



**HALCONES PRECIOUS METALS CORP.
(the “Corporation”)**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
OF HALCONES PRECIOUS METALS CORP.**

NOTICE IS HEREBY GIVEN THAT the annual general and special meeting (the “Meeting”) of the shareholders (the “Shareholders”) of Halcones Precious Metals Corp. (the “Corporation”) will be held on Monday, October 2, 2023 at 10:00 a.m. (Toronto time) virtually via live audio webcast and teleconference accessible by the following particulars:

Webcast	Join Zoom Meeting https://us02web.zoom.us/j/84990917205?pwd=YnBOcTUvd21tRjVadWx0NzlaR240dz09 Meeting ID: 849 9091 7205 Passcode: 245574
Teleconference	+1 647 374 4685 Canada +1 647 558 0588 Canada +1 305 224 1968 US +1 309 205 3325 US Meeting ID: 849 9091 7205 Passcode: 245574 Find your local number: https://us02web.zoom.us/u/kdjGZXOuX9

The Meeting is being held for the following purposes:

1. To receive the audited financial statements of the Corporation for the financial year ended December 31, 2022, together with the auditor’s report thereon;
2. To appoint McGovern Hurley LLP as auditors (the “Auditors”) of the Corporation for the current financial year and to authorize the directors to fix the remuneration of the Auditors;
3. To elect directors of the Corporation for the ensuing year;
4. To consider and, if thought fit, to approve an ordinary resolution ratifying and approving the Corporation’s Stock Option Plan. The full text of the ordinary resolution is set out in the accompanying Circular; and
5. To transact other business as may properly come before the Meeting.

We will hold our Meeting in a virtual only format, which will be conducted via live audio webcast. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location.

In connection with the Meeting, the Corporation will be using the Canadian Securities Administrators’ “notice-and-access” delivery method which allows the Corporation to furnish the Management Information Circular (the “Circular”) and accompanying materials to Shareholders via the internet, thereby resulting in lower administrative costs and a reduction in the environmental impact of the Meeting.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice is a form of proxy. Any adjournment(s) of the Meeting will be held at a time and place to be specified at the Meeting. Only Shareholders of record at the close of business on August 16, 2023 are entitled to receive notice of and vote at the Meeting and any adjournment(s) or postponement(s) thereof.

Registered Shareholders and duly appointed proxyholders will be able to attend the Meeting, ask questions and vote, all in real time, provided they are connected to the internet and comply with all of the requirements set out in the Circular. Non-registered Shareholders who have not duly appointed themselves as proxyholder will be able to attend the Meeting as guests, but guests will not be able to vote at the Meeting.

A Shareholder who wishes to appoint a person other than the management nominees identified on the form of proxy or voting instruction form (including a non-registered Shareholder who wishes to appoint themselves to attend) must carefully follow the instructions in the Circular and on their form of proxy or voting instruction form. These instructions include the additional step of registering such proxyholder with our transfer agent, TSX Trust Company (the "Transfer Agent"), after submitting their form of proxy or voting instruction form. Failure to register the proxyholder with our transfer agent will result in the proxyholder not receiving a user name to participate in the Meeting and only being able to attend as a guest.

Voting by Mail or Courier Before the Meeting: TSX Trust Company located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1. Voting by Internet Before the Meeting - Enter the 12-digit control number printed on the form of proxy at www.voteproxyonline.com. A non-registered shareholder should follow the instructions included on the voting instruction form provided by his/her/its Intermediary (as defined in the Circular). A proxy will not be valid for the Meeting or any adjournment or postponement thereof unless it is completed and delivered to the Transfer Agent no later than 10:00 a.m. (Toronto time) on September 28, 2023 (or, if the Meeting is adjourned or postponed, 48 hours (Saturdays, Sundays and holidays excepted) prior to the time of holding the Meeting) in accordance with the delivery instructions above. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion, without notice.

DATED this 23rd day of August, 2023

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Ian Parkinson"
CHIEF EXECUTIVE OFFICER



2023 MANAGEMENT INFORMATION CIRCULAR HALCONES PRECIOUS METALS CORP.

ABOUT THE SHAREHOLDER MEETING

August 23, 2023

You have received this management information circular (the “**Circular**”) because you owned common shares (“**Common Shares**”) of Halcones Precious Metals Corp. (the “**Corporation**”) as of August 16, 2023 (the “**Record Date**”). You are therefore entitled to vote at the 2023 annual general and special meeting of common shareholders of the Corporation (the “**Meeting**”) to be held virtually on October 2, 2023 at 10:00 a.m. (Toronto time) by way of live webcast and teleconference accessible by the following particulars:

Webcast	Join Zoom Meeting https://us02web.zoom.us/j/84990917205?pwd=YnBOcTUvd21tRjVadWx0NzlaR240dz09 Meeting ID: 849 9091 7205 Passcode: 245574
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The Meeting is being held for the following purposes:

1. To receive the audited financial statements of the Corporation for the financial year ended December 31, 2022, together with the auditor’s report thereon;
2. To appoint McGovern Hurley LLP as auditors (the “**Auditors**”) of the Corporation for the current financial year and to authorize the directors to fix the remuneration of the Auditors;
3. To elect directors of the Corporation for the ensuing year;
4. To consider and, if thought fit, to approve an ordinary resolution ratifying and approving the Corporation’s Stock Option Plan (the “**Stock Option Plan**”). The full text of the ordinary resolution is set out in the accompanying Circular; and
5. To transact other business as may properly come before the Meeting.

This year we will hold our Meeting in a “virtual only” format, which will be conducted via live audio webcast and teleconference. Shareholders will have an equal opportunity to participate at the Meeting online

regardless of their geographic location. The Meeting will be held on October 2, 2023 at 10:00 a.m. (Toronto time) virtually via live audio webcast and teleconference. Registered shareholders of the corporation (“**Registered Shareholders**”) and duly appointed proxyholders will be able to attend, participate and vote at the Meeting. Non-registered shareholders (“**Non-Registered Holders**”) who have not duly appointed themselves as proxyholders may attend the Meeting as guests. Guests will not be able to vote at the Meeting. Registered Shareholders and duly appointed proxyholders who participate at the Meeting online will be able to listen to the Meeting, ask questions and vote, all in real time, provided they are connected to the internet and comply with all of the requirements set out below under “Voting Information”. Non-Registered Holders who have not duly appointed themselves as proxyholders may still attend the Meeting as guests. Guests will be able to listen to the Meeting but will not be able to vote at the Meeting. See “Voting Information – Voting at the Meeting” below. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by the Corporation’s investor relations group by telephone, and by officers and directors of the Corporation (but not for additional compensation). The costs of solicitation will be borne by the Corporation. Except as noted below, in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with brokerage houses and other intermediaries to forward solicitation materials to the beneficial owners of Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The Corporation is relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to Registered Shareholders or Non-Registered Holders.

Unless otherwise specified, information contained in this Circular is given as of August 23, 2023, and, unless otherwise specified, all amounts shown represent Canadian dollars.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed instrument of proxy are officers and directors of the Corporation who have been selected by the directors of the Corporation and have indicated their willingness to represent as proxies the Shareholders who appoint them.

A SHAREHOLDER HAS THE RIGHT TO DESIGNATE OR APPOINT A PERSON OR COMPANY (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM OR HER AND ON HIS OR HER BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY.

Such right may be exercised by striking out the names of the persons designated in the instrument of proxy and by inserting in the blank space provided for that purpose the name of the desired person or company or by completing another proper form of proxy (“**Form of Proxy**”) and, in either case, depositing the completed and executed proxy with the registrar and transfer agent of the Corporation, TSX Trust Company (the “**Transfer Agent**”) located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment(s) or postponement(s) thereof or by fax at (416) 595-9593. Shareholders may also vote online prior to proxy cut-off by visiting www.voteproxyonline.com and logging in with the 12-digit control number, which is located on the form of Proxy.

A Shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

A Shareholder who has given a proxy may revoke it at any time in so far as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a body corporate, by a duly authorized officer, attorney or representative thereof and deposited with the Transfer Agent located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment(s) or postponement(s) thereof, at the registered office of the

Corporation at any time prior to 5:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment(s) or postponement(s) thereof, and upon any of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law. The Corporation's registered office is located at 36 Lombard Street, 4th Floor, Toronto, ON M5C 2X3.

NOTICE-AND-ACCESS

The Corporation has elected to deliver the materials in respect of the Meeting pursuant to the notice-and-access provisions (the "**Notice-and-Access Provisions**") concerning the delivery of proxy-related materials to Shareholders, found in section 9.1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**"), in the case of registered Shareholders, and section 2.7.1 of NI 54-101, in the case of beneficial Shareholders. The Notice-and-Access Provisions are a set of rules that reduce the volume of proxy-related materials that must be physically mailed to shareholders by allowing issuers to deliver meeting materials to shareholders electronically by providing shareholders with access to these materials online.

The use of the Notice-and-Access Provisions reduces paper waste and mailing costs to the Corporation. In order for the Corporation to utilize the Notice-and-Access Provisions to deliver proxy-related materials by posting this Circular (and if applicable, other materials) electronically on a website that is not the System for Electronic Document Analysis and Retrieval ("**SEDAR+**"), the Corporation must send the Notice to Shareholders, including beneficial Shareholders, indicating that the proxy-related materials have been posted and explaining how a Shareholder can access them or obtain a paper copy of those materials from the Corporation.

In accordance with the Notice-and-Access Provisions, the Notice and a Form of Proxy or voting instruction form (the "**VIF**"), as applicable, have been sent to all Shareholders informing them that this Circular is available online and explaining how this Circular may be accessed, in addition to outlining relevant dates and matters to be discussed at the Meeting. This Circular has been posted in full under the Corporation's SEDAR+ profile as well as its website at www.halconespreciousmetals.com and <https://docs.tsxtrust.com/2385>. If you wish to receive a paper copy of the Meeting materials or have questions about notice-and-access, please call 1-866-600-5869 or email tsxtis@tmx.com. In order to receive a paper copy in time to vote before the meeting, your request should be received by September 21, 2023.

The Corporation will cause its Transfer Agent to deliver copies of the proxy-related materials to the Non-Objecting Beneficial Owners at their own cost. The Corporation does not intend to pay for the Intermediaries to deliver to Objecting Beneficial Owners the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of NI 54-101.

MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed Form of Proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares shall be voted accordingly.

WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR EACH OF THE MATTERS IDENTIFIED IN THE NOTICE AND DESCRIBED IN THIS CIRCULAR. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN THEIR JUDGMENT MAY DETERMINE. AS OF THE DATE OF THIS CIRCULAR, MANAGEMENT OF THE CORPORATION KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THE MATTERS REFERRED TO IN THE NOTICE.

VOTING INFORMATION – VOTING AT THE MEETING

The Meeting will be hosted virtually via live audio webcast and teleconference at:

<https://us02web.zoom.us/j/84990917205?pwd=YnBOcTUvd21tRjVadWx0NzlaR240dz09>

Meeting ID: 849 9091 7205

Passcode: 245574

ADVICE TO BENEFICIAL SHAREHOLDERS

The Shareholder materials are being sent to both registered and non-registered owners of the Common Shares. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. **The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the Shareholder’s name. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered Shareholder by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable VIF, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote Common Shares directly at the Meeting. The VIFs must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the VIF provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying Form of Proxy and Notice of Meeting are to registered Shareholders unless specifically stated otherwise.

APPROVAL OF MATTERS

Unless otherwise noted, approval of matters to be placed before the Meeting is by an “ordinary resolution”, which is a resolution passed by a simple majority (50% plus 1) of the votes cast by Shareholders of the Corporation entitled to vote and present in person or represented by proxy at the Meeting.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors, appointment of auditors, or the re-approval of the Stock Option Plan.

QUORUM

The by-laws of the Corporation provide that a quorum of Shareholders is present at a meeting of Shareholders if two (2) or more persons present in person or represented by proxy holding or representing not less than 5% of the issued Common Shares.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of the Record Date, the Corporation has 144,320,036 Common Shares issued and outstanding.

To the knowledge of the directors and the executive officers of the Corporation, as at the Record Date, no person or company beneficially owns, directly or indirectly, or controls or directs, carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation.

BUSINESS OF THE MEETING

Other than in respect of the election of directors and approval of the Stock Option Plan and as otherwise disclosed herein, no informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since January 1, 2022 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

1. Financial Statements

The financial statements for the financial year ended December 31, 2022, together with the auditor's report thereon, will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

2. Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of McGovern Hurley LLP as auditors of the Corporation until the close of the next annual meeting of Shareholders and to authorize the directors to fix their remuneration.

3. Election of Directors

The Board currently consists of eight (8) directors. The Corporation has nominated six (6) persons (the “Nominees”) for election as directors of the Corporation, who will hold office until the next annual meeting of the Corporation or until his or her successor is elected or appointed. At the Meeting, Shareholders will be asked to elect these Nominees as directors of the Corporation. **The persons named in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director.**

As the Corporation has adopted a Majority Voting Policy, the process for voting for election of each director will be by individual voting and not by slate. The Shareholders can vote for or withhold from voting on the election of each director on an individual basis. See “About the Board” for more information on our Majority Voting Policy.

Director Profiles

Each of the six nominated directors is profiled below, including his or her background and experience, committee memberships, share ownership and other public company directorships. All of the director nominees are currently directors of the Corporation.

IAN PARKINSON AURORA, ONTARIO

DIRECTOR SINCE FEBRUARY 1, 2023

Mr. Parkinson has spent the past 16 years as a sell-side mining analyst for several leading brokerage firms on Bay Street including Stifel GMP, GMP Securities and CIBC World Markets. He has a bachelor’s degree in Earth Science from Laurentian University followed by a decade of geology and business development experience with Falconbridge and Noranda, which formed the foundation for his work as a mining analyst. He built on his geology base with experience in metals trading, metal marketing and business development at the corporate level.

Shareholdings: 1,220,000 Common Shares

Other Public Company Boards: None

Committee Memberships: None

BEN BOWEN KINGSTON, ONTARIO

DIRECTOR SINCE SEPTEMBER 20, 2022

Mr. Bowen has 20 years of experience building businesses in multiple sectors. After a success start to his career with Xerox Canada, Ben quickly ventured into entrepreneurship. His first venture, Seaway Document Solutions Inc, which he purchased in 2002, was acquired in 2013. He then co-founded a start-up software company where he acted as CEO, servicing the global shared workspace industry. Following an exit from the software company, Ben started consulting for Canadian based SaaS firms, with a focus on developing go-to-market strategies for recently funded companies. Since 2016, Ben has continued consulting with his latest venture, Open Door Media, which is a full stack marketing firm focused on the lifestyle industry. Ben is also a founder of Innovate Kingston.

Shareholdings: Nil

Other Public Company Boards: None

Committee Memberships: Audit Committee

**PATRIZIA FERRARESE
TORONTO, ONTARIO**

DIRECTOR SINCE SEPTEMBER 20, 2022

Ms. Ferrarese has more than 20 years of experience in capital markets, entrepreneurship, and strategy consulting. She is currently Vice President (VP) of Business Design and Innovation at Investment Planning Counsel (IPC), overseeing strategic growth initiatives in wealth management. Prior to joining IPC as VP of Product Management, Ms. Ferrarese held senior roles in product management and performance optimization at Tangerine Bank and Praxair, with responsibility for strategic growth across Canada. Her management consulting experience includes engagements in South America and EMEA spanning graphite, oil and gas, and potash industries focused on identifying new market opportunities. Her career includes equity and options market making and trading in North America, culminating in portfolio and commodity trading manager roles as co-founder of an investment management company. Beyond her professional career, Ms. Ferrarese mentors case competition teams at the Rotman School of Management and is an Advisor with Catalyste+. Ms. Ferrarese holds a Doctorate in Business Administration from SDA Bocconi, an MBA from Wilfrid Laurier University, and a Bachelor of Arts (Honours) in Economics from York University.

Shareholdings: 500,000

Other Public Company Boards: Lithium Ionic Corp.

Committee Memberships: Audit Committee

**MICHAEL SHUH
TORONTO, ONTARIO**

DIRECTOR SINCE SEPTEMBER 20, 2022

Mr. Shuh is a Managing Director, Investment Banking, at Canaccord Genuity. Mr. Shuh has over 20 years of investment banking experience and leads the Financial Institutions Group at Canaccord Genuity, Canada's largest independent investment bank. In addition to covering traditional financial institutions, Mr. Shuh has deep expertise in structured finance and special purpose acquisition corporations (SPACs). Mr. Shuh is also the CEO and Chairman of Canaccord Genuity Growth II Corp., a publicly-listed SPAC that raised \$100MM to pursue acquisitions. Mr. Shuh received an Honours, Bachelor of Business Administration from the Lazaridis School of Business & Economics at Wilfrid Laurier University and a Masters of Business Administration from the Richard Ivey School of Business at Western University.

Shareholdings: Nil

Other Public Company Boards: Lithium Ionic Corp.
Nobel Resources Corp.

