

Highlander Silver Corp.
(An Exploration Stage Company)
Management's Discussion and Analysis (MD&A)
For the six months ended
March 31, 2023 and March 31, 2022

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This Management's Discussion and Analysis ("MD&A") of Highlander Silver Corp. (the "Company" or "Highlander") is the Company's initial MD&A, and provides information on the Company's business activities, financial condition, financial performance, cash flows and outlook for the six months ended March 31, 2023 and March 31, 2022, and to the date of this MD&A. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") in Canadian dollars, unless otherwise indicated. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3", and "Q4" respectively. The following information should be read in conjunction with the Company's consolidated audited financial statements for the year ended September 30, 2022 and 2021 (the "Financial Statements").

The Company's main corporate strategy is to advance its mineral properties to a drill-ready stage and then conduct exploration and evaluation. The Company has not yet determined whether its mineral property interests contain mineral reserves that are economically viable. The Company's continued operations, and the underlying value and recoverability of the amounts shown for mineral property interests, are entirely dependent upon the existence of economically recoverable mineral reserves of the Company and those in which it holds a mineral property or shareholder interest. The continued exploration and development of projects will depend on it receiving future cash flows from its ability to obtain share capital financing.

Additional information regarding the Company is available on SEDAR at www.sedar.com, and the Company's website www.highlandersilver.com. This MD&A has been prepared effective as of May 30, 2023.

On August 12, 2021, 1303554 B.C. Ltd. ("Subco") acquired all of the issued and outstanding common shares of CAPPEX Mineral Ventures Inc. ("CAPPEX") a private British Columbia exploration and evaluation company incorporated on September 20, 2017. The acquisition was completed by entering into a Business Combination (the "Business Combination") with CAPPEX and Subco that resulted in a reverse takeover ("RTO") of the Company by CAPPEX. The Business Combination was structured as a three-cornered amalgamation, whereby CAPPEX and Subco amalgamated, and the securities of the amalgamated company were acquired by the Company in exchange for the issuance of securities of the Company to the former securityholders of CAPPEX. The Transaction was accounted for as an RTO of the Company by CAPPEX for accounting purposes, with CAPPEX being identified as the accounting acquirer, and accordingly, these financial statements are a continuation of CAPPEX. The net assets of the Company at the date of the RTO are deemed to have been acquired by CAPPEX. These consolidated financial statements (the "financial statements") include the results of operations of the Company since August 12, 2021. The comparative figures are those of CAPPEX prior to the RTO. At the time of the transaction the Company continued its financial year end

Forward-looking statements and risk factors

This MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as the mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented under *Risk Factors*, below.

The Company disclosure of a technical or scientific nature has been reviewed and approved by a Qualified Person ("QP") (I am not a qualified person) under the definition of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

Reverse acquisition

As described above, on August 12, 2021, the Company and CAPPEX completed the Transaction which constituted a reverse acquisition.

The Transaction resulted in the shareholders of CAPPEX obtaining control of the combined entity by obtaining control of the voting rights, governance and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entity.

The transaction constitutes an RTO of the Company by CAPPEX and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based payments*. As the Company did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of common shares by CAPPEX for the net assets of the Company and the Company's public listing, with CAPPEX as the continuing entity. Accordingly, no goodwill was recorded with respect to the transaction as it does not constitute a business.

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For accounting purposes, CAPPEX was treated as an accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these financial statements. As CAPPEX 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 values. The Company's results of operations have been included from August 12, 2021.

	August 12, 2021
Net assets (liabilities) acquired:	\$
Cash	3,378,808
Receivables	12,036
Other assets	237,179
Accounts payable	(19,716)
Net assets acquired	3,608,307
Consideration paid in RTO:	\$
Common shares (fair value 23,285,054 common shares at \$0.15 per share)	3,492,758
Replacement options	140,400
Replacement warrants	789,800
Commitment to issue shares	46,319
Total consideration paid	4,469,277
Listing expense	860,970

The transaction was measured at the fair value of the shares that CAPPEX would have had to issue to the shareholders of the Company, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of CAPPEX acquiring the Company.

Mineral properties and business update

Alta Victoria

Property Location

The Alta Victoria Project is located 160 kilometres NE of Lima, the capital city of Perú. The property covers 5,932 hectares, recently reduced from 7,132 hectares straddling the continental divide which defines the departmental borders separating the Lima Department to the west, from the Department of Junín on the eastern slope. The majority of the concession block lies inside of the Junín Department under local jurisdictions of the Yauli Province and District of Marcapomacocha.

Road access links the property to Lima via the town of Canta. Average elevation of the project area is 4,700m above msl. The local community "Comunidad Campesina San Francisco de Asis de Yantac" sits within the concession block with whom the Company holds an ongoing surface access rights agreement.

Alta Victoria is comprised of two claim blocks, the 2,186.17 hectare Minera Yantac block and 4,290 hectares staked and 100% owned by the Company. All concessions are currently in good standing with regards to the option payments and governmental license fees.

Underlying Agreements

Pursuant to an Option Agreement between the Company and the shareholders of Minera Yantac S.A.C. ("Minera") dated December 26, 2018, as amended July 27, 2020 and subsequently on January 5th 2023 the Company has the option to acquire Minera Yantac, holder of 10 of the concessions, by paying a total of US\$5,000,000 over eleven years and two months. Under the Option Agreement a portion of the payments are to be made to the prior owners of the Alta Victoria Project, with the balance paid to the shareholders of Minera Yantac.

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The Company has paid and is required to make the following payments:

- US\$60,000 (paid);
- US\$5,000 per month for 12 months from August 2018 to July 2019 (total US\$60,000 – paid);
- US\$5,000 per month from August 2019 to January 2020 (total US\$30,000 was satisfied by the issuance of securities, described below);
- US\$5,000 per month February and March 2020 (total US\$10,000 – paid);
- US\$5,000 per month from August 2020 to July 2021 (total US\$60,000 – paid);
- US\$10,000 per month from August 2021 to February 2023 (total US\$190,000 – paid);
- Monthly payments are suspended for up to 18 months from March 2023 to September 2024. They resume at US\$5,000 per month from October 2024 until August 2028 (a total of US\$235,000); and
- US\$4,355,000 on September 4 2028

The parties agreed to suspend the payments for the months of April, May, June and July 2020 as a result of the COVID-19 pandemic.

Pursuant to an agreement dated July 27, 2020, the Company issued 200,001 units consisting of one common share and one share purchase warrant at a deemed price of US\$0.15. The warrants are exercisable at C\$0.25 per the Company Share until July 20, 2022 (these warrants have expired unexercised).

Work Commitment and Royalty

The Alta Victoria Project is subject to a net smelter returns royalty of 1.5% on all metallic metals and 3.00 Peruvian Soles per ton of non-metallic metals produced from the Alta Victoria Project. The net smelter returns royalty was granted by Minera Yantac to Minera Flor de Maria S.A.C., one of the former titleholders of the Alta Victoria Project.

The Company has the right to conduct exploration activities on the Alta Victoria Project pursuant to a mining lease agreement dated June 8, 2018, as amended December 2, 2018 and May 12, 2021 (the "**Mining Lease Agreement**"). Pursuant to the Mining Lease Agreement, the Company was required to pay US\$100 (which has been paid) and to incur US\$500,000 in work commitments on the Alta Victoria Project by February 28, 2022 (which requirement has been met). The mining lease agreement expires on December 4, 2023.

Surface Access

The Company also entered into a surface access agreement with the community of San Francisco de Asis de Yantac in April 2018 for a 2-year term. On January 24, 2020 the company signed a second access 2-year agreement that was extended due to the covid pandemic by four months to May 24, 2022. The Company has now signed a twelve month extension to the surface rights agreement effective June 1, 2022. The Company paid s/73,000 (Nuevo Soles) or approximately US\$18,850 to the community in execution of this renewed agreement.

Exploration Status

The Company holds a DIA (Declaración de Impacto Ambiental) class-permit which allows the company to drill from up to 40-platforms over a three-year period. The DIA was suspended by the Company in September 2021. The suspension was maintained for 12 months until September 2022 when a second drilling campaign was completed from September 8 to October 30, 2022. The permit period will subsequently be extended beyond its original termination date of February 2023 by the 12 months it was suspended.

The 2022 drill program comprised 10 diamond drill holes with a total of 1800.50 metres drilled in two target areas 1) Santa Teresita Target Area and 2) Pachas Target Area. Drill hole depths ranged from 103.5 metres to 300 metres. Significant intercepts from this program are shown in the tables below.

