ATACAMA COPPER

Atacama Copper Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

www.atacamacopper.ca

TSX.V: **ACOP**

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 (the "**Company**") for the year ended December 31, 2022. To better understand this MD&A, it should be read in conjunction with the Company's consolidated financial statements and related notes for the year ended December 31.

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at 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 April 21, 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 7th, 2021 under the symbol "ACOP".

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

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.

On March 10, 2023, the Company granted 380,000 5-year stock options to its directors. These stock options have an exercise price of $0.185 each, and will vest in 3 equal instalments on March 10, 2023, 2024 and 2025. The Company also granted 130,000 RSUs to its directors. These RSUs will vest in 3 equal instalments on March 10, 2024, 2025 and 2026.

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 is working to negotiate longer-term easements with the underlying landowners to allow access for a future drilling program at Placeton and Caballo Muerto. Part of this process is a court procedure whereby a provincial judge will review and decide whether to approve or reject all submitted easement applications. On April 19th, 2023, a judge in the 1st Civil Court of Vallenar, Chile, rejected the Company’s request for an easement to allow access for exploration work, including drilling, on a portion of the Company’s Placeton project. The Company believes the judge’s decision is contrary to Chilean mining law and the Company intends to immediately file an appeal with the Copiapó Court of Appeals. Access to the remainder of the Placeton project, including the Caballo Muerto project, is currently being negotiated with a separate landowner.

El Cofre Project

The Company currently has no plan to do any exploration work on this project.

(Expressed in Canadian Dollars)

MINERAL PROPERTIES

Placeton Project

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 year ended December 31, 2022.

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^2 of the total 72.5 km^2 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^2 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.

El Cofre Project

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 year ended December 31, 2022.

Following a review of historical information, the Company commenced geological mapping work at the El Cofre project in Q2 2022. 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 2022. Initial results from this program were announced on May 24, 2022, as described earlier in this MD&A.

During the year ended December 31, 2022, the Company applied, and was subsequently approved, for three (3) additional claims covering 300 Hectares adjacent to the existing project claims.

Exploration and Evaluation Expenditures

During year ended December 31, 2022, the Company's incurred $715,349 (2021 – $64,392) in exploration and evaluation expenses.

	Placeton	El Cofre	Total
Camp	$ 24,803	$ 13,964	$ 38,767
Claims, licences and permits	95,118	70,604	165,722
Equipment rentals	14,040	-	14,040
Fuel	12,844	-	12,844
Geology and geophysics	171,545	52,216	223,761
Geologists	22,219	102,965	125,184
Insurance	185	3,647	3,832
Legal	39,333	11,380	50,713
Property management	491	26,493	26,984
Subcontractors	577	9,483	10,060
Travel and accommodations	19,242	24,200	43,442
Total	$ 400,397	$ 314,952	$ 715,349

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.

(Expressed in Canadian Dollars)

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2022. 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.

		For the year ended December 31, 2022		For the year ended December 31, 2021
Revenues	$	Nil	$	Nil
Loss	$	(2,241,252)	$	(4,060,267)
Loss per Common Share	$	(0.07)	$	(0.19)
Cash on hand	$	816,249	$	2,898,566
Total assets	$	9,644,470	$	11,709,575
Total liabilities	$	99,466	$	143,228

DISCUSSION OF FINANCIAL AND OPERATING RESULTS

For the year ended December 31, 2022

During this period, the Company reported a net loss of $2,241,252 (2021 – $4,060,267). The primary contributors to the year's loss were exploration and evaluation expenses of $732,789 (2021 – $64,392), management and director fees of $454,133 (2021 – $133,333), and professional fees of $251,179 (2021 – $74,298).

The Company's 2022 expenses increased compared to 2021 as 2022 was the Company's first full year of operations after its Amalgamation in August 2021.

For the three months ended December 31, 2022

During this period, the Company reported a net loss of $421,847 (2021 - $444,155). The primary contributors to the quarter's loss were consulting fees of $105,267 (2021 - $116,508), and management and director fees of $129,637 (2021 – $133,333).

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
December 31, 2022	$	Nil	$	(421,847)	$	(0.01)
September 30, 2022	$	Nil	$	(486,660)	$	(0.01)
June 30, 2022	$	Nil	$	(524,952)	$	(0.02)
March 31, 2022	$	Nil	$	(807,793)	$	(0.02)
December 31, 2021	$	Nil	$	(444,155)	$	(0.01)
September 30, 2021	$	Nil	$	(3,459,372)	$	(0.13)
June 30, 2021	$	Nil	$	(89,240)	$	(0.00)
March 31, 2021	$	Nil	$	(67,500)	$	(0.01)

(Expressed in Canadian Dollars)

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 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.

As at December 31, 2022, the Company had working capital of $769,760 (2021 - $2,791,103). During the year ended December 31, 2022, the Company's cash flow activities were:

- Cash flow used for operating activities totalled $2,082,317 (2021 - $916,381);
- No cash was used for investing activities (2021 - $137,683);
- No cash was generated from financing activities (2021 - $3,950,629).

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 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 year ended December 31, 2022 and 2021 is as follows:

		December 31, 2022		December 31, 2021
Management and director fees	$	454,133	$	133,333
Share-based compensation		216,354		94,805
Total consideration received	$	670,487	$	228,138

Other related party transactions:

During the year ended December 31, 2022, the Company incurred a total of $102,000 (2021 - $51,000) in professional fees from a company related to the CFO.

During the year ended December 31, 2022, the Company incurred a total of $46,235 (2021 - $nil) in exploration and evaluation expenses from a company controlled by a director and Senior VP Business Development.

During the year ended December 31, 2022, the Company incurred $14,428 (2021 - $Nil) in travel expenses from reimbursing a director and Senior VP Business Development.

During the year ended December 31, 2021, the Company paid $133,009 to a former director, partner of a law firm, for legal services incurred, of which $86,646 related to the RTO transaction and $46,363 related to share issuance costs. There were no legal fees paid to the former director for the year ended December 31, 2022.

Due to related parties:

As at December 31, 2022, the Company owed $6,879 (2021 - $3,413) to a director and Senior VP Business Development. 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.

As at December 31, 2022, the Company had $8,500 (2021 - $8,500) in prepaid deposit held by the professional service company related to the CFO.

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 year ended December 31, 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 December 31, 2022, there are no new standards that have not yet been adopted that will materially impact the presentation of the consolidated financial statements.

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 December 31, 2022, the Company had a working capital balance of $769,760.

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 $3,127.

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 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.

(Expressed in Canadian Dollars)

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:

	Number of shares	Exercise Price	Expiry Date
Issued and outstanding common shares	34,373,156		
Restricted stock units	240,000		
Restricted stock units	130,000		
Stock options	940,000	$ 0.42	December 22, 2026
Stock options	300,000	$ 0.20	August 15, 2027
Stock options	380,000	$0.185	March 10, 2028
Warrants	7,000,000	$ 0.60	September 7, 2026
Finders' warrants	209,024	$ 0.80	May 10, 2023
Fully diluted	43,062,180		