Committee Memberships: Audit Committee

**VERNON ARSENEAU
MENDOZA, ARGENTINA**

DIRECTOR SINCE SEPTEMBER 20, 2022

Mr. Arseneau has over forty years of experience in exploration, project management and development, of which the last twenty-five have been in South America principally in Peru, Chile and Argentina. Vern spent 20 years working as exploration manager and senior geologist for Noranda Inc. in Canada and South America. He was general manager of Noranda's Peru office and project manager of the El Pachon porphyry Cu-Mo project in Argentina. He has consulted on numerous base and precious metals projects including as Vice President Exploration for Zincore Metals Inc. and was responsible for the exploration and feasibility studies of two zinc deposits and the discovery of the Dolores Cu-Mo porphyry, Peru. More recently, he was

COO of Royal Road Minerals Ltd. exploring for gold in Colombia and Nicaragua. Vern holds a Bachelor of Science in geology.

Shareholdings: 4,000,000

Other Public Company Boards: Nobel Resources Corp.

Committee Memberships: None

**LAWRENCE GUY
TORONTO, ONTARIO**

DIRECTOR SINCE SEPTEMBER 20, 2022

Mr. Guy is Chief Executive Officer of North 52nd Asset Management Inc and Chair of Emerita Resources Corp. Previously, Larry was a Portfolio Manager with Aston Hill Financial Inc. Prior to Aston Hill, Mr. Guy was Chief Financial Officer and Director of Navina Asset Management Inc, a company he co-founded that was subsequently acquired by Aston Hill Financial Inc. Mr. Guy has also held senior offices at Fairway Capital Management Corp and First Trust Portfolios Canada Inc. Mr. Guy holds a Bachelor of Arts degree from the Western University and is a Chartered Financial Analyst.

Shareholdings: 9,830,000

Other Public Company Boards:
Emerita Resources Corp.
Lithium Ionic Corp.
Nobel Resources Corp.

Committee Memberships: Audit Committee

Corporate Cease Trade Orders, Penalties or Bankruptcies

No proposed director:

1. is, as at the date hereof, or has been, within ten (10) years before the date hereof, a director, chief executive officer or chief financial officer of any company that,
 - (i) was subject to a cease trade or similar order or an order that denied the company access to any exemption under securities legislation and which was in effect for a period of more than thirty (30) consecutive days (an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer;
 - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (iii) while the proposed director was acting in that capacity, or within a year of the proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
2. has, within the ten (10) years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
3. has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities

regulatory authority, other than penalties for late filing of insider reports; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

4. Stock Option Plan

The Board has determined that it is advisable to approve the stock option plan (the “**Stock Option Plan**”), which it believes is in the best interests of the Corporation. As of the Record Date, there is an aggregate of 8,285,849 Options outstanding pursuant to the Stock Option Plan which represents approximately 5.74% of the total issued and outstanding Common Shares.

Below is a summary of the Stock Option Plan, which is qualified in its entirety by the full text of the Stock Option Plan, which is attached hereto as Schedule “A” hereto. The purpose of the Stock Option Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation through the acquisition of Common Shares. The Stock Option Plan will be administered by the board of directors of the Corporation, which has full and final authority with respect to the granting of all options (“Options”) thereunder.

The Stock Option Plan will provide that the aggregate number of securities reserved for issuance under the Stock Option Plan, combined with any other compensation securities of the Corporation will not exceed 10% of the number of Common Shares issued and outstanding from time to time. Options may be granted under the Stock Option Plan to service providers of the Corporation and its affiliates, as the board of directors of the Corporation may from time to time designate. The exercise price of each Option shall be determined by the board of directors of the Corporation in its sole discretion, at the time such Option is allocated under the Stock Option Plan, and cannot be less than the Discounted Market Price (as defined in the policies of the TSXV). All Options granted under the Stock Option Plan will expire no later than the date that is ten (10) years from the date that such Options are granted.

The Stock Option Plan will provide for the following restrictions: (a) no Service Provider (as defined in the Stock Option Plan) may be granted an Option if that option would result in the total number of stock options granted to the participant in the previous 12 months, exceeding 5% of the issued and outstanding Common Shares unless the Corporation has obtained disinterested shareholder approval in accordance with TSXV Policies; (b) the aggregate number of Options granted to Service Providers conducting Investor Relations Activities (as defined in TSXV Policies) in any 12 month period must not exceed 2% of the issued and outstanding Common Shares, calculated at the time of grant; and (c) the aggregate number of Options granted to any one consultant in any 12 month period must not exceed 2% of the issued and outstanding Common Shares, calculated at the time of grant, without prior consent of the TSXV.

If a holder of Options (“**Optionee**”) ceases to be a director of the Corporation or ceases to be employed by the Corporation (other than by reason of death), or ceases to be a consultant of the Corporation as the case may be, Options may be exercised after the Optionee has left his/her employ/office or has been advised by the Corporation that his/her services are no longer required or his/her service contract has expired, until the term applicable to such Options expires, except as follows: (a) in the case of the death of an Optionee, any vested Option held by him at the date of death will become exercisable by the Optionee’s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option; (b) an Option granted to any Service Provider will expire 90 days (or such other time, not to exceed one year, as shall be determined by the board of directors of the Corporation as at the date of grant or agreed to by the board of directors of the Corporation and the Optionee at any time prior to expiry of the Option) after the date of termination, and only to the extent that such Option was vested at the date of termination; and (c) in the case of an Optionee being dismissed from employment or service for cause, such Optionee’s Options, whether or not vested at the date of dismissal, will immediately terminate on the date of termination without right to exercise same.

Optionees may elect to exercise an Option, in whole or in part, on a “cashless exercise” (“**Cashless Exercise**”) basis or a “net exercise” (“**Net Exercise**”) basis. In connection with a Cashless Exercise of Options, a brokerage firm will loan money to an Optionee to purchase Common Shares underlying the Options, and will sell a sufficient number of Common Shares to cover the exercise price of the Options in

order to repay the loan made to the Optionee and the Optionee retains the balance of the Common Shares. In connection with a Net Exercise of Options, an Optionee would receive such number of Common Shares equal in value to the difference between the Option price and the fair market value of the Common Shares on the date of exercise, computed in accordance with the terms of the Stock Option Plan.

The Corporation is required to obtain the approval of its Shareholders with respect to any security compensation plan at the Corporation's annual meeting of Shareholders. The Board recommends that Shareholders vote **FOR** the Stock Option Plan Resolution. To be effective, the Stock Option Plan Resolution requires the approval of a majority of the votes cast thereon by Shareholders present or represented by proxy at the Meeting. **Unless the Shareholder directs that his or her Common Shares are to be voted against the Stock Option Plan Resolution, the persons named in the Form of Proxy intend to vote FOR the Stock Option Plan Resolution.**

The text of the Stock Option Plan Resolution to be submitted to Shareholders at the Meeting is set forth below:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS OF HALCONES PRECIOUS METALS CORP. (THE “CORPORATION”) THAT:

- 1) the stock option plan of the Corporation in the form attached as Schedule “A” to the management information circular dated August 23, 2023, with such amendments thereto as may be made from time to time by the board of directors of the Corporation, without further approval of the shareholders of the Corporation, in order to conform with the policies or requirements of the TSX Venture Exchange or any other stock exchange on which the Corporation's common shares are listed at such applicable time, be and is hereby ratified, confirmed and approved; and
- 2) any director and/or officer of the Corporation be and such director or officer of the Corporation is hereby authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered any and all such documents and instruments and to do or to cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to fulfil the intent of this resolution.”

5. Other Business

While there is no other business other than that business mentioned in the Notice to be presented for action by the Shareholders at the Meeting, it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder. The enclosed Form of Proxy confers discretionary authority upon the persons authorized to act thereunder to vote on any modifications or amendments concerning the businesses mentioned in the Notice or any other business in accordance with his best judgment.

CORPORATE GOVERNANCE

The Corporation and the Board recognize the importance of corporate governance in effectively managing the Corporation, protecting employees and shareholders, and enhancing shareholder value.

The Board fulfills its mandate directly at regularly scheduled meetings or as required. The directors are kept informed regarding the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Corporation's affairs and in light of opportunities or risks that the Corporation faces.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements for TSXV listed issuers. The Corporation is committed to monitoring governance developments to ensure its practices remain current and appropriate.

Ethical Business Conduct

The Board is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board had not adopted a written code of business conduct and ethics, however, the Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

Code of Conduct

The Board has adopted a Code of Business Conduct and Ethics (the “**Code**”) for its directors, officers, consultants and employees. The Board has responsibility for monitoring compliance with the Code by ensuring all directors, officers, consultants and employees receive and become thoroughly familiar with the Code and acknowledge their support and understanding of the Code. Any non-compliance with the Code is to be reported to the Corporation’s legal counsel or chair of the Corporation’s audit committee (the “**Audit Committee**”).

The Board takes steps to ensure that directors, officers, consultants and employees exercise independent judgment in considering transactions and agreements in respect of which a director, officer, consultant or employee of the Corporation has a material interest, which include ensuring that directors, officers, consultants and employees are thoroughly familiar with the Code and, in particular, the rules concerning reporting conflicts of interest and obtaining direction from the Corporation’s directors, Chair and Chief Executive Officer (“**CEO**”) regarding any potential conflicts of interest.

Whistleblower Policy

The Corporation has adopted a Whistleblower Policy that allows its directors, officers, consultants and employees who feel that a violation of the Code has occurred, or who have concerns regarding financial statement disclosure issues, accounting, internal accounting controls or auditing matters, to report such violations or concerns on a confidential and anonymous basis. Reporting a violation of the Code is done by informing a member of the Audit Committee on an anonymous basis, who then investigates each matter so reported and takes corrective and disciplinary action, if appropriate. Reporting concerns regarding financial statement disclosure or other appropriate issues are to be forwarded in a sealed envelope to the Chairman of the Audit Committee who then investigates each matter reported and takes corrective and disciplinary action, if appropriate.

Anti-Bribery and Anti-Corruption Policy

The Corporation has adopted an Anti-Bribery and Anti-Corruption Policy that outlines the requirements that must be fulfilled by all employees, consultants, officers, and directors of the Corporation, as well as any third party working for or acting on behalf of the Corporation. These requirements include the prohibition of bribing government officials and making facilitation payments. The Anti-Bribery and Anti-Corruption Policy also provides the Corporation’s employees with further clarity regarding books and records transparency, as well as the conditions with respect to gift giving to government officials, political contributions, charitable contributions, third party oversight and due diligence, internal controls and management’s responsibility to promote and create awareness of the Anti-Bribery and Anti-Corruption Policy.

ABOUT THE BOARD

Independence of the Board

The Board is currently comprised of eight members; their independence is as below. Following the Meeting, the Board will be comprised of Ian Parkinson, Lawrence Guy, Ben Bowen, Patricia Ferrarese, Michael Shuh and Vernon Arseneau.

Director	Independent	Reason for Non-Independence
Ian Parkinson	No	CEO and Director of the Corporation
Ben Bowen	Yes	Director of the Corporation
Patrizia Ferrarese	Yes	Director of the Corporation
David Gower	No	Executive Director
Lawrence Guy	No	Executive Director
Michael Shuh	Yes	Director of the Corporation
Paul Pint	No	Former CEO of the Corporation
Vernon Arseneau	No	Chief Operating Officer

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- under the by-laws of the Corporation, any two directors may call a meeting of the Board; and
- the Board practice is to hold in-camera meetings with the independent directors at the end of each Board or committee of the Board meeting to the extent required.

Nomination of Directors

The Board is solely responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

Majority Voting Policy

The Corporation has adopted a Majority Voting Policy to provide a meaningful way for the Corporation's shareholders to hold individual directors accountable and to require the Corporation to closely examine directors that do not have the support of a majority of Shareholders. The policy provides that forms of proxy for the election of directors will permit a Shareholder to vote in favour of, or to withhold from voting, separately for each director nominee and that where a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered not to have received the support of the

Shareholders, even though duly elected as a matter of corporate law. Pursuant to the policy, such a nominee will forthwith submit his or her resignation to the Board, such resignation to be effective on acceptance by the Board. The Board will then establish an advisory committee (the “**Committee**”) to which it shall refer the resignation for consideration. In such circumstances, the Committee will make a recommendation to the Board as to the director’s suitability to continue to serve as a director after reviewing, among other things, the results of the voting for the nominee and the Board will consider such recommendation. This policy does not apply where an election involves a proxy battle (i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board).

Orientation and Continuing Education

The Board will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. The Board ensures that all directors are apprised of changes in the Corporation’s operations and business.

AUDIT COMMITTEE

The purposes of the Corporation’s audit committee (the “**Audit Committee**”) are to assist the Board’s oversight of: the integrity of the Corporation’s financial statements; the Corporation’s compliance with legal and regulatory requirements; the qualifications and independence of the Corporation’s independent auditors; and the performance of the independent auditors and the Corporation’s internal audit function. Please see Schedule “B” for the Audit Committee Charter.

Audit Committee Composition

The following are the members of the Audit Committee, as at the date hereof:

Name	Independence⁽¹⁾	Financially Literacy⁽¹⁾
Michael Shuh	Independent	Financially literate
Lawrence Guy	No	Financially literate
Paul Pint	No	Financially literate
Ben Bowen	Independent	Financially literate
Patrizia Ferrarese	Independent	Financially literate

Note:

(1) As defined by NI 52-110.

Following the Meeting, the Audit Committee shall be comprised of Lawrence Guy, Michael Shuh, Ben Bowen and Patrizia Ferrarese.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of the quarterly and annual financial statements, dealing with the auditors, or as

a member of the audit committee. All members have the ability to read, analyze, and understand the complexities surrounding the issuance of financial statements. The following sets out the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee.

Michael Shuh: Mr. Shuh is a Managing Director, Investment Banking, at Canaccord Genuity. Mr. Shuh has over 20 years of investment banking experience and leads the Financial Institutions Group at Canaccord Genuity, Canada's largest independent investment bank. In addition to covering traditional financial institutions, Mr. Shuh has deep expertise in structured finance and special purpose acquisition corporations (SPACs). Mr. Shuh is also the CEO and Chairman of Canaccord Genuity Growth II Corp., a publicly-listed SPAC that raised \$100MM to pursue acquisitions. Mr. Shuh received an Honours, Bachelor of Business Administration from the Lazaridis School of Business & Economics at Wilfrid Laurier University and a Masters of Business Administration from the Richard Ivey School of Business at Western University.

Lawrence Guy: Mr. Guy is Chief Executive Officer of North 52nd Asset Management Inc. and Chair of Emerita Resources Corp. Previously, Larry was a Portfolio Manager with Aston Hill Financial Inc. Prior to Aston Hill, Mr. Guy was Chief Financial Officer and Director of Navina Asset Management Inc., a company he co-founded that was subsequently acquired by Aston Hill Financial Inc. Mr. Guy has also held senior offices at Fairway Capital Management Corp., and First Trust Portfolios Canada Inc. Mr. Guy holds a Bachelor of Arts (Economics) degree from the University of Western Ontario and is a Chartered Financial Analyst.

Paul Pint: Mr. Pint is a Chartered Professional Accountant with over 30 years of capital markets experience. Mr. Pint started his professional career in 1991 with Ernst & Young in the Financial Services Group. Beginning in 1995, he moved into Institutional Equities with CIBC World Markets. Over the next 20+ years he worked in various senior roles in the investment banking and equity sales industry, holding several senior roles with large Canadian banks as well as boutique investment banks and dealers. He has worked on initial public offerings and private placements across all industry sectors. He has taken public or financed more than 500 companies throughout his career. In 2016, Mr. Pint co-founded and was President of Troilus Gold Corp., helping the company in its early stage financing and assisting in taking the company public on the Toronto Stock Exchange. He has been a director of public and private companies across various sectors. Mr. Pint holds a Bachelor of Commerce Degree from the University of Toronto and is a Member of the Chartered Professional Accountants of Ontario.

Ben Bowen: Mr. Bowen has 20 years of experience building businesses in multiple sectors. After a successful start to his career with Xerox Canada, Ben quickly ventured into entrepreneurship. His first venture, Seaway Document Solutions Inc, which he purchased in 2002, was acquired in 2013. He then co-founded a start-up software company where he acted as CEO, servicing the global shared workspace industry. Following an exit from the software company, Ben started consulting for Canadian based SaaS firms, with a focus on developing go-to-market strategies for recently funded companies. Since 2016, Ben has continued consulting with his latest venture, Open Door Media, which is a full stack marketing firm focused on the lifestyle industry. Ben is also a founder of Innovate Kingston.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators (the "Instrument"); or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (Exemptions) of the Instrument. As the Corporation is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument

in respect of part 5 (Reporting Obligations) of the Instrument.

External Auditor

The following table sets out the audit and audit-related fees billed by the Corporation's auditors for the years ended December 31, 2022 and 2021

Service	December 31, 2022	December 31, 2021
Audit Fees	\$38,673	\$19,000
Audit-Related Fees ⁽¹⁾	\$8,500	-
Tax Fees ⁽²⁾	\$19,910	\$9,345
Other Fees ⁽³⁾	\$24,500	-
Total:	91,583	-

Notes:

- (1) Fees charged for review of the financial statements
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) All other fees represent amounts paid for qualifying transaction consent and auditors technology fee.

DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

Compensation of Directors

The Board determines the compensation payable to the directors of the Corporation and reviews such compensation periodically throughout the year. For their role as directors of the Corporation, each director of the Corporation who is not a Named Executive Officer (as defined herein) may, from time to time, be awarded stock options under the provisions of the Stock Option Plan. There are no other arrangements under which the directors of the Corporation who are not Named Executive Officers were compensated by the Corporation or its subsidiaries during the most recently completed financial year end for their services in their capacity as directors of the Corporation.

Compensation of Named Executive Officers

For the financial year ended December 31, 2022, the objectives of the Corporation's compensation strategy was to ensure that compensation for its NEOs (as defined herein) is sufficiently attractive to recruit, retain and motivate high performing individuals to assist the Corporation in achieving its goals.

The process for determining executive compensation is relatively informal, in view of the size and stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Board which considers approves the discretionary components (e.g. cash bonuses) of the annual compensation of senior management. Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board deem as worthy of recognition.

Compensation for the NEOs is composed primarily of three components: base fees, performance bonuses and stock based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, the Board takes into consideration a variety of factors, including the financial and operating performance of the Corporation, and each NEO's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

Salary

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain of the NEOs provide their services in similar capacities to other reporting issuers, in addition to the Corporation. There is no mandatory framework that determines which of these factors may

be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective NEO and the Corporation and is therefore heavily discretionary.

Bonus

The Corporation's cash bonus awards are designed to reward an executive for the direct contribution which he or she can make to the Corporation. NEOs are entitled to receive discretionary bonuses from time to time as determined or approved by the Board, upon the recommendation of the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board.

Security Compensation

As of the Record date the Corporation's Stock Option Plan provides for the granting of stock options to directors, officers and employees. The purpose of the Stock Option Plan is to attract, retain and motivate individuals with the requisite training, experience and leadership to carry out key roles with the Corporation, to advance the interests of the Corporation by providing such individuals with appropriate compensation and to strengthen the alignment of the option holders' interest with the interests of Shareholders.

Indebtedness of Directors and Officers

As at the date of this Circular, and during the financial year ended December 31, 2022, no director or executive officer of the Corporation or Nominee (as defined herein) (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended December 31, 2022 the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

Directors' and Officers' Insurance and Indemnification

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of \$5,000,000 in coverage. The approximate amount of premiums paid by the Corporation during the financial year ended December 31, 2022, in respect of such insurance was \$17,820.

The Corporation has not, as yet, adopted a policy restricting its Named Executive Officers or directors from purchasing instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors.

In light of the Corporation's size, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Summary Compensation Table

The following table summarizes the compensation paid during the two most recently completed financial years in respect of the individuals who were carrying out the role of the CEO and Chief Financial Officer ("**CFO**") of the Corporation and those individuals whose total compensation is greater than \$150,000 (collectively, the "**Named Executive Officers**" or "**NEOs**") and each of the directors of the Corporation.

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Ian Parkinson, <i>CEO and Director</i>	2022	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
	2021	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Paul Pint, <i>Former CEO and Director⁽²⁾</i>	2022	\$90,000	\$nil	\$nil	\$nil	\$nil	\$90,000
	2021	\$16,300	\$nil	\$nil	\$nil	\$50,000	\$66,300
Greg Duras <i>Chief Financial Officer</i>	2022	\$77,774	\$nil	\$nil	\$nil	\$nil	\$77,774
	2021	\$6,354	\$nil	\$nil	\$nil	\$nil	\$6,354
Vernon Arseneau <i>Chief Operating Officer and Director</i>	2022	\$156,883	\$nil	\$nil	\$nil	\$nil	\$156,883
	2021	\$25,356	\$75,000	\$nil	\$nil	\$nil	\$100,356
David Gower <i>Director⁽²⁾</i>	2022	\$156,220	\$nil	\$nil	\$nil	\$nil	\$156,220
	2021	\$25,356	\$75,000	\$nil	\$nil	\$nil	\$104,256
Lawrence Guy <i>Director</i>	2022	\$156,904	\$nil	\$nil	\$nil	\$nil	\$156,904
	2021	\$29,128	\$75,000	\$nil	\$nil	\$nil	\$113,878
Michael Shuh <i>Director</i>	2022	\$13,889	\$nil	\$nil	\$nil	\$nil	\$13,889
	2021	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Patrizia Ferrarese <i>Director</i>	2022	\$13,889	\$nil	\$nil	\$nil	\$nil	\$13,889
	2021	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Ben Bowen <i>Director</i>	2022	\$13,889	\$nil	\$nil	\$nil	\$nil	\$13,889
	2021	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil

Notes:

- (1) Compensation has been paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading “Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts” of this Circular.
- (2) Not standing for re-election at the Meeting.

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each NEO and director by the Corporation for services provided or to be provided, directly or indirectly, to the Corporation in the most recently completed financial year.

Compensation Securities

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Ian Parkinson, <i>CEO and Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Paul Pint, <i>Former CEO and Director⁽¹⁾</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Greg Duras <i>Chief Financial Officer</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Vernon Arseneau <i>Chief Operating Officer and Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
David Gower <i>Director⁽¹⁾</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Lawrence Guy <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Michael Shuh <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Patrizia Ferrarese <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
Ben Bowen <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Not standing for re-election at the Meeting.

Exercise of Compensation Securities

During the most recently completed financial year, no NEO or director of the Corporation exercised any compensation securities.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a)) as of December 31, 2022
Equity compensation plans approved by security holders	235,849	\$0.21	8,769,862
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	235,849	\$0.21	8,769,862

Employment, Consulting and Management Agreements

The following describes the respective consulting and employment agreements entered into by the Corporation and its NEOs as of the date hereof.

Name	Monthly Fees	Severance on Termination	Severance on Change of Control ⁽¹⁾
Ian Parkinson, <i>CEO and Director</i>	\$15,000	Twelve (12) months' fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.
Greg Duras, <i>Chief Financial Officer</i>	US\$5,000	Twelve (12) months fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.
Paul Pint, <i>Former CEO and Director⁽²⁾</i>	\$7,500	Twelve (12) months fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.
Vernon Arseneau <i>Chief Operating Officer and Director</i>	US\$10,000	Twelve (12) months fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.
David Gower <i>Director⁽²⁾</i>	US\$10,000	Twelve (12) months fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.
Lawrence Guy <i>Director</i>	US\$10,000	Twelve (12) months fees	Twenty-four (24) months base fees plus aggregate cash bonuses paid in the Twenty-four (24) months prior to the Change of Control.

Notes:

- (1) Severance upon a change of control becomes payable in the event of a Change of Control of the Corporation and within one year following the date of the Change of Control the Corporation either terminates the executive officer's appointment or alters the executive officer's position and/or responsibilities in a materially adverse manner.
- (2) Not standing for re-election at the Meeting.

For the purpose of the agreements set forth above, "Change of Control" shall mean the occurrence of any one or more of the following events: (1) the acquisition, directly or indirectly, by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Canada Business Corporations Act*) or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, Ontario of: (A) shares or rights or options to acquire shares of the Corporation or securities which are convertible into shares of the Corporation or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise thirty percent (30%) or more of the votes entitled to be cast at a meeting of the shareholders of the Corporation; (B) shares or rights or options to acquire shares, or their equivalent, of any material subsidiary of the Corporation or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise thirty percent (30%) or more of the votes entitled to be cast at a meeting of the shareholders of the material subsidiary; or (C) other than in the ordinary course of business of the Corporation, more than thirty percent (30%) of the material assets of the Corporation, including the acquisition of more than thirty percent (30%) of the material assets of any material subsidiary of the Corporation; or (2) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Board do not constitute a majority of the Board;

Summary of Termination Payments

The estimated incremental payments, payables and benefits that might be paid to the officers pursuant to the above noted agreements in the event of termination without cause or after a Change of Control (assuming such termination or Change of Control is effective as of the Record Date) are detailed below:

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control Approved (\$)
Ian Parkinson		
Salary and Quantified Benefits	\$180,000	\$360,000
Bonus	N/A	\$0
Total	\$180,000	\$360,000
Greg Duras		
Salary and Quantified Benefits	USD\$60,000	USD\$120,000
Bonus	N/A	\$0
Total	\$82,242	\$164,484
Paul Pint		
Salary and Quantified Benefits	\$90,000	\$180,000
Bonus	N/A	\$0
Total	\$90,000	\$0
Vernon Arseneau		
Salary and Quantified Benefits	USD\$120,000	USD\$240,000
Bonus	N/A	\$75,000
Total	\$164,484	\$403,968
David Gower		
Salary and Quantified Benefits	USD\$120,000	USD\$240,000
Bonus	N/A	\$75,000
Total	\$164,484	\$403,968
Lawrence Guy		
Salary and Quantified Benefits	USD\$120,000	USD\$240,000
Bonus	N/A	\$75,000

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control Approved (\$)
Total	\$164,484	\$403,968

Interest of Informed Persons in Material Transactions

No person who has been a director or executive officer of the Corporation, nor any proposed nominee for director of the Corporation, nor any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than ten percent (10%) of the issued and outstanding Common Shares, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the beginning of the Corporation's last completed financial year or proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

ADDITIONAL INFORMATION AND CONTACT INFORMATION

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited financial statements and related management's discussion and analysis for the financial year ended December 31, 2022, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from the Company by email to info@halconespreciousmetals.com.

Board of Directors Approval

The contents of this Circular and the sending thereof to the Shareholders have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Ian Parkinson"

Chief Executive Officer

Toronto, Ontario
August 23, 2023

SCHEDULE “A”

**HALCONES PRECIOUS METALS CORP.
(the “Company”)**

STOCK OPTION PLAN

**ARTICLE 1
PURPOSE AND INTERPRETATION**

1.1 Purpose

The purpose of this Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company. It is the intention of the Company that this Plan will at all times be in compliance with TSX Venture Policies (as defined herein) (or, if applicable, NEX Policies) and any inconsistencies between this Plan and TSX Venture Policies (or, if applicable, NEX Policies) will be resolved in favour of the latter.

1.2 Definitions

In this Plan

- (a) **“Affiliate”** means a company that is a parent or subsidiary of the Company, or that is controlled by the same entity as the Company;
- (b) **“Associate”** has the meaning set out in the Securities Act;
- (c) **“Black-out Period”** means an interval of time during which the Company has determined that one or more Participants may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with a company’s insider-trading policy or applicable securities legislation, (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Company or in respect of an Insider, that Insider, is subject);
- (d) **“Board”** means the board of directors of the Company or any committee thereof duly empowered or authorized to grant Options under this Plan;
- (e) **“Cause”** means “Just Cause” as defined in the Participant’s employment agreement or agreement for services with the Company or one of its Affiliates, or if such term is not defined or if the Participant has not entered into an employment agreement or agreement for services with the Company or one of its Affiliates, then any circumstance that would permit the Company to terminate a Participant’s employment or agreement for services without notice of termination, or payment in lieu of notice of termination, severance pay or benefits continuation under the applicable law;
- (f) **“Change of Control”** means the occurrence of any of:
 - (i) any transaction at any time and by whatever means pursuant to which any person or any group of two or more persons acting jointly or in concert (other than the Company or any of its affiliates or subsidiary) thereafter acquires the direct or indirect “beneficial ownership” (as defined in the *Business Corporations Act* (Ontario)) of, or acquires the right to exercise control or direction over, securities of the Company representing 50% or more of the then issued and outstanding voting securities of the Company in any manner whatsoever, including, without limitation, as a result of a take-over bid, an issuance or exchange of securities, an

amalgamation of the Company with any other person, an arrangement, a capital reorganization or any other business combination or reorganization

- (ii) the sale, assignment or other transfer of all or substantially all of the assets of the Company to a person or any group of two or more persons acting jointly or in concert (other than a wholly-owned subsidiary of the Company);
 - (iii) the occurrence of a transaction requiring approval of the Company's security holders whereby the Company is acquired through consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any person or any group of two or more persons acting jointly or in concert (other than an exchange of securities with a wholly-owned subsidiary of the Company);
 - (iv) a majority of the Board consists of individuals which management of the Company has not nominated for election or appointment as directors; or
 - (v) the Board passes a resolution to the effect that an event comparable to an event set forth in this definition has occurred;
- (g) **“Common Shares”** means the common shares without par value in the capital of the Company providing such class is listed on the TSX Venture or Toronto Stock Exchange (or, NEX, as the case may be);
- (h) **“Company”** means the company named at the top hereof and includes, unless the context otherwise requires, all of its Affiliates and successors according to law;
- (i) **“Consultant”** means, in relation to the Company, an individual (other than a Director, Officer or Employee of the Company or any of its subsidiaries) or Company that:
- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to any of its subsidiaries, other than services provided in relation to a Distribution;
 - (ii) provides the services under a written contract between the Company or any of its subsidiaries and the individual or the Company, as the case may be; and
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or of any of its subsidiaries;
- (j) **“Consultant Company”** means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (k) **“Date of Termination”** means, for a Service Provider, the last day that the Service Provider actively provides services to the Company without regard to any notice of termination or pay in lieu of notice thereof, deemed or notional notice period, or period during which the Service Provider receives pay in lieu of notice, termination pay, severance payments, or salary continuance, whether pursuant to statute, agreement, common law or otherwise;
- (l) **“Director”** means a director (as defined under applicable securities laws) of the Company or any of its subsidiaries;
- (m) **“Discounted Market Price”** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;

- (n) **“Disinterested Shareholder Approval”** means approval by a majority of the votes cast by all the Company’s shareholders at a duly constituted shareholders’ meeting, excluding votes attached to Common Shares beneficially owned by Insiders who are Service Providers or their Associates;
- (o) **“Distribution”** has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Company from treasury;
- (p) **“Effective Date”** for an Option means the date of grant thereof by the Board;
- (q) **“Employee”** means:
 - (i) an individual who is considered an employee of the Company or of its subsidiary under the *Income Tax Act* (Canada) and for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source;
 - (ii) an individual who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company or its subsidiary over the details and methods of work as an employee of the Company or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or its subsidiary over the details and methods of work as an employee of the Company or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source;
- (r) **“Exchange Hold Period”** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (s) **“Exercise Price”** means the amount payable per Common Share on the exercise of an Option, as determined in accordance with the terms hereof;
- (t) **“Expiry Date”** means the day on which an Option lapses as specified in the Option Commitment therefor or in accordance with the terms of this Plan;
- (u) **“Insider”** means an insider as defined in the TSX Venture Policies or as defined in securities legislation applicable to the Company;
- (v) **“Investor Relations Activities”** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (w) **“Management Company Employee”** means an individual employed by a company providing management services to the Company which services are required for the ongoing successful operation of the business enterprise of the Company;
- (x) **“Market Price”** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (y) **“NEX”** means a separate board of the TSX Venture for companies previously listed on the TSX Venture or the Toronto Stock Exchange which have failed to maintain compliance with the ongoing financial listing standards of those markets;
- (z) **“NEX Policies”** means the rules and policies of NEX as amended from time to time;
- (aa) **“Officer”** means an officer (as defined under applicable securities laws) of the Company or any of its subsidiaries;

- (bb) **“Option”** means the right to purchase Common Shares granted hereunder to a Service Provider;
- (cc) **“Option Commitment”** means the notice of grant of an Option delivered by the Company hereunder to a Service Provider and substantially in the form of Schedule “A” attached hereto;
- (dd) **“Optioned Shares”** means Common Shares that may be issued in the future to a Service Provider upon the exercise of an Option;
- (ee) **“Optionee”** means the recipient of an Option hereunder;
- (ff) **“Outstanding Shares”** means at the relevant time, the number of issued and outstanding Common Shares of the Company from time to time;
- (gg) **“Participant”** means a Service Provider that becomes an Optionee;
- (hh) **“Person”** includes a company, any unincorporated entity, or an individual;
- (ii) **“Plan”** means this stock option plan, the terms of which are set out herein or as may be amended;
- (jj) **“Plan Shares”** means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in Section 2.2;
- (kk) **“Regulatory Approval”** means the approval of the TSX Venture and any other securities regulatory authority that has lawful jurisdiction over the Plan and any Options issued hereunder;
- (ll) **“Securities Act”** means the *Securities Act*, R.S.O. 1990, c. S.5, or any successor legislation;
- (mm) **“Service Provider”** means a Person who is a bona fide Director, Officer, Employee, Management Company Employee, Consultant or Consultant Company, and also includes a company, 100% of the share capital of which is beneficially owned by one or more Service Providers;
- (nn) **“Share Compensation Arrangement”** means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares to a Service Provider;
- (oo) **“Shareholder Approval”** means approval by a majority of the votes cast by eligible shareholders of the Company at a duly constituted shareholders’ meeting;
- (pp) **“Take Over Bid”** means a take over bid as defined in National Instrument 62-104 (Take-over Bids and Issuer Bids) or the analogous provisions of securities legislation applicable to the Company;
- (qq) **“TSX Venture”** means the TSX Venture Exchange and any successor thereto;
- (rr) **“TSX Venture Policies”** means the rules and policies of the TSX Venture as amended from time to time; and
- (ss) **“VWAP”** means the volume weighted average trading price of the Company’s Common Shares on the TSX Venture calculated by dividing the total value by the total volume of such securities traded for the five trading days immediately preceding the exercise of the subject Option.