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Highlander Silver Corp - Santa Teresita Drill Intercepts 2022											
Drill Hole	Depth (m)			Thickness (m)	AgEq	Au g/t	Ag g/t	Cu%	Pb %	Zn %	Mn%
	Total	From	To								
AV22-12	160.5	39.00	39.75	0.75	181.90	0.52	38.60	0.04	0.80	1.82	8.11
		71.90	75.9	4.00	153.20	0.08	42.54	0.02	0.96	1.81	15.95
		111.90	114.75	2.85	102.66	0.02	93.52	0.04	0.11	0.14	40.80
AV22-13	156.5	100.35	105.80	5.45	31.08	0.35	1.33	0.00	0.00	0.01	1.48
AV22-14	223.5	58.15	61.34	3.19	119.16	0.19	76.69	0.03	0.31	0.41	39.04
		68.6	76.50	7.90	231.63	0.79	64.53	0.08	0.82	1.82	22.07
AV22-15	103.5	43.1	45.8	2.70	140.76	0.05	98.79	0.04	0.31	0.79	26.23
		53.2	54.9	1.70	92.72	0.03	65.84	0.04	0.26	0.46	24.35
		58.3	60.6	2.30	61.45	0.06	35.90	0.01	0.27	0.42	14.65
		65.3	66.2	0.90	80.09	0.09	39.60	0.01	0.40	0.50	16.54
AV22-16	148.5	No Significant Intercepts									
AV22-17	300	59.45	60.25	0.80	41.60	0.04	41.60	0.01	0.04	0.03	11.11
		100.50	105.20	4.70	178.15	1.13	13.18	0.01	0.25	1.50	1.17
		116.73	120.35	3.62	167.86	0.34	125.42	0.06	0.28	0.12	23.49
		124.57	127.30	2.73	152.29	1.74	4.39	0.00	0.01	0.01	1.75
		207.60	209.00	1.40	143.13	0.02	24.80	0.00	0.11	2.80	1.19
Highlander Silver Corp - Pachas Area Drill Intercepts 2022											
Drill Hole	Depth (m)		Thickness (m)	AgEq	Au g/t	Ag g/t	Cu %	Pb %	Zn %		
	From	To									
AV22-08	19.10	21.00	1.90	76.05	0.71	15.7	0.02	0.03	0.05		
	77.55	78.6	1.05	78.20	0.02	15.0	0.04	0.90	1.54		
AV22-09	No Significant Intercepts										
AV22-10	No Significant Intercepts										
AV22-11	130.80	131.95	1.15	113.82	0.12	52.0	0.43	0.11	0.10		

Detailed analysis and interpretation of these results were communicated via a News Release on December 28th, 2022. To date on the Alta Victoria Project, 17 drill holes have been executed totaling 4,100.8 metres. To ensure best use of the DIA (Declaración de Impacto Ambiental), the company is once again in the process of suspending the drill permit to extend the expiration date for an additional 6 months. This will move the expiration date of the DIA permit to approximately August 2024. Detailed information on the first drilling campaign from September to November 2020, can be found in the Company's Listing Statement, available at www.sedar.com.

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The field work carried out on Alta Victoria between December 2020 and September 2022 focused on refining drill targets for the 2022 drill program and prospecting the large areas that had yet to be evaluated. This work led to the discovery of previously unrecognized outcropping mineralization and significant areas of zinc rich geochemical anomalism in soil. Results of this work was reported in detail in the MD&A of December 2021. This work also served to sterilize areas and has led to allowing concessions covering ground with little exploration potential to expire. Two concessions, Vic Norte III and Sapicancha 1, both covering 600 hectares have been allowed to expire. The company continues to evaluate exploration potential across the entire concession holdings. Relinquishing concessions with little exploration potential saves the company annual license fee costs and helps to focus exploration efforts where discovery potential lies.

Politunche

The Politunche property is comprised of two exploration concession applications covering 600 hectares. The Politunche concession covers 500 hectares covering the main area of interest, while Politunche 2 covers 100 hectares and is contiguous with the main Politunche concession. The Politunche concession has been titled and registered in the public registry. The Politunche 2 concession has been titled and is in process to be registered in the public registry. The property is located approximately 145 km east of Lima and 15 km southwest of Alta Victoria. The Company announced the signing of a Letter of Intent (LOI) setting out the proposed terms for an Option Agreement to purchase 100% of the Politunche property on November 30, 2021. The Option Agreement was signed on January 18th, 2022 and amended on February 23rd 2023, extending the term for 6 months and suspending monthly cash payments of US\$5,000 for 6 months. The total acquisition costs for 100% ownership of the project increased from US\$2 million to US\$2.1 million.

