Net Smelter Royalty over all minerals produced from the original 39 exploitation tenements held by Aconcagua at the time of the settlement.

Durus will receive an amount of money equivalent to 2% of the total net smelter returns generated by the eventual commercial exploitation of Aconcagua's tenements, the processing of the minerals extracted therefrom, and the sale of the products obtained from Aconcagua's tenements.

No value was attributed to the Placeton NSR as production on the properties cannot reasonably be determined.

**El Cofre NSR Agreement**

During the year ended December 31, 2020 the Company granted a former shareholder of Cobalt Chile, who is now a shareholder and Senior VP Business Development of the Company, a two-percent (2%) NSR over all minerals produced from the original thirty-seven mineral exploration concessions held by Cobalt Chile, at the time of the settlement. The three pending concessions are not subject to an NSR.

The former shareholder of Cobalt Chile will receive an amount of money equivalent to 2% of the total net smelter returns generated by the eventual commercial exploitation of Cobalt Chile's tenements, the processing of the minerals extracted therefrom, and the sale of the products obtained from Cobalt Chile's tenements.

No value was attributed to the El Cofre NSR as production on the properties cannot reasonably be determined.

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of Common Shares without par value. As at the date of this MD&A, the following Common Shares, options, and share purchase warrants were outstanding:

	<b>Number of shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Issued and outstanding common shares	34,373,156		
Restricted stock units	240,000		
Stock options	940,000	\$ 0.42	December 22, 2026
Stock options	300,000	\$ 0.20	August 15, 2027
Warrants	7,000,000	\$ 0.60	September 7, 2026
Finders' warrants	209,024	\$ 0.80	May 10, 2023
Fully diluted	43,062,180		