1.3 Other Words and Phrases

Words and phrases used in this Plan but which are not defined in the Plan, but are defined in the TSX Venture Policies (and, if applicable, the NEX Policies), will have the meaning assigned to them in the TSX Venture Policies (and, if applicable, NEX Policies).

1.4 Gender

Words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

ARTICLE 2

STOCK OPTION PLAN

2.1 Establishment of Stock Option Plan

The Plan is hereby established to recognize contributions made by Service Providers and to create an incentive for their continuing assistance to the Company and its Affiliates.

2.2 Maximum Plan Shares

The maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the Outstanding Shares at the time Plan Shares are reserved for issuance as a result of the grant of an Option, less any Common Shares reserved for issuance under Share Compensation Arrangements other than this Plan, unless this Plan is amended pursuant to the requirements of the TSX Venture Policies (and, if applicable, NEX Policies).

2.3 Eligibility

Options to purchase Common Shares may be granted hereunder to Service Providers of the Company, or its affiliates, from time to time by the Board. Service Providers that are not individuals will be required to undertake in writing not to effect or permit any transfer of ownership or option of any of its securities, or to issue more of its securities (so as to indirectly transfer the benefits of an Option), as long as such Option remains outstanding, unless the written permission of the TSX Venture and the Company is obtained.

2.4 Options Granted Under the Plan

All Options granted under the Plan will be evidenced by an Option Commitment in substantially in the form attached as Schedule “A” (or in such other form as determined by the Company), showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.

Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of an Option Commitment made hereunder.

2.5 Limitations on Issue

Subject to Section 2.9, the following restrictions on issuances of Options are applicable under the Plan:

- (a) no Service Provider can be granted an Option if that Option would result in the total number of Options, together with all other Share Compensation Arrangements granted to such Service Provider in the previous 12 months, exceeding 5% of the Outstanding Shares, unless the Company has obtained Disinterested Shareholder Approval to do so;
- (b) the aggregate number of Options, together with any other Share Compensation Arrangements, granted to all Service Providers conducting Investor Relations Activities in

any 12-month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture (or NEX, as the case may be); and

- (c) the aggregate number of Options, together with any other Share Compensation Arrangements, granted to any one Consultant in any 12 month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture (or the NEX, as the case may be).

2.6 Exercised and Unexercised Options

In the event an Option granted under the Plan is exercised, expires unexercised or is otherwise lawfully cancelled prior to exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be eligible for re-issuance.

2.7 Administration of the Plan

The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to:

- (a) allot Common Shares for issuance in connection with the exercise of Options;
- (b) grant Options hereunder;
- (c) subject to any necessary Regulatory Approval, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Plan will, without the prior written consent of all Optionees, alter or impair any Option previously granted under the Plan unless the alteration or impairment occurred as a result of a change in the TSX Venture Policies or the Company's tier classification thereunder; and
- (d) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do.

2.8 Amendment of the Plan by the Board of Directors

Subject to the requirements of the TSX Venture Policies and the prior receipt of any necessary Regulatory Approval, the Board may in its absolute discretion, amend or modify the Plan or any Option granted as follows:

- (a) amendments which are of a typographical, grammatical, clerical nature only;
- (b) amendments of a housekeeping nature;
- (c) changes to the vesting provisions of an Option granted hereunder, subject to prior written approval of the TSX Venture, if applicable;
- (d) changes to the termination provision of an Option granted hereunder which does not entail an extension beyond the lesser of the original Expiry Date of such Option or 12 months from termination;
- (e) amendments necessary as a result in changes in securities laws applicable to the Company or any requested changes by the TSX Venture;

- (f) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSX Venture, amendments as may be required by the policies of such senior stock exchange or stock market; and
- (g) such amendments as reduce, and do not increase, the benefits of this Plan to Service Providers.

2.9 Amendments Requiring Disinterested Shareholder Approval

The Company will be required to obtain Disinterested Shareholder Approval prior to any of the following actions becoming effective:

- (a) the Plan, together with all of the Company's other Share Compensation Arrangements, could result at any time in:
 - (i) the aggregate number of Common Shares reserved for issuance under Options granted to Insiders exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares;
 - (ii) the number of Optioned Shares issued to Insiders within any 12-month period exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares; or,
 - (iii) the issuance to any one Optionee, within any 12-month period, of a number of Common Shares exceeding 5% of the Outstanding Shares; or
- (b) any reduction in the Exercise Price of an Option previously granted to an Insider, or the extension of the term of an Option, if the Participant is an Insider at the time of the proposed amendment.

2.10 Options Granted Under the Company's Previous Stock Option Plans

Any option granted pursuant to a stock option plan previously adopted by the Board which is outstanding at the time this Plan comes into effect shall be deemed to have been issued under this Plan and shall, as of the date this Plan comes into effect, be governed by the terms and conditions hereof.

ARTICLE 3

TERMS AND CONDITIONS OF OPTIONS

3.1 Exercise Price

The Exercise Price of an Option will be set by the Board at the time such Option is allocated under the Plan, and cannot be less than the Discounted Market Price.

3.2 Term of Option

The term of an Option will be set by the Board at the time such Option is allocated under the Plan. An Option can be exercisable for a maximum of 10 years from the Effective Date.

3.3 Option Amendment

Subject to Section 2.9(b), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the Option, the date the Common Shares commenced trading on the TSX Venture, or the date of the last amendment of the Exercise Price.

An Option must be outstanding for at least one year before the Company may extend its term, subject to the limits contained in Section 3.2 except as provided under TSX Venture Policies, any proposed amendment to the terms of an Option must comply with the TSX Venture Policies and be approved by the TSX Venture prior to the exercise of such Option.

3.4 Vesting of Options

Subject to Section 3.5, vesting of Options shall be at the discretion of the Board and, with respect to any particular Options granted under the Plan, in the absence of a vesting schedule being specified at the time of grant, all such Options shall vest immediately. Where applicable, vesting of Options will generally be subject to:

- (a) the Service Provider remaining employed by or continuing to provide services to the Company or any of its Affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or any of its Affiliates during the vesting period; or
- (b) the Service Provider remaining as a Director of the Company or any of its Affiliates during the vesting period.

3.5 Vesting of Options Granted to Consultants Conducting Investor Relations Activities

Notwithstanding Section 3.4, Options granted to Consultants conducting Investor Relations Activities will vest such that:

- (a) no more than 25% of the Options vest no sooner than three months after the Options were granted;
- (b) no more than another 25% of Options vest no sooner than six months after the Options were granted;
- (c) no more than 25% of Options vest no sooner than nine months after the Options were granted; and
- (d) the remainder of the Options vest no sooner than 12 months after the Options were granted.

3.6 Effect of Take-Over Bid

If a Take Over Bid is made to the shareholders generally then the Company shall immediately upon receipt of notice of the Take Over Bid, notify each Optionee currently holding an Option of the Take Over Bid, with full particulars thereof whereupon such Option may, notwithstanding Section 3.4 and Section 3.5 or any vesting requirements set out in the Option Commitment, be immediately exercised in whole or in part by the Optionee, subject to approval of the TSX Venture (or the NEX, as the case may be) for vesting requirements imposed by the TSX Venture Policies.

3.7 Acceleration of Vesting on Change of Control

In the event of a Change of Control occurring, Options granted and outstanding, which are subject to vesting provisions, shall be deemed to have immediately vested upon the occurrence of the Change of Control, excluding Options granted to a Person engaged in Investor Relations Activities.

3.8 Extension of Options Expiring During Blackout Period

Should the Expiry Date for an Option fall within a Blackout Period, or within nine (9) Business Days following the expiration of a Blackout Period, such Expiry Date shall, subject to approval of the TSX Venture (or the NEX, as the case may be), be automatically extended without any further act or formality to that day which is the tenth (10th) Business Day after the end of the Blackout Period, such tenth Business Day to be

considered the Expiry Date for such Option for all purposes under the Plan. Notwithstanding Section 2.7, the tenth Business Day period referred to in this Section 3.8 may not be extended by the Board.

3.9 Optionee Ceasing to be Director, Employee or Service Provider

Options may be exercised after the Service Provider has left his/her employ/office or has been advised by the Company that his/her services are no longer required or his/her service contract has expired, until the term applicable to such Options expires, except as follows:

- (a) in the case of the death of an Optionee, any vested Option held by him at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option;
- (b) an Option granted to any Service Provider will expire 90 days (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option) after the Termination Date, and only to the extent that such Option was vested at the Termination Date; and
- (c) in the case of an Optionee being dismissed from employment or service for Cause, such Optionee's Options, whether or not vested at the date of dismissal will immediately terminate on the Termination Date without right to exercise same.

3.10 Non Assignable

Subject to Section 3.9(a), all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

3.11 Adjustment of the Number of Optioned Shares

The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

- (a) in the event of a subdivision of Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a greater number of Common Shares, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder, in addition to the number of Optioned Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from the subdivision without an Optionee making any additional payment or giving any other consideration therefor;
- (b) in the event of a consolidation of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a lesser number of Common Shares, the Company will thereafter deliver and an Optionee will accept, at the time of purchase of Optioned Shares hereunder, in lieu of the number of Optioned Shares in respect of which the right to purchase is then being exercised, the lesser number of Common Shares as result from the consolidation;
- (c) in the event of any change of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder the number of shares of the appropriate class resulting from the said change as an Optionee would have been entitled to receive in respect of the number of Common Shares so purchased had the right to purchase been exercised before such change;
- (d) in the event of a capital reorganization, reclassification or change of outstanding equity shares (other than a change in the par value thereof) of the Company, a consolidation,

merger or amalgamation of the Company with or into any other company or a sale of the property of the Company as or substantially as an entirety at any time while an Option is in effect, an Optionee will thereafter have the right to purchase and receive, in lieu of the Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option, the kind and amount of shares and other securities and property receivable upon such capital reorganization, reclassification, change, consolidation, merger, amalgamation or sale which the holder of a number of Common Shares equal to the number of Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option would have received as a result thereof. The subdivision or consolidation of Common Shares at any time outstanding (whether with or without par value) will not be deemed to be a capital reorganization or a reclassification of the capital of the Company for the purposes of this Section 3.11;

- (e) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this section are cumulative;
- (f) the Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this Section 3.11, be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Company;
- (g) if any questions arise at any time with respect to the Exercise Price or number of Optioned Shares deliverable upon exercise of an Option in any of the events set out in this Section 3.11, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Toronto, Ontario (or in the city of the Company's principal executive office) that the Company may designate and who will be granted access to all appropriate records and such determination will be binding upon the Company and all Optionees; and
- (h) any adjustment, other than in connection with a security consolidation or security split, to Options granted or issued under the Plan is subject to the prior acceptance of the TSX Venture, including adjustments related to an amalgamation, merger, arrangement, reorganization, spin-off, dividend or recapitalization.

ARTICLE 4 COMMITMENT AND EXERCISE PROCEDURES

4.1 Option Commitment

Upon grant of an Option hereunder, an authorized officer of the Company will deliver to the Optionee an Option Commitment detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof, including any additional requirements contemplated with respect to the payment of required withholding taxes on behalf of Optionees.

4.2 Manner of Exercise

An Optionee who wishes to exercise his Option may do so by delivering:

- (a) a written notice to the Company specifying the number of Optioned Shares being acquired pursuant to the Option; and
- (b) a certified cheque, wire transfer or bank draft payable to the Company for the aggregate Exercise Price for the Optioned Shares being acquired, plus any required withholding tax amount subject to Section 4.4.

4.3 Cashless Exercise

Subject to the provisions of the Plan (including, without limitation, Section 4.4), once an Option has vested and become exercisable, an Optionee may elect to exercise such Option by either:

- (a) excluding Options held by any Investor Relations Service Provider, a “net exercise” procedure in which the Company issues to the Optionee, Common Shares equal to the number determined by dividing (i) the product of the number of Options being exercised multiplied by the difference between the VWAP of the underlying Common Shares and the exercise price of the subject Options by (ii) the VWAP of the underlying Common Shares; or
- (b) a broker assisted “cashless exercise” in which the Company delivers a copy of irrevocable instructions to a broker engaged for such purposes by the Company to sell the Common Shares otherwise deliverable upon the exercise of the Options and to deliver promptly to the Company an amount equal to the Exercise Price and all applicable required withholding obligations a determined by the Company against delivery of the Common Shares to settle the applicable trade.

An Option may be exercised pursuant to this Section 3.4 from time to time by delivery to the Company, at its head office or such other place as may be specified by the Company of (i) written notice of exercise specifying that the Optionee has elected to effect such a cashless exercise of such Option, the method of cashless exercise, and the number of Options to be exercised and (ii) the payment of an amount for any tax withholding or remittance obligations of the Optionee or the Company arising under applicable law and verified by the Company to its satisfaction (or by entering into some other arrangement acceptable to the Company in its discretion, if any). The Participant shall comply with Section 4.4 of this Plan with regard to any applicable required withholding obligations and with such other procedures and policies as the Company may prescribe or determine to be necessary or advisable from time to time including prior written consent of the Board in connection with such exercise.

4.4 Tax Withholding and Procedures

Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Optionee who wishes to exercise an Option must, in addition to following the procedures set out in Section 4.2 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;

and must in all other respects follow any related procedures and conditions imposed by the Company.

4.5 Delivery of Optioned Shares and Hold Periods

As soon as practicable after receipt of the notice of exercise described in Section 4.2 or Section 4.3 as applicable, and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue to the Optionee the appropriate number of Optioned Shares. An Exchange Hold Period will be applied from the date of grant for all Options granted to:

- (a) Insiders of the Company; or
- (b) where Options are granted to any Service Provider, including Insiders, where the Exercise Price is at a discount to the Market Price.

Pursuant to TSX Venture Policies, where the Exchange Hold Period is applicable, the certificate representing the Optioned Shares or written notice in the case of uncertificated shares will include a legend stipulating that the Optioned Shares issued are subject to a four-month Exchange Hold Period commencing the date of the Option Commitment.

ARTICLE 5 GENERAL

5.1 Employment and Services

Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Company, or interfere in any way with the right of the Company to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.

5.2 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the Options or the Common Shares issuable thereunder or the tax consequences to a Service Provider. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of each Participant and not the Company.

5.3 Interpretation

The Plan will be governed and construed in accordance with the laws of the Province of Ontario.

5.4 Continuation of Plan

The Plan will become effective from and after the date first set out above, and will remain effective provided that the Plan, or any amended version thereof, receives Shareholder Approval at each annual general meeting of the holders of Common Shares of the Company subsequent to such effective date.

5.5 Amendment of the Plan

The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan with respect to all Common Shares in respect of Options which have not yet been granted hereunder. Any amendment to any provision of the Plan will be subject to any necessary Regulatory Approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this Plan to Service Providers.

SCHEDULE "A"
STOCK OPTION PLAN
OPTION COMMITMENT

Notice is hereby given that, effective this _____ day of _____, _____ pursuant to the provisions of the Stock Option Plan (the "**Plan**") of Halcones Precious Metals Corp. (the "**Company**"), the Company has granted to _____ (the "**Optionee**"), an Option to acquire _____ Common Shares ("Optioned Shares") up to 5:00 p.m. (Toronto Time) on the _____ day of _____, _____ (the "**Expiry Date**"), or such earlier date as determined in accordance with the terms of the Plan, at an Exercise Price of Cdn\$ _____ per share.

[Optioned Shares are to vest immediately.]

OR

[Optioned Shares will vest (*INSERT VESTING SCHEDULE AND TERMS*)]

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Plan, which are hereby incorporated herein and form part hereof. This Option Commitment and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This Option Commitment is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail.

To exercise the Option, (1) deliver a written notice in the form attached as Schedule "B to the Plan (or in such other form as established by the Company) specifying the number of Optioned Shares you wish to acquire, together with a certified cheque, wire transfer or bank draft payable to the Company for the aggregate exercise price, or (2) if the Optionee wishes to exercise the Option on a "net exercise" basis or "cashless exercise" basis in accordance Section 4.3(a) or Section 4.3(b) of the Plan and the Company's Board of Directors approves the exercise on a "net exercise" basis or "cashless exercise" basis, deliver a written notice and comply with such other conditions as established by the Company for a "net exercise" or "cashless exercise". A certificate, or written notice in the case of uncertificated shares, for the Optioned Shares so acquired will be issued by the Company or its transfer agent, if applicable, as soon as practicable thereafter and may bear a restrictive legend if required under applicable securities laws or the policies of the TSX Venture Exchange.

[Note: If a four month hold period is applicable under the policies of the TSX Venture Exchange, the following legend must be placed on the certificate or the written notice in the case of uncertificated shares.

"WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL [*insert date 4 months from the date of grant*]".

The Company and the Optionee represent that the Optionee, under the terms and conditions of the Plan, is a bona fide Service Provider (as defined in the Plan), entitled to receive Options under TSX Venture Policies.

The Optionee also acknowledges and consents to the collection and use of Personal Information (as defined in the Policies of the TSX Venture Exchange) by both the Company and the TSX Venture Exchange (or the NEX, as the case may be) as more particularly set out in the Acknowledgement - Personal Information in use by the TSX Venture Exchange (or the NEX, as the case may be) on the date of this Option Commitment.

HALCONES PRECIOUS METALS CORP.

Authorized Signatory

[Insert name of Optionee]

The Optionee acknowledges receipt of a copy of the Plan and represents to the Company that the Optionee is familiar with the terms and conditions of the Plan, and hereby accepts this Option subject to all of the terms and conditions of the Plan. The Optionee agrees to execute, deliver, file and otherwise assist the Company in filing any report, undertaking or document with respect to the awarding of the Option and exercise of the Option, as may be required by applicable regulatory authorities.

Signature of Optionee:

Date signed:

Signature

Print Name

Address

SCHEDULE "B"
TO STOCK OPTION PLAN

HALCONES PRECIOUS METALS CORP..
[insert address]

Re: Employee Stock Option Exercise

Attn: Stock Option Plan Administrator, HALCONES PRECIOUS METALS CORP. (the "Company")

This letter is to inform HALCONES PRECIOUS METALS CORP.. that I, _____
_____, wish to exercise _____ options, at _____ per share, on this _____ day of
_____, 202_____.

Payment issued in favour of HALCONES PRECIOUS METALS CORP. for the amount of \$ _____
will be forwarded, including withholding tax amounts.

Please register the share certificate in the name of:

Name of Optionee: _____

Address: _____

Please send share certificate to:

Name: _____

Address: _____

Sincerely,

Signature of Optionee

Date

SIN Number (for T4)

SCHEDULE "B"

HALCONES PRECIOUS METALS CORP.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. PURPOSE OF THIS CHARTER

The Audit Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") of Halcones Precious Metals Corp. (the "**Corporation**") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee's primary duties and responsibilities are to:

- a) conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- b) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- c) ensure that there is an appropriate standard of corporate conduct for senior financial personnel and employees including, if necessary, adopting a corporate code of ethics;
- d) review the quarterly and annual financial statements and management's discussion and analysis of the Corporation's financial position and operating results and in the case of the annual financial statements and related management's discussion and analysis, report thereon to the Board for approval of same;
- e) select and monitor the independence and performance of the Corporation's external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- f) provide oversight of all disclosure relating to, and information derived from, financial statements, management's discussion and analysis and information.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part 4 of this Charter.

2. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) set and pay the compensation for advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors.

3. COMPOSITION AND MEETINGS

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission ("**OSC**"), the TSX Venture Exchange, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.

- a) The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair. The position description and responsibilities of the Chair are set out in Schedule "A" attached hereto.
- b) A majority of the Committee shall be "independent" and each member of the Committee shall be "financially literate". An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which, in the view of the Board of Directors of the Corporation, could be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of National Instrument 52-110 — *Audit Committees*, as set out in Schedule "B" hereto. A "financially literate" director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can be reasonably expected to be raised in the Corporation's financial statements.
- c) Each member of the Committee shall sit at the appointment of the Board of Directors. The Committee shall report to the Board of Directors.
- d) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present, either in person or by telephone, shall constitute a quorum.
- e) If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
- f) If, and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
- g) The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours' notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
- h) Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
- i) The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
- j) The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
- k) Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the

Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation, other than those relating to non-audit services and annual audit fees which do not require the approval of the Board.

- l) The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.
- m) The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

4. RESPONSIBILITIES

a) Financial Accounting and Reporting Process and Internal Controls

- i) The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related management's discussion and analysis, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
- ii) The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
- iii) The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases, and periodically assess the adequacy of these procedures.
- iv) The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.
- v) The Committee shall meet no less than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
- vi) The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.

- (vii) The Committee shall provide oversight of the Corporation's policies, procedures and practices with respect to the maintenance of the books, records and accounts, and the filing of reports, by the Corporation with respect to third party payments in compliance with the *Corruption of Foreign Public Officials Act (Canada)*, the *Extractive Sector Transparency Measures Act (Canada)* and similar applicable laws.
- viii) The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
- ix) The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel and all employees.
- x) The Committee shall establish and monitor procedures for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding: (a) accounting, internal accounting controls or auditing matters; or (b) violations of the Corporation's policies including the Code of Business Conduct and Ethics; Anti-Bribery and Anti-Corruption Policy; and Corporate Disclosure, Confidentiality and Insider Trading Policy; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters or violations of any of the Corporation's policies (as described above).
- xi) The Committee shall provide oversight to related party transactions entered into by the Corporation.
- xii) The Committee shall establish the budget process, which shall include the setting of spending limits and authorizations, as well as periodic reports from the Chief Financial Officer comparing actual spending to the budget.
- xiii) The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

b) Independent Auditors

- i) The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors' report directly to the Committee.
- ii) The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- iii) The pre-approval of the Committee shall be required as further set out in Schedule "C" prior to the undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
- iv) The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
- v) The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.

- vi) The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
- vii) The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within IFRS that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
- viii) The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
- ix) The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- x) The Committee shall monitor and assess the relationship between management and the external auditors and monitor and support the independence and objectivity of the external auditors.
- xi) The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

c) Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

SCHEDULE "A"

HALCONES PRECIOUS METALS CORP. POSITION DESCRIPTION FOR THE CHAIRMAN OF THE AUDIT COMMITTEE

1. PURPOSE

The Chairman of the Audit Committee of the Board shall be an independent director who is elected by the Board to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation.

2. WHO MAY BE CHAIRMAN

The Chairman will be selected from amongst the independent directors of the Corporation who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chairman will be selected annually at the first meeting of the Board following the annual general meeting of shareholders.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chairman:

- a) chairing all meetings of the Committee in a manner that promotes meaningful discussion;
- b) ensuring adherence to the Committee's Charter and that the adequacy of the Committee's Charter is reviewed annually;
- c) providing leadership to the Committee to enhance the Committee's effectiveness, including:
 - i) providing the information to the Board relative to the Committee's issues and initiatives and reviewing and submitting to the Board an appraisal of the Corporation's independent auditors and internal auditing functions;
 - ii) ensuring that the Committee works as a cohesive team with open communication, as well as ensuring open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial and control matters;
 - iii) ensuring that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - iv) ensuring that the Committee serves as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems, as well as to monitor the relationship between the Corporation and the independent auditors to ensure independence;
 - v) ensuring that procedures are in place to assess the audit activities of the independent auditors and the internal audit functions;
 - vi) ensuring that procedures are in place to review the Corporation's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with any disclosure committee of the Corporation;
 - vii) ensuring that clear hiring policies are put in place for partners and employees of the auditors;
- d) ensuring that procedures are in place for dealing with complaints received by the Corporation regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns, ensuring the establishment of a budget process, which shall include the setting of spending limits and authorizations and periodical reports from the Chief Financial Officer of actual spending as compared to the budget regarding questionable accounting or auditing matters; and

- e) managing the Committee, including:
 - i) adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ii) preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - iii) ensuring meetings are appropriate in terms of frequency, length and content;
 - iv) obtaining and reviewing with the Committee an annual report from the independent auditors, and arranging meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - v) overseeing the Committee's participation in the Corporation's accounting and financial reporting process and the audits of its financial statements;
 - vi) ensuring that the auditor's report directly to the Committee, as representatives of the Corporation's shareholders; and
 - vii) annually reviewing with the Committee its own performance.

SCHEDULE "B"

HALCONES PRECIOUS METALS CORP. NATIONAL INSTRUMENT 52-110 AUDIT COMMITTEES ("NI 52-110")

Section 1.4 — Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 — Additional Independence Requirements for Audit Committee Members

- (1) Despite any determination made under section 1.4 of NI 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE "C"

**HALCONES PRECIOUS METALS CORP.
Procedures for Approval of Non-Audit Services**

1. The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Corporation's accounting standards, from time to time determines is impermissible.

2. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.

3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

HALCONES PRECIOUS METALS CORP.

Consolidated Financial Statements

**For the year ended December 31, 2022 and
the period from the date of incorporation (July 5, 2021) to December 31, 2021**

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Halcones Precious Metals Corp.

Opinion

We have audited the consolidated financial statements of Halcones Precious Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company anticipates a need for financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 28, 2023

Halcones Precious Metals Corp.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at:	December 31, 2022	December 31, 2021
	Note	\$
ASSETS		
Current		
Cash	1,657,907	3,276,157
Amounts receivable	52,585	3,100
Prepaid expenses	83,582	3,664
Total current assets	1,794,074	3,282,921
Long-term		
Prepaid royalties	5 19,050	-
Total assets	1,813,124	3,282,921
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	212,305	139,367
Total liabilities	212,305	139,367
SHAREHOLDERS' EQUITY		
Common shares	6 7,270,125	4,237,603
Warrant reserve	7 917,717	80,151
Option reserve	7 28,302	-
Accumulated deficit	(6,615,325)	(1,174,200)
Total shareholders' equity	1,600,819	3,143,554
Total liabilities and shareholders' equity	1,813,124	3,282,921
Nature of operations and going concern	1	
Commitments and contingencies	12	
Subsequent events	14	

Approved on behalf of the Board of Directors:

Signed: Lawrence Guy, Director

Signed: David Gower, Director

The accompanying notes are an integral part of these consolidated financial statements.

Halcones Precious Metals Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2022 \$	Period from the date of incorporation (July 5, 2021) to December 31, 2021 \$
Expenses			
Exploration and evaluation expenses	5	3,539,654	549,590
Consulting and management fees	10	856,225	-
Professional fees		236,455	-
Shareholder communications		161,240	-
Office and general		18,401	619,907
Transaction costs	4	666,630	-
Loss for the period before other items		(5,478,605)	(1,169,497)
Other items			
Interest income		16,265	-
Foreign exchange gain/(loss)		21,215	(4,703)
Net loss and comprehensive loss		(5,441,125)	(1,174,200)
Basic and diluted loss per share		(0.07) \$	(0.02)
Weighted average number of common shares outstanding			
Basic and Diluted		79,692,722	48,557,395

The accompanying notes are an integral part of these consolidated financial statements.

Halcones Precious Metals Corp.

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of shares #	Common shares \$	Number of warrants #	Warrant reserve \$	Number of options #	Option reserve \$	Deficit \$	Shareholders' equity \$
Balance, July 5, 2021	-	-	-	-	-	-	-	-
Incorporation	30,900,000	1,651	-	-	-	-	-	1,651
Private placement - Tranche I & II	40,086,580	4,008,658	-	-	-	-	-	4,008,658
Private placement - Shares issued for services	895,000	89,500	-	-	-	-	-	89,500
Share issue costs	-	(132,055)	-	-	-	-	-	(132,055)
Private placement - Finder's warrants	-	(80,151)	1,232,000	80,151	-	-	-	-
Shares issued for services	500,000	50,000	-	-	-	-	-	50,000
Assignment of option contract	3,000,000	300,000	-	-	-	-	-	300,000
Loss and comprehensive loss	-	-	-	-	-	-	(1,174,200)	(1,174,200)
Balance, December 31, 2021	75,381,580	4,237,603	1,232,000	80,151	-	-	(1,174,200)	3,143,554
Private placement unit financing	713,334	214,000	-	-	-	-	-	214,000
Warrants on private placement	-	(42,800)	356,667	42,800	-	-	-	-
Reverse takeover transaction	2,500,000	600,000	-	-	235,849	28,302	-	628,302
Subscription unit financing	11,462,200	3,438,660	-	-	-	-	-	3,438,660
Warrants on subscription units	-	(687,732)	5,731,100	687,732	-	-	-	-
Broker warrants	-	(107,034)	802,354	107,034	-	-	-	-
Cost of issue	-	(382,572)	-	-	-	-	-	(382,572)
Loss and comprehensive loss	-	-	-	-	-	-	(5,441,125)	(5,441,125)
Balance, December 31, 2022	90,057,114	7,270,125	8,122,121	917,717	235,849	28,302	(6,615,325)	1,600,819

The accompanying notes are an integral part of these consolidated financial statements.

Halcones Precious Metals Corp.

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2022 \$	Period from the date of incorporation (July 5, 2021) to December 31, 2021 \$
Cash (used in)/provided by:			
Operating activities			
Loss for the period		(5,441,125)	(1,174,200)
Items not involving cash:			
Shares issued in connection with the assignment of the option contract		-	300,000
Shares issued for services		-	89,500
Shares issued to Officer of the Company		-	50,000
Transaction costs	4	666,630	-
Changes in non cash working capital		(121,936)	132,603
Net cash (used in) operating activities		(4,896,431)	(602,097)
Investing activities			
Cash acquired from reverse takeover transaction	4	8,093	-
Net cash provided by investing activities		8,093	-
Financing activities			
Proceeds from financings	6	3,652,660	4,010,309
Cost of issue	6	(382,572)	(132,055)
Net cash provided by financing activities		3,270,088	3,878,254
Change in cash		(1,618,250)	3,276,157
Cash, beginning of the period		3,276,157	-
Cash, end of the period		1,657,907	3,276,157
SUPPLEMENTAL INFORMATION			
Issuance of broker warrants	6, 7	107,034	-

The accompanying notes are an integral part of these consolidated financial statements.

Halcohes Precious Metals Corp.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022 and 2021

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Halcohes Precious Metals Inc. (the "Company", or "Halcohes") was incorporated on July 5, 2021 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*.

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Chile. The head office and principal address of the Company is 36 Lombard Street, Toronto Ontario, M5C 2X3.

The Company owns the following subsidiaries:

- A 100% interest in Halcohes Precious Metals Inc., which owns a 100% interest in Exploraciones Los Halcohes S.A. ("Halcohes Panama"), a company incorporated on July 8, 2021 in Panama which in turn owns 100% of Minera Los Halcohes SpA ("Halcohes Chile"), a company incorporated on July 26, 2021 in the Republic of Chile.

On September 20, 2022, the Company closed its previously announced reverse takeover transaction (the "Transaction") with Halcohes Precious Metals Inc. (the "Target"). The Transaction was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the Business Corporations Act (Ontario). Prior to the completion of the Transaction, the Company changed its name from "Pinehurst Capital II Inc." to "Halcohes Precious Metals Corp." (the "Name Change"). Pursuant to the Transaction, all common shares of the Target were exchanged for Company Shares on a one-for-one basis and Halcohes Precious Metals Inc. and 1000090101 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the Business Corporations Act (Ontario) for the sole purpose of effecting the Transaction, amalgamated with the resulting entity continuing as a wholly owned subsidiary of the Company under the name "Halcohes Precious Metals Inc.". See Note 3. These financial statements present the continuation of the Target and the acquisition of Pinehurst Capital II Inc. by Halcohes Precious Metals Inc. as a reverse acquisition for accounting purposes.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral exploration properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

At December 31, 2022, the Company had working capital of \$1,581,769 (December 31, 2021 - \$3,143,554) and an accumulated deficit of \$6,615,325 (December 31, 2021 - \$1,174,200). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

Halcones Precious Metals Corp.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022 and 2021
Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. There were no material impacts on the Company’s operations and finances for the year ended December 31, 2022.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest dollar.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated on consolidation.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the year ended December 31, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on April 28, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with chartered banks, trust accounts held with lawyers, cashable within three months of the date of original issue.

Financial Assets and Liabilities

Financial Assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement - financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash and amounts receivable are recorded at amortized cost.

Subsequent measurement - financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of earnings (loss). The Company does not measure any financial assets at FVPL.

Subsequent measurement - financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of earnings (loss) when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and long-term loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term loans payable, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Exploration and evaluation properties

All expenditures on exploration and evaluation activities, including costs incurred to acquire and secure exploration property licenses, are recorded as project evaluation expenses until it has been established that a mineral property is commercially viable.

Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

Income taxes

Any income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income/loss, in which case the income tax is recognized in equity or other comprehensive income/loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding warrants were anti-dilutive for the period ended December 31, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

(a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

(b) Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at December 31, 2022.

Current accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. These changes were assessed to not have a material impact on the Company's consolidated financial statements.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) was revised in January 2020 and July 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 8 – Definition of Accounting Estimates (“IAS 8”) was amended in February 2021 to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to management uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves management uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. IAS 8 is effective for annual periods beginning on or after January 1, 2023.

Critical judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Contingencies

Refer to Note 12.

4. REVERSE ACQUISITION

On September 20, 2022, the Company completed the acquisition of all of the issued and outstanding shares of Halcones Precious Metals Inc. by way of a three-cornered amalgamation with a wholly owned subsidiary of the Company. For accounting purposes, Halcones Precious Metals Inc. was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As Halcones Precious Metals Inc. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. The Company's results of operations have been included from the transaction date, September 20, 2022. As Pinehurst Capital II Inc. did not qualify as a business according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination and has been accounted for in accordance with IFRS 2 Share-based Payments, such that Halcones Precious Metals Inc. is deemed to have issued shares in exchange for the net assets and listing status of Pinehurst Capital II Inc.

Pursuant to the transaction, the Company issued 2,500,000 common shares to the shareholders of Pinehurst Capital II Inc. The issued and outstanding common shares of Halcones Precious Metals Inc. were exchanged for shares of the Company on a 1:1 basis. As part of the acquisition, the Company acquired a working capital deficiency of \$38,328. Transaction costs, being the excess of the value of the shares issued over net assets, were \$666,630.

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4. REVERSE ACQUISITION (continued)

Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

Consideration paid:	
Shares, 2,500,000 shares valued at \$0.24	\$ 600,000
Options, 235,849 valued at \$0.12	28,302
	<u>\$ 628,302</u>
Purchase price allocation:	
Cash	\$ 8,093
Accounts payable	(46,421)
Transaction costs	666,630
	<u>\$ 628,302</u>

The value of the shares was based on the price of the subscription receipts (see Note 6). The value of the options was estimated using the Black-Scholes model with the following assumptions: expected dividend yield of 0%; share price of \$0.24; expected volatility of 120% based on comparable entities; risk-free interest rate of 3.92% and an expected life of 1 year.

5. EXPLORATION AND EVALUATION EXPENDITURES

Carachapampa Project, Chile

On September 24, 2021, the Company signed an assignment agreement of an option contract to acquire mining concessions between a wholly owned subsidiary of the Company, Minera Los Halcoes SpA and Austral Explorations SpA, an arm's length corporation, whereby the Company has the option, subject to certain conditions therein, to obtain a 100% interest in the mining rights associated with eleven concessions in the Carachapampa Project.

To fully exercise the option, the Company is required to make the following payments:

- US\$50,000 by April 7, 2022 (\$62,920, paid);
- US\$200,000 by April 7, 2023 (extended by agreement to July 7, 2023, see Subsequent Events);
- US\$500,000 by April 7, 2024; and
- US\$3,100,000 by April 7, 2025.

The price of the assignment of the option contract includes a fixed part ("Fixed Price") and a variable part ("Variable Price").

The Fixed Price is US\$299,000, payable in two instalments, plus 3,000,000 common shares of Halcoes. The first instalment of US\$149,000 (\$188,932) was paid in September 2021 and the second instalment of US\$150,000 (\$187,530) was paid in March 2022. The 3,000,000 common shares of the Company were issued on November 1, 2021 (see Note 6).

The Variable Price is a Net Smelter Return ("NSR") royalty of 2%. Halcoes Chile has the right to repurchase 0.5% of the NSR royalty for US\$2,000,000. This right may be exercised only once. An advance of the NSR royalty in the amount of US\$15,000 is payable yearly in March, commencing in 2022. These payments will be deducted from the NSR royalty when it begins to accrue. The Company paid the 2022 royalty advance on March 25, 2022.

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5. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Exploration and evaluation expenses are detailed in the following table:

	Year ended December 31, 2022	Period from the date of incorporation (July 5, 2021) to December 31, 2021
Property option payments	\$ 250,450	\$ 488,932
Land management fees, taxes and permits	268,279	1,152
Drilling and geophysics	2,727,749	-
Travel, meals and accomodations	37,868	13,177
Professional fees	50,505	33,440
Project overhead costs	204,803	12,889
Total exploration and evaluation expenses	\$ 3,539,654	\$ 549,590

6. COMMON SHARES

Authorized

On December 31, 2022, the authorized share capital consisted of an unlimited number of common shares without par value.

	Number of shares outstanding	Amount
Balance, July 5, 2021	-	\$ -
Incorporation (i)	30,900,000	1,651
Private placement, net of issuance costs (ii)	40,086,580	3,876,603
Private placement - Shares issued for services (iii)	895,000	89,500
Private placement - Finder's warrants valuation (ii)	-	(80,151)
Shares issued for services (iv)	500,000	50,000
Assignment of option contract (v)	3,000,000	300,000
Balance, December 31, 2021	75,381,580	\$ 4,237,603
Unit financing (vi)	713,334	214,000
Warrant valuations (vi)	-	(42,800)
Reverse takeover transaction (vii)	2,500,000	600,000
Subscription receipts financing (viii)	11,462,200	3,438,660
Warrant valuations (viii)	-	(687,732)
Broker warrant valuations (viii)	-	(107,034)
Cost of issue (viii)	-	(382,572)
Balance, December 31, 2022	90,057,114	\$ 7,270,125

- (i) On July 6, 2021, the Company issued 30,900,000 common shares for nominal gross proceeds upon its incorporation. A total of 17,500,000 common shares were issued to directors and/or officers of the Company for nominal gross proceeds.

On July 26, 2021, Halcones Chile issued 1,000,000 common shares for gross proceeds of CLP1,000,000 (\$1,651) upon its incorporation.

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6. COMMON SHARES (continued)

- (ii) On October 20, 2021, the Company completed tranche I and tranche II of a private placement financing by issuing 40,086,580 common shares at a price of \$0.10 per share for gross proceeds of \$4,008,658.

In connection with the offering, the Company paid \$700 in filing fees, \$8,155 in legal fees, \$123,200 in finder's fees and issued 1,232,000 non-transferable finder's warrants. Each finder warrant is exercisable into one common share of the Company at a price of \$0.10 per warrant until October 20, 2023. The grant date fair value of the finder's warrants issued was estimated at \$80,151 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.10; expected volatility of 131% based on comparable entities; risk-free interest rate of 0.79% and an expected life of 2 years.

- (iii) On October 20, 2021, the Company issued 895,000 common shares to settle amounts related to services received from vendors. Such shares were measured at \$89,500, based on the value of shares issued in the previous private placement.
- (iv) On November 1, 2021, the Company issued 500,000 common shares to an officer and director of the Company. Such shares were measured at \$50,000, based on the value of shares issued in the previous private placement.
- (v) On November 1, 2021, the Company issued 3,000,000 common shares in connection with the assignment of an option contract (see Note 5). Such shares were measured at \$300,000, based on the value of shares issued in the previous private placement.
- (vi) On June 30, 2022, the Company completed a unit financing whereby 713,334 units were issued for gross proceeds of \$214,000 at a price of \$0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant of Halcones. Each whole warrant entitles the holder to purchase one common share of Halcones for a two-year period at a price of \$0.40.

The warrants were valued at \$42,800 based on a proration of the unit proceeds between common shares based on their estimated relative fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.10% and an expected life of 2 years.

- (vii) In connection with the reverse acquisition completed on September 20, 2022 (Note 4), 2,500,000 were issued to the former shareholders of Pinehurst Capital II Inc., valued at a price of \$0.24 which was the value of common shares issued in the brokered private placement (Note 6(viii)).
- (viii) In June 2022, Halcones Precious Metals Inc. (the "Target") closed a brokered private placement of subscription receipts by issuing 11,462,200 Subscription Receipts at a price of \$0.30 each, for gross proceeds of \$3,438,660.

Pursuant to the reverse acquisition transaction, each Subscription Receipt was automatically converted into one share of the Target and one-half of one warrant of the Target, and each Target share and each whole Target warrant was immediately exchanged for one common share one warrant of the Company respectively. The proceeds had been placed in escrow in June 2022 until the completion of the transaction on September 20, 2022 whereby the funds were released to the Company.

The 5,731,100 warrants were valued at \$687,732 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.12% and an expected life of 2 years.

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6. COMMON SHARES (continued)

In connection with this transaction, the Company incurred the following costs:

- the issuance of 802,354 broker warrants, each exercisable to acquire one common share of the Company at a price of \$0.30 until June 24, 2024. The fair value of the broker warrants was estimated at \$107,034 using Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.12% and an expected life of 2 years.
- Cash payments of \$382,572 including agent fees and expenses.

7. EQUITY RESERVES

Warrants

The changes in warrants issued during the periods ended December 31, 2022 and 2021 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, July 5, 2021	-	\$ -	\$ -
Granted - Broker warrants (Note 6(ii))	1,232,000	0.10	80,151
Balance, December 31, 2021	1,232,000	\$ 0.10	\$ 80,151
Granted - Broker warrants (Note 6(viii))	802,354	0.30	107,034
Granted - Unit financing (Note 6(vi))	356,667	0.40	42,800
Granted - Subscription units (Note 6(viii))	5,731,100	0.40	687,732
Balance, December 31, 2022	8,122,121	\$ 0.34	\$ 917,717

The following table summarizes the warrants outstanding as of December 31, 2022:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$			Years	
1,232,000	1,232,000	20-Oct-21	20-Oct-23	0.10	80,151	132%	0.79%	2.00	0%
5,731,100	5,731,100	24-Jun-22	24-Jun-24	0.40	687,732	116%	3.12%	2.00	0%
802,354	802,354	24-Jun-22	24-Jun-24	0.30	107,034	116%	3.12%	2.00	0%
356,667	356,667	30-Jun-22	30-Jun-24	0.40	42,800	116%	3.10%	2.00	0%
8,122,121	8,122,121				917,717				

The weighted-average remaining contractual life of the warrants as of December 31, 2022 is 1.38 years (December 31, 2021: 1.80 years).

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7. EQUITY RESERVES (continued)

Options

The changes in options issued during the periods ended December 31, 2022 and 2021 are as follows:

	Number of options	Weighted average exercise price	Value of options
Balance, July 5, 2021 and December 31, 2021	-	\$ -	\$ -
Options acquired from reverse takeover transaction (Note 4)	235,849	0.21	28,302
Balance, December 31, 2022	235,849	\$ 0.21	\$ 28,302

The following table summarizes the options outstanding as of December 31, 2022:

Number of options outstanding #	Number of options exercisable #	Grant date	Expiry date	Exercise price \$	Estimated fair value at grant date \$	Volatility	Risk-free interest rate	Expected life Years	Expected dividend yield
235,849	235,849	20-Sep-22	23-Sep-23	\$0.21	28,302	120%	3.92%	1.00	0%
235,849	235,849				28,302				

The weighted-average remaining contractual life of the options as of December 31, 2022 is 0.73 year.

8. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board 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. The Company considers its capital to consist of common shares and warrants.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2022.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

9. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at December 31, 2022 and 2021, the Company had no instruments to classify in the fair value hierarchy.

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

(a) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. Trade credit risk

The Company is not exposed to significant trade credit risk.

b. Cash

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Chilean Peso (CLP) from its property interests in Chile as well as fluctuations in the US dollar in which some costs are denominated. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

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9. FINANCIAL INSTRUMENTS (continued)

As at December 31, 2022 and 2021, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

December 31, 2022			
	Chilean pesos		US dollars
Cash	\$	109,264	\$ 356,054
Accounts payable and accrued liabilities		(3,299)	(18,239)
	\$	105,965	\$ 337,815

December 31, 2021			
	Chilean pesos		US dollars
Cash	\$	218,733	\$ -
Accounts payable and accrued liabilities		(2,433)	-
	\$	216,300	\$ -

A 10% strengthening (weakening) of the Canadian dollar against the Chilean Peso would decrease (increase) net loss by approximately \$11,000 (December 31, 2021 - \$21,630).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$34,000 (December 31, 2021 - \$nil).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had a cash balance of \$1,657,907 (December 31, 2021 - \$3,276,157) to settle current liabilities of \$212,305 (December 31, 2021 - \$139,367). The Company's trade payable have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

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10. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the year ended December 31, 2022, the remuneration of directors and other key management personnel is as follows:

	Year ended December 31, 2022	Period from the date of incorporation (July 5, 2021) to December 31, 2021
Management fees	\$ 795,975	\$ 494,911
Total	\$ 795,975	\$ 494,911

As at December 31, 2022, prepaid expenses and advance included an amount of \$500 due from a director of the Company (December 31, 2021- \$nil).

As at December 31, 2022, an amount of \$29,163 (December 31, 2021 - \$81,083) included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

As at December 31, 2022, accounts payable included an amount of \$nil (December 31, 2021 - \$12,500) owing to an entity with a common director and officer of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

In connection with the July 5, 2021 incorporation of the Company, 17,500,000 common shares were issued to directors and or officers of the Company for nominal gross proceeds.

On November 1, 2021, 500,000 common shares were issued to an officer and director of the Company. See Note 6(iv).

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11. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Chile. The following table summarizes the total assets and liabilities by geographic segment as at December 31, 2022 and 2021:

December 31, 2022	Chile	Canada	Total
Cash	\$ 109,264	\$ 1,548,643	\$ 1,657,907
Amounts receivable	-	52,585	52,585
Prepaid expenses	319	83,263	83,582
Prepaid royalties	19,050	-	19,050
Total Assets	\$ 128,633	\$ 1,684,491	\$ 1,813,124
Accounts payable and accrued liabilities	\$ 3,299	\$ 209,006	\$ 212,305
Total liabilities	\$ 3,299	\$ 209,006	\$ 212,305

December 31, 2021	Chile	Canada	Total
Cash	\$ 218,733	\$ 3,057,424	\$ 3,276,157
Amounts receivable	129	2,971	3,100
Prepaid expenses	297	3,367	3,664
Total Assets	\$ 219,159	\$ 3,063,762	\$ 3,282,921
Accounts payable and accrued liabilities	\$ 2,433	\$ 136,934	\$ 139,367
Total liabilities	\$ 2,433	\$ 136,934	\$ 139,367

The following table summarizes the loss by geographic segment for the periods ended December 31, 2022:

December 31, 2022	Chile	Canada	Total
Interest income	\$ -	\$ (16,265)	\$ (16,265)
Exploration and evaluation expenses	3,539,654	-	3,539,654
General and administrative expenses	1,319	1,271,002	1,272,321
Transaction costs	-	666,630	666,630
Foreign exchange loss	(33,398)	12,183	(21,215)
Loss	\$ 3,507,575	\$ 1,933,550	\$ 5,441,125
December 31, 2021	Chile	Canada	Total
Project evaluation expenses	549,590	-	549,590
General and administrative expenses	39	619,868	619,907
Foreign exchange loss	2,585	2,118	4,703
Loss	\$ 552,214	\$ 621,986	\$ 1,174,200

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12. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

Management Contracts

The Company is party to certain management contracts. As of December 31, 2022, these contracts require payments of approximately \$1,561,000 (December 31, 2021 - \$1,473,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately \$790,000 (December 31, 2021 - \$747,000) pursuant to the terms of these contracts as of December 31, 2022. As a triggering event has not taken place on December 31, 2022, these amounts have not been recorded in these condensed interim consolidated financial statements.

Exploration Property

See Note 5.

13. INCOME TAXES

Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% were as follows:

	2022	2021
	\$	\$
(Loss) before income taxes	(5,441,121)	(779,368)
Expected income tax recovery based on statutory rate	(1,442,000)	(206,533)
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	172,000	-
Change in Benefit of tax assets not recognized	1,270,000	206,533
Deferred income tax provision (recovery)	-	-

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13. INCOME TAXES (continued)

Deferred Income taxes

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	\$	\$
Non-capital loss carry-forwards - Canada	2,559,000	981,000
Non-capital loss carry-forwards - Chile	3,348,000	33,000
Share issue costs	349,000	170,000
	6,256,000	1,184,000

In Canada, the Company has approximately \$2,559,000 of non-capital losses expiring between 2038 and 2042. In Chile, the Company has approximately \$3,348,000 of non-capital losses that carry forward indefinitely.

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

14. SUBSEQUENT EVENTS

In January 2023, the Company granted 1,000,000 stock options to an officer of the Company at an exercise price of \$0.11 expiring five years from the date of grant. In February 2023, the Company granted 7,050,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.20 expiring five years from the date of grant.

On April 4, 2023, the Company amended its option agreement to acquire the Carachapampa project to extend the deadline to make the next payment of US\$200,000 from April 7, 2023 to July 7, 2023. As consideration for this extension, the Company paid the optionor US\$40,000, which will be deducted from the payment due on July 7, 2023.

Halcones Precious Metals Corp.
Management's Discussion and Analysis
For the year ended December 31, 2022
(in Canadian dollars, unless otherwise noted)

Date: April 28, 2023

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of the operations of Halcones Precious Metals Corp. (individually or collectively with its subsidiaries, as applicable, "**Halcones**" or the "**Company**"), to enable a reader to assess material changes in the financial condition and results of operations as at and for the year ended December 31, 2022. The MD&A should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2022. All amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as published by the International Accounting Standards Board. Please refer to Note 3 of the annual audited consolidated financial statements as at and for the year ended December 31, 2022 for disclosure of the Company's significant accounting policies.

The scientific and technical contents of this MD&A have been reviewed and approved by Mr. David Gower, (PGeo), Qualified Person under National Instrument 43-101 ("**NI 43-101**"). As a director of the Company, Mr. Gower is not considered independent.

The Board of Directors of the Company has reviewed this MD&A and the consolidated financial statements for the year ended December 31, 2022, and the Company's Board of Directors approved these documents prior to their release.

Overview and Strategy

Halcones is a Canadian exploration and development company engaged in the acquisition, exploration, and development of mineral properties with a primary focus on exploration in Chile. Exploration is conducted through the Company's wholly owned subsidiary, Exploraciones Los Halcones S.A ("**Halcones Panama**"), which in turn owns 100% of Minera Los Halcones SpA ("**Halcones Chile**").

The Company currently has an option to acquire a 100% ownership interest in the Carachapampa Project (the "**Project**" or the "**Property**") in Chile, which is described in detail below under the sections entitled, "Mineral Exploration Properties". The Company continues to review project submissions and data from various sources with a view to identifying opportunities that could create value for its shareholders.

Summary of Properties and Projects

Mineral Exploration Properties

The Company has the right to acquire a 100% interest in the Carachapampa Project, located in Diego de Almagro, Copiapo Region.

Carachapampa Property

On September 24, 2021, the Company signed an assignment agreement of an option contract to acquire mining concessions in the Carachapampa Project.

The Carachapampa Project is located within the northeast part of the renowned Maricunga belt. The Maricunga belt is the most important gold-producing district in South America. The property is tied onto the Nueva Esperanza property of Kingsgate which is a recent discovery that is planned for development next year. Other important deposits in the region include Solares Norte (Goldfields) and La Koipa (Kinross). The project comprises 12 claims covering 2,868 hectares and is two kilometres southeast of the Chimberos deposit, gold-silver-producing open pit.

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The Carachapampa Project and adjacent producing and development projects are part of a high sulphidation, epithermal gold environment. An important aspect of the area is that the erosional level is such that the mineralized zones now occur relatively close to or at surface in this part of the belt. There is a thin layer of post mineralization volcanic cover and the basement rocks can be prospected through windows in the cover. A second critical criteria is the high sulphidation deposits occurring on the flank of volcanic domes. Two such volcanic domes have been identified on the property. There are four main target areas identified to date, all with disseminated gold mineralization, on the Carachapampa property. Recent trenching in the northeast target returned values of up to 20.9 grams per tonne gold in disseminated mineralization, not in veins. This area also features a well-defined IP anomaly (resistivity and chargeability) associated with the window of basement rocks that were sampled through the volcanic cover.

Field mapping and rock sampling were carried out during the year ended December 31, 2022, towards the end of the South American winter and crews were successful in identifying well mineralized zones in outcrop at several locations on the project. A 2,000 metre drill program commenced in early 2023 to evaluate two target areas. The planned holes are short in length to test areas immediately below the outcrop samples. The project area is covered with a thin veneer of younger volcanics with few outcrop windows. The ongoing drill program is also designed to improve the understanding of the underlying geology and confirm the interpretation of controlling structures.

On January 26, 2023, Halcones announced that diamond drilling was planned to commence on its Carachapampa Project (Figure 1) in Chile on February 1, 2023. Initially, 2,000 meters of drilling was budgeted to evaluate two target areas, the Central Zone Target, and the Northwest Target, where field mapping and sampling has highlighted the presence of high-grade gold and silver mineralization in outcrop over extensive areas. The prospect is located approximately 180 km northeast of the city of Copiapó, which is one of the main mining centers in Chile. Access to the area is excellent year round and contains well maintained hard surface and paved roads, including a section of one of the international crossings into Argentina. Altitude on the property varies from 3,500 to 4,000 masl and the area can be worked all year.

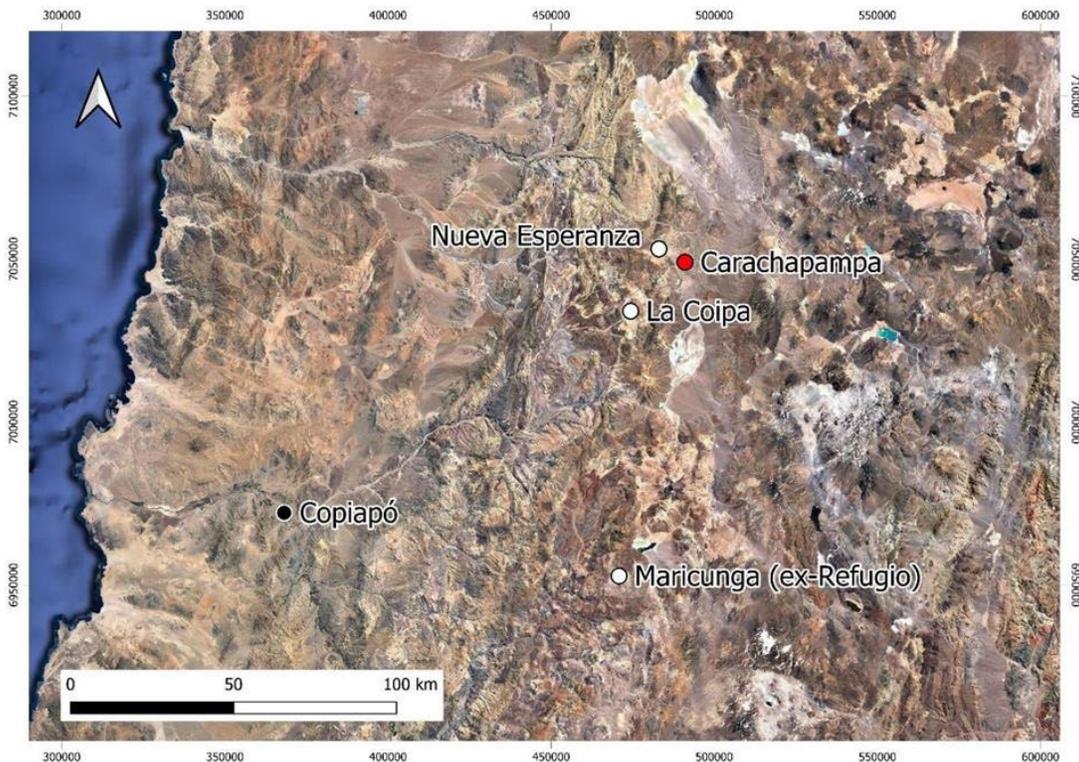


Figure 1: Location map, Carachapampa Project in the Maricunga Belt.

The key supporting attributes for the drilling are as follows:

- Numerous high grade gold and silver bearing structures extending across a wide area.
- Extensive vuggy silica alteration associated with the high grade mineralization, a key characteristic of these types of deposits.
- Presence of a newly discovered volcanic dome, which drives the mineralizing fluids that deposit precious metals.
- Large zones of high resistivity identified by IP surveys.
- A proven economic environment with past producers within 2 km of the targets and large, currently producing gold-silver mines in the area. Recent high grade epithermal developments in the area include Salares Norte (Gold Fields): 3.9M oz AuEq grading 4.8g/t Au & 53g/t Ag and La Coipa (Kinross): 1.5M oz AuEq 1.6 g/t Au & 39 g/t Ag.
- Drilling to the north of the Central Zone target intersected a wide zone of anomalous gold mineralization.
- In the Northwest target area, vuggy silica alteration has been mapped in limited exposures over approximately 600 meters. Values in a number of outcrop chip samples include 0.54, g/t Au, 1.00 g/t Au, 2.5 g/t Au and 2.49 g/t Au as well as a sample with 548 g/t silver. Further assays from this area are expected before drilling commences there.

CENTRAL ZONE TARGET

The Central Zone Target extends for 500 – 600 meters on the flank of the newly discovered volcanic dome (Figures 2 and 3). The area is extensively altered to “vuggy quartz” which is a key characteristic of high sulphidation deposits in this area. Although outcrop is sparse, sampling has identified gold in outcrop over an extensive area ranging in grade from 1.43 g/t gold to 18.5 g/t gold (Figures 2 and 3).

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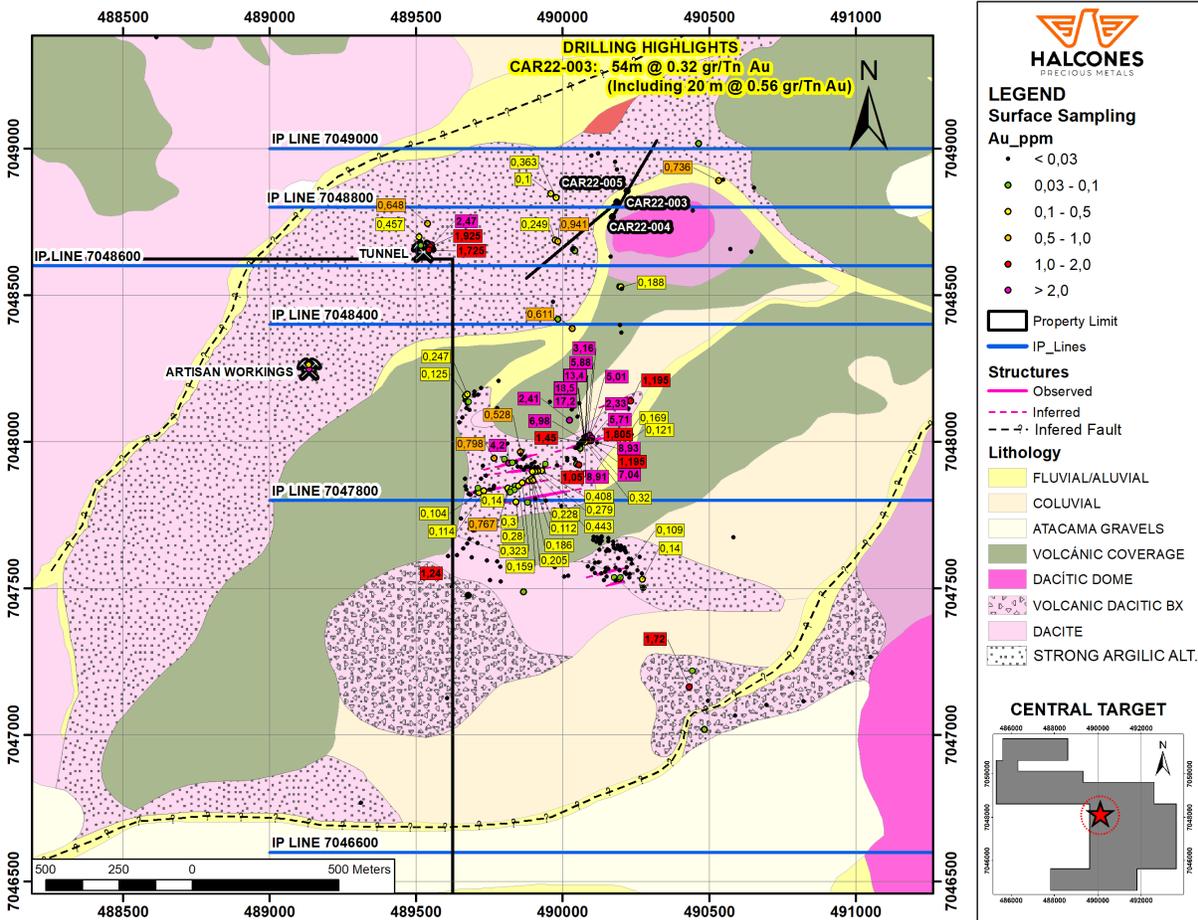


Figure 2: Map showing the distribution of mineralized samples over an extensive area in the Central Zone Target. The small pink dome in the north-central part of the map is newly identified and appears to be a controlling feature for the mineralization. Hole CAR22-003 was drilled on the flank of the dome, north of the target area and intersected more than 50 meters of anomalous gold mineralization (see news release dated November 23). Approximately 500 meters due west of the zone is a second area with high gold and silver samples which is also considered as part of the Central Zone Target. The Blue lines are the IP survey lines (Lines 7048600 and 7047800 are in Figure 4 and are 800 meters apart).

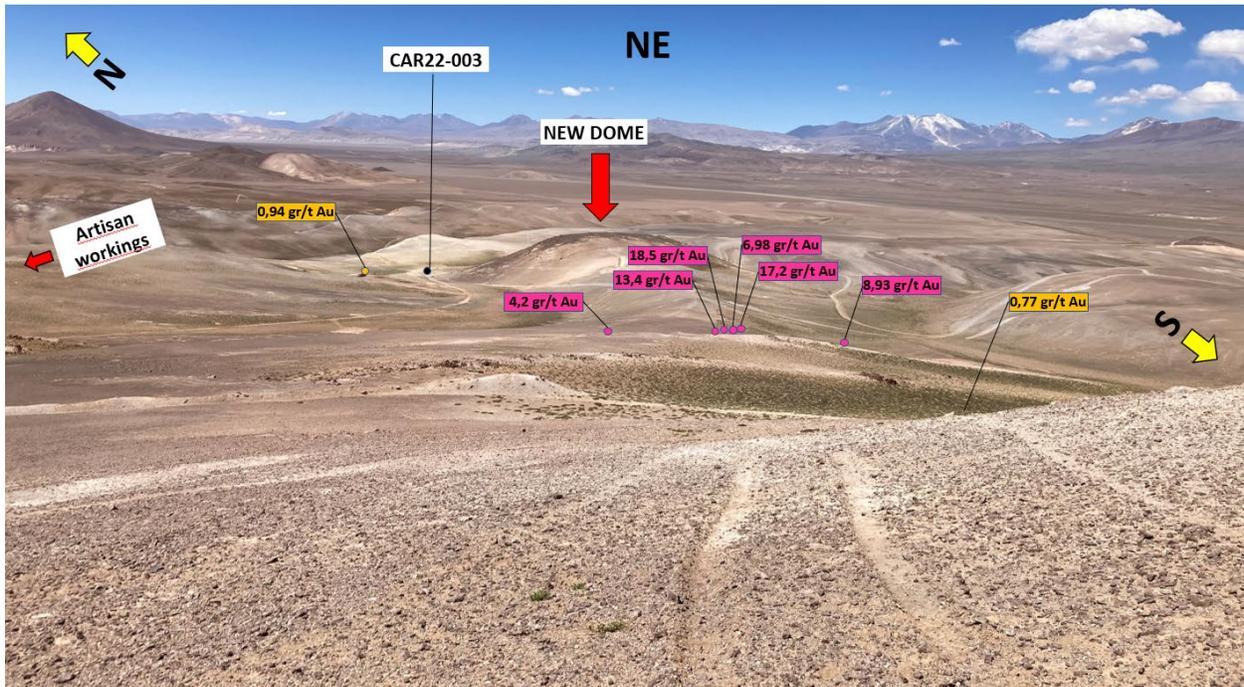


Figure 3: Widespread gold mineralization from outcrops and subcrops adjacent to the newly discovered dacitic volcanic dome at the Central Zone Target, Carachapampa Project. The area is pervasively covered by the younger volcanic gravels. However, the limited exposures that protrude through the gravels are commonly mineralized.

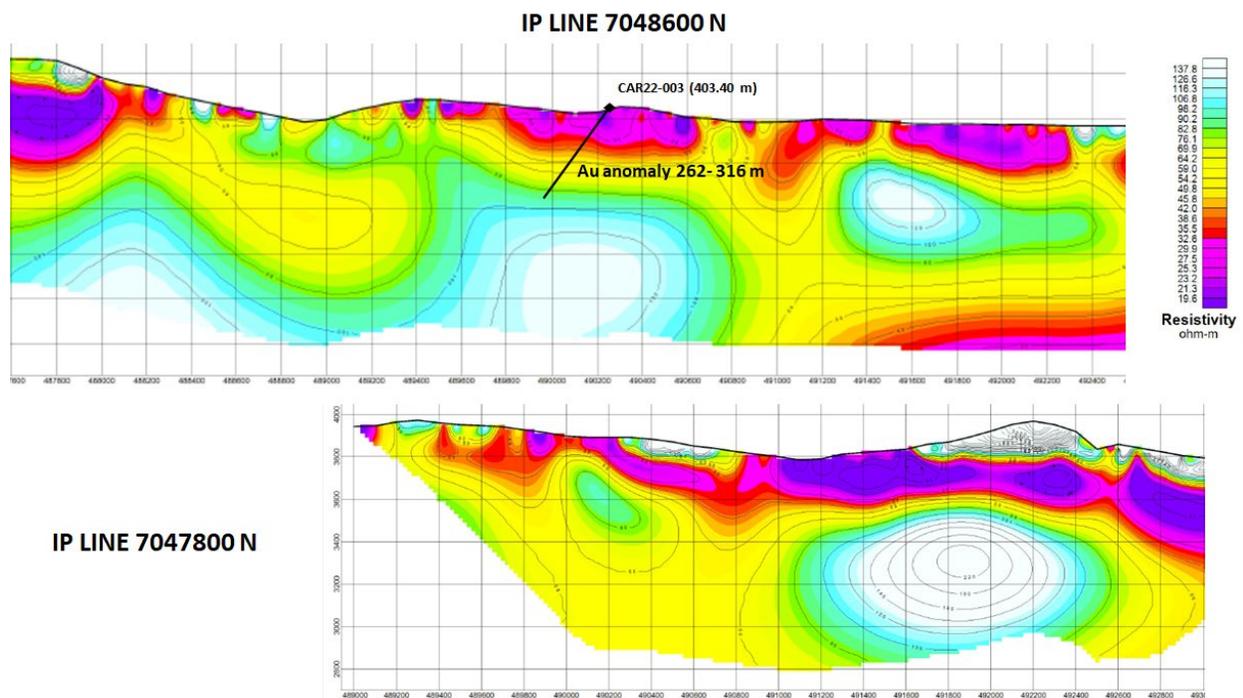


Figure 4: IP Survey lines adjacent to the north and south of the Central Zone Target area. Note Hole CAR22-003 is projected onto the section and is collared 200 meters north of the IP line and intersects it

obliquely (Figure 2). The large white areas are resistivity highs which would commonly represent most intensely silicified (vuggy quartz) alteration zones, highly prospective for mineralization.

Sampling Protocol

Sampling is conducted in a manner that will allow reasonable averaging and statistical analysis of the data for resource estimation. Standards, blanks and duplicate samples, are used to maintain quality control and to verify laboratory procedures. The Company has established a QA/QC sampling control protocol which it applies to all rock sampling, including chip channels from trenches, surface grab samples and diamond drilling. Following is a summary of these protocols:

Drilling:

- Samples are collected using a standard 0.5 m to 1 m sample length in the main mineralized zones and a 1 m to 2 m length in the surrounding rocks or in other minor intervals of alteration and/or mineralization. Shorter sample lengths were avoided whenever was possible.
- Core samples are split along the core axis using an electric rock saw, by the Company's trained technicians, prior to sampling the core is logged and a high-resolution photographic record is taken for the files.
- One standard sample is inserted for each 20 core samples and one coarse blank, one fine blank and one internal duplicate sample are included each 50 core samples for QA/QC control.
- In order to meet NI 43-101 security standards, the samples are placed in rice bags and sealed with numbered security tags on site and then shipped to the laboratory facilities by truck by Company personnel. The custody and transfer of samples is always the responsibility of Company personnel.

Surface and trenches:

- Channel trench samples are collected using a standard 0.5 m to 1 m sample length in the main mineralized zones and a 1 m to 2 m length in the surrounding rocks or in other minor intervals of alteration and/or mineralization. Shorter sample lengths are avoided whenever was possible.
- Field mapping samples are also collected using a standard 0.5 m to 1 m sample length in mineralized zones when possible, depending on the outcrop availability.
- One standard sample is inserted for each 20 core samples and one coarse blank, one fine blank and one internal duplicate sample are included each 50 samples for QA/QC control.
- In order to meet NI 43-101 security standards, the samples are placed in rice bags and sealed with numbered security tags on site and then shipped to the laboratory facilities by truck by Company personnel. The custody and transfer of samples is always the responsibility of Company personnel.

Laboratory Analysis

All analyses of the samples were carried out by ALS Limited, an independent laboratory with all regulatory documents and certifications approved and up to date. The sample prep facilities are based in Copiapo, 180 km SW from the project.

The analysis package chosen, for Au, Ag, and a multi-elements, trace level method are as follows:

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Au-ICP21/Au-ICP22 – Fire Assay Fusion – ICP-AES Finish Sample Decomposition: Fire Assay Fusion (FA-FUSPG1 & FA-FUSPG2) Analytical Method: Inductively Couple Plasma – Atomic Emission Spectrometry A prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents as required, inquarted with 6 mg of gold-free silver and then cupelled to yield a precious metal bead. The bead is digested in 0.5 mL dilute nitric acid in the microwave oven. 0.5 mL concentrated hydrochloric acid is then added and the bead is further digested in the microwave at a lower power setting. The digested solution is cooled, diluted to a total volume of 4 mL with de-mineralized water, and analyzed by inductively coupled plasma atomic emission spectrometry against matrix-matched standards.

When gold samples exceed the 10g/t upper detection limit of Au-ICP/Au-ICP methods, samples are re-assayed using the following:

Ag-GRA21, Ag-GRA22, Au-GRA21 and Au-GRA22 Precious Metals Gravimetric Analysis Methods Sample Decomposition: Fire Assay Fusion (FA-FUSAG1, FA-FUSAG2, FA-FUSGV1 and FA-FUSGV2) Analytical Method: Gravimetric A prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents in order to produce a lead button. The lead button containing the precious metals is cupelled to remove the lead. The remaining gold and silver bead is parted in dilute nitric acid, annealed and weighed as gold. Silver, if requested, is then determined by the difference in weights.

Liquidity and Capital Resources

As at December 31, 2022, the Company had working capital of \$1,581,769 (December 31, 2021 - \$3,143,554), which included a cash balance of \$1,657,907 (December 31, 2021 - \$3,276,157), amounts receivable of \$52,585 (December 31, 2021 - \$3,100) and prepaid expenses of \$83,582 (December 31, 2021 - \$3,664) offset by accounts payable and accrued liabilities of \$212,305 (December 31, 2021 - \$139,367).

Halcones Precious Metals Inc. (“the Target”) and Pinehurst Capital II Inc. (“Pinehurst”) entered into an amalgamation agreement (the “Amalgamation Agreement”) dated January 25, 2022, (the “Transaction”). The Transaction constituted Pinehurst’s Qualifying Transaction under the Capital Pool Companies policy (the “CPC Policy”) of the TSX Venture Exchange (the “Exchange”). Following the completion of the Transaction, Pinehurst continued on the business of the Target under the name “Halcones Precious Metals Corp.” (the “Resulting Issuer”). For financial reporting purposes, the Transaction has been presented as a reverse acquisition of Pinehurst by the Target.

Prior to the Transaction, Pinehurst consolidated its shares on the basis of 0.47 post-consolidation share for each pre-consolidation share. On closing of the Transaction, 2,500,000 shares of the Resulting Issuer were issued to the shareholders of Pinehurst. Outstanding convertible securities of Pinehurst were also converted at the same ratio and exchanged for convertible securities of the Resulting Issuer.

On closing of the Transaction, each holder of common shares of the Target received one common share of the Resulting Issuer for each Target share held. All outstanding convertible securities of the Target immediately prior to closing of the amalgamation, including warrants of the Target, were exchanged or replaced with convertible securities of the Resulting Issuer.

On June 24, 2022, the Company closed a brokered private placement (the “Subscription Receipt Offering”) of subscription receipts in connection with the Transaction by issuing 11,462,200 subscription receipts at a price of \$0.30 per subscription receipt for aggregate gross proceeds of \$3,438,660 (the “Financing”).

The gross proceeds from the sale of the Subscription Receipts, less the cash portion of the Agents’ commission and Agents’ expenses, were held in escrow by Computershare in accordance with the

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Subscription Receipt Agreement and were released to the Company upon satisfaction and/or waiver of certain escrow release conditions (the "Escrow Release Conditions"), including completion of all conditions precedent to the Transaction.

Each Subscription Receipt, without any further consideration on the part of the subscriber, automatically converted on the satisfaction or waiver of the Escrow Release Conditions into one common share of the Company and one-half of one warrant of the Company. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of \$0.40 per share for a period of 24 months following the closing of the Subscription Receipt Offering.

In connection with the Subscription Receipt Offering, a commission was paid to the Agents with an aggregate cash payment of \$245,706 as well as amounts to cover legal fees. As additional consideration, 802,354 broker warrants were issued to the Agents, each entitling the Agents to purchase one common share of the Resulting Issuer at a price of \$0.30 until June 24, 2024. The fair value of the broker warrants issued was estimated at \$107,034 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable companies; risk-free interest rate of 3.12%, share price of \$0.24 based on the pricing of the subscription receipt financing, and an expected life of 2 years.

On June 30, 2022, the Company completed a unit financing whereby 713,334 units were issued for gross proceeds of \$214,000 at a price of \$0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant of Halcones. Each whole warrant entitles the holder to purchase one common share of Halcones for a two-year period at a price of \$0.40.

The warrants were valued at \$42,800 based on a proration of the unit proceeds between common shares based on their estimated relative fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.10% and an expected life of 2 years.

Results of Operations

Quarter ended December 31, 2022

During the three months ended December 31, 2022, the Company recorded a net loss of \$935,076 or \$0.01 per share.

Expenses incurred during the three months ended December 31, 2022 included \$658,612 in exploration and evaluation expenses, mostly topography work; \$251,744 in consulting and management fees; and \$108,470 in professional fees.

Year ended December 31, 2022

During the year ended December 31, 2022, the Company recorded a loss of \$5,441,125 or \$0.07 per share.

Expenses incurred during the year ended December 31, 2022 included \$3,539,654 in exploration and evaluation expenses. This included topography and drilling costs, as well as the initial option payments to acquire the property. Consulting and management fees were \$856,225 for the year ended December 31, 2022. The Company incurred \$236,455 in professional fees, \$161,240 in shareholder communications costs and \$18,401 in office and general costs. As well, a value of \$666,630 was recorded as transactions costs representing the excess of the value of the shares issued over the net assets acquired.

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Cash flows

Year ended December 31, 2022

During the year ended December 31, 2022, the Company used cash of \$4,896,431 in operating activities. Cash used in operating activities consisted primarily of exploration and evaluation expenditures in Chile and management fees.

During the year ended December 31, 2022, investing activities provided \$8,093, this being the cash acquired from the reverse acquisition transaction.

During the year ended December 31, 2022, financing activities provided \$3,270,088 in cash consisting of gross proceeds from the private placement and subscription receipt financings of \$3,652,660 less cash costs to issue shares of \$382,572.

Financial Instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at December 31, 2022, the Company had no instruments to classify in the fair value hierarchy.

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

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

Trade credit risk

The Company is not exposed to significant trade credit risk.

Cash

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty, and the credit rating.

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(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Chilean Peso (CLP) from its property interests in Chile and the US dollar in which some costs are denominated. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at December 31, 2022 and 2021, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

December 31, 2022		
	Chilean pesos	US dollars
Cash	\$ 109,264	\$ 356,054
Accounts payable and accrued liabilities	(3,299)	(18,239)
	\$ 105,965	\$ 337,815

December 31, 2021		
	Chilean pesos	US dollars
Cash	\$ 218,733	-
Accounts payable and accrued liabilities	(2,433)	-
	\$ 216,300	\$ -

A 10% strengthening (weakening) of the Canadian dollar against the Chilean Peso would decrease (increase) net loss by approximately \$11,000 (December 31, 2021 - \$21,630).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$34,000 (December 31, 2021 - \$nil).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had a cash balance of \$1,657,907 (December 31, 2021 - \$3,276,157) to settle current liabilities of \$212,305 (December 31, 2021 - \$139,367). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / Equity price risk*

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, zinc, and lithium, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

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Critical Accounting Policies

The Company's significant accounting policies are described in Note 3 of the financial statements for the year ended December 31, 2022. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The following is a list of the accounting policies that management believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability or expense being reported:

- Foreign currencies
- Exploration and evaluation properties

Foreign currencies

The Foreign currency translation presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

The Company makes expenditures and incurs costs in Chilean Pesos ("CLP"). At December 31, 2022, one Canadian dollar was worth CLP 625.54. During the year ended December 31, 2022, the average value of one Canadian dollar was CLP 669.99.

The Company makes expenditures and incurs costs in US dollars ("US\$"). At December 31, 2022, one Canadian dollar was worth US\$0.74. During the year ended December 31, 2022, the average value of one Canadian dollar was US\$0.77.

Exploration and evaluation expenses

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
				Period from the date of incorporation (July 5, 2021) to December 31, 2021
Property option payments	\$ -	\$ 300,000	\$ 250,450	\$ 488,932
Land management fees, taxes and permits	(6,639)	1,036	268,279	1,152
Drilling and geophysics	591,346	-	2,727,749	-
Travel, meals and accomodations	9,542	13,177	37,868	13,177
Professional fees	13,454	17,606	50,505	33,440
Project overhead costs	50,909	12,889	204,803	12,889
Total exploration and evaluation expenses	\$ 658,612	\$ 344,708	\$ 3,539,654	\$ 549,590

Commitments and Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more

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restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

The Company is party to certain management contracts. As of December 31, 2022, these contracts require payments of approximately \$1,561,000 (December 31, 2021 - \$1,473,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately \$790,000 (December 31, 2021 - \$747,000) pursuant to the terms of these contracts as of December 31, 2022. As a triggering event has not taken place on December 31, 2022, these amounts have not been recorded in the consolidated financial statements for the year ended December 31, 2022.

The Company is party to an assignment agreement of an option contract to acquire mining concessions. See Note 5 of the Company's consolidated financial statements for the year ended December 31, 2022.

Transactions with Related Parties

As at December 31, 2022, prepaid expenses and advance included an amount of \$500 due from a director of the Company (December 31, 2021- \$nil).

As at December 31, 2022, an amount of \$29,163 (December 31, 2021 - \$81,083) included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

As at December 31, 2022, accounts payable included an amount of \$nil (December 31, 2021 - \$12,500) owing to an entity with a common director and officer of the Company.

In connection with the July 5, 2021 incorporation of the Company, 17,500,000 common shares were issued to directors and or officers of the Company for nominal gross proceeds.

On November 1, 2021, 500,000 common shares were issued to an officer and director of the Company. See Note 6 of the consolidated financial statements for the year ended December 31, 2022.

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the year ended December 31, 2022, the remuneration of directors and other key management personnel is as follows:

	Three months ended		Year ended	Period from the
	December 31,		December 31,	date of
	2022	2021	2022	incorporation
				(July 5, 2021) to
				December 31,
				2021
Management fees	\$ 230,137	\$ 494,911	\$ 795,975	\$ 494,911
Total	\$ 230,137	\$ 494,911	\$ 795,975	\$ 494,911

Risk Factors

Mining exploration inherently contains a high degree of risk and uncertainty, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following are certain factors relating to the business of the Company, which investors should carefully consider when making an investment decision concerning the Company's shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks occur, the financial condition, liquidity, and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the Company.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, current financial conditions, revenues, taxes, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations, and no revenues. Even if the Company's exploration program on one or more of the properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which would result in dilution to the Company's shareholders.

Limited Operating History

The Company is a relatively new company with limited operating history. The Company only recently acquired its interest in its material properties and the Company has no history of business or mining operations, revenue generation or production history. The Company has yet to generate a profit from their activities. The Company will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

No Mineral Resources or Mineral Reserves

Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately

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predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

The Company's properties are in the exploration stage only and, to date, no mineral resources or mineral reserves have been identified. Development of the Company's properties will follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that any mineral resources or mineral reserves will be identified or developed. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish mineral resources and mineral reserves and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals that may be found on the Company's properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations that may concern, among other things, exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules because of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on its properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, 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 and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse

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impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to some or all the Company's interest in its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have the interest it understands it has in its properties could cause the Company to lose any rights to explore, develop and mine any minerals on such properties without compensation for its prior expenditures relating thereto.

Competition

The mineral exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical, and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the exploration, development and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with exploration, development, and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned, and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration, development, and mining of the Company's properties could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

Foreign Operations

The Company's properties are located in Chile. As such, the Company's proposed activities with respect to its properties will be subject to governmental, political, economic and other uncertainties, including but not limited to expropriation of property without fair compensation, repatriation of earnings, nationalization, currency fluctuations and devaluations, exchange controls and increases in government fees, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations will be conducted, as well as risks including loss due to civil strife, acts of war, insurrections and the actions of national labour unions. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. No assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Spain. Any changes in regulations or shifts in political attitudes will be beyond the Company's control and may adversely affect the Company's business.

Uninsurable Risks

Exploration, development, and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes, and other environmental occurrences, any of which could result in damage to, or destruction of, equipment and mines, damage to life or property, environmental damage, and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations, and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company securities.

Litigation

The Company and/or its directors or officers may be subject to a variety of civil or other legal proceedings, with or without merit.

Outstanding Share Data

As at the date of this MD&A, the Company has:

90,057,114 common shares outstanding;

8,122,121 warrants outstanding, with expiry dates ranging from October 20, 2023 to June 30, 2024. If all the warrants were exercised, 8,122,121 shares would be issued for gross proceeds of \$2,799,013.

8,285,849 options outstanding, with expiry dates ranging from September 23, 2023 to January 26, 2028. If all options were exercised, 8,285,849 shares would be issued for gross proceeds of \$1,570,000.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains, or incorporates by reference, "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the future performance of Halcones Corp. ("Halcones" or the "Company"), Halcones's mineral properties, the future price of gold, zinc and other metals, the estimation of mineral resources and mineral reserves, results of exploration activities and studies, the realization of mineral resource estimates, exploration activities, costs and timing of the development of new deposits, the acquisition of additional mineral resources, the results of future exploration and drilling, costs and timing of future exploration of the mineral projects, requirements for additional capital, management's skill and knowledge with respect to the exploration and development of mining properties in Spain, government regulation of mining operations and exploration operations, timing and receipt of approvals and licenses under mineral legislation, the Company's local partners, and environmental risks and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks associated with the Company's dependence on the mineral projects; general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; risks associated with dependence on key members of management; conclusions of economic evaluations and studies; currency fluctuations (particularly in respect of the Canadian dollar, the United States dollar and the rate at which each may be exchanged for the others); future prices of gold, copper, and other metals; uncertainty in the estimation of mineral resources; exploration and development risks; infrastructure risks; inflation risks; defects and adverse claims in the title to the projects; accidents, political instability, insurrection or war; labour and employment risks; changes in government regulations and policies, including laws governing development, production, taxes, royalty payments, labour standards and occupational health, safety, toxic substances, resource exploitation and other matters; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; insufficient insurance coverage; the risk that dividends may never be declared; and liquidity and financing risks related to the global economic crisis. Such forward-looking statements are based on a number of material factors and assumptions, including; that contracted parties provide goods and/or services on the agreed timeframes; that ongoing contractual negotiations will be successful and progress and/or be completed in a timely manner; that no unusual geological or technical problems occur; that plant and equipment work as anticipated and that there is no material adverse change in the price of gold. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated, or intended. A qualified person, as defined in National Instrument 43-101, has not done sufficient work on behalf of the Company to classify certain of the historical technical information included in this MD&A, including the historical estimates of the Company's projects as a current mineral resource and the Company is not treating the historical estimates as a current mineral resource or mineral reserve. This historical information should not be relied upon and the Company cannot guarantee the accuracy of the historical data. Forward-looking statements contained herein are made as of the date of this MD&A. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