The Company can earn 100% ownership of the property by:

- Making a total of US\$2,100,000 in cash payments over 4 years to the individual vendor (the "Vendor") as follows:
 - US\$5,000 on the signing of the Letter of Intent and US\$5,000 on the execution of the Agreement (both paid);
 - US\$5,000 per month from January 2022 to February 2023 (total US\$70,000 – paid);
 - US\$5,000 per month payments from September 2023 to June 2024;
 - US\$10,000 per month payments from July 2024 to June 2026;
 - A final US\$1,735,000 payment due on July 17th 2026; and
 - Drilling a minimum of 2,500 metres.

Upon completion of a positive feasibility study the Company is required to make a one-time lump sum payment of US\$1,000,000 to the Vendor. The Vendor retains a 2% NSR which the Company may buy back for US\$500,000 per 1% at its election within six (6) months on declaration of commercial production.

The Company, at its election, can exercise the option to acquire the property at any time within the forty-eight (48) month option period by notifying the Vendor and paying the outstanding balance owing as of the date of notification.

Exploration Status

Historic exploration by Solitario Zinc Corp. was conducted from 2007 to 2011 and identified a large area of gold and silver-lead-zinc mineralization hosted in Tertiary volcanics and volcanoclastics. The rocks display intense hydrothermal argillic and quartz-sericite-pyrite alteration associated with the mineralization. This historic work included 1,959 rock chip grab samples, 853 soil samples and 11 diamond drill holes totaling 2,016 metres scattered on the property.

On July 25, 2022 Highlander purchased all the technical data accumulated by Solitario including multi-element geochemistry on all rock, soil and core samples as well as core logs and core photos. This transaction was announced publicly on August 9, 2022.

Field staff returned to work on the Politunche project shortly following the 2022 drill program at Alta Victoria. Work focused on additional sampling and mapping in areas known to host mineralization to establish continuity and style of potential targets, as well as more reconnaissance level work using a hand held pXRF scanner for soil, talus and rock analysis.

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The following table shows sampling completed to date at Politunche:

Sample Type	Company	Samples by Company	Total Samples
Rock Samples (chip, select grab, channel)	Highlander	168	2,092
	Solitario	1924	
Soil Samples (ICP multi-element analysis)	Highlander	106	818
	Solitario	712	
pXRF (Soil)	Highlander	766	766
Drill Core Assays (11 DDH's, 2015.6m)	Solitario	1062	1062

As indicated from previous work, high grade mineralization is closely associated with andesitic dike and dome rocks which intrude relatively flat lying andesitic to dacitic pyroclastics and volcanoclastics. The current working model remains as has been described previously whereby an early, low to moderate grade gold event is overprinted by high grade silver-lead-zinc, intermediate sulphidation veins and hydrothermal breccias. Complete reporting on the latest sample results will be completed over the coming weeks.

The Company is continuing to work on long-term community access agreements.

La Estrella

On August 10, 2021, the Company purchased from Minera Ares S.A.C. the Estrella 001 exploration concession located in the Huancavelica Department of central Peru for a cash payment of CAD\$3,701 (US\$2,700), being payment of the administrative costs. Minera Ares retains a 2% NSR on metallic minerals production and Highlander Silver has a right to buy back the first 1% for USD\$200,000 and the second 1% for USD\$300,000, for a total of USD\$500,000. Subsequently, on September 10, 2021 Highlander's local Peruvian subsidiary Minera CAPPEX S.A.C. closed the Transfer Agreement to acquire the 400 hectare, (untitled) Estrella 001 concession. The company continued to monitor the surrounding area and on November 2, 2022 – Minera CAPPEX S.A.C. filed a concession application for a key 200 hectare area contiguous with Estrella 001. Four other parties filed simultaneously. In accordance with Peruvian mining law, this triggered a state-run auction with closed envelope bids to decide which entity will be the holder of the mineral rights.

As announced in a News Release on March 23rd 2023, the Estrella 002 concession was acquired via auction with the Peruvian Mining Authority for consideration of USD\$31,000. In addition, the Company acquired the La Estrella project data base including diamond drill core, assay results and laboratory certificates from Alianza Minerals Ltd. in consideration for the payment of CAD\$ 15,000 and the issuance of 75,000 common shares of Highlander Silver.

The La Estrella project is located in the Huancavelica Department, Central Peru, about 250 km ESE of Lima, on the eastern slope of the Western Cordillera. It is within the prolific Miocene polymetallic belt, approximately 34 km NNE of the Julcani Mine, which has produced over 105 million ounces of silver from high grade vein mineralisation averaging 16 ounces per ton since production started by Buenaventura in 1953 (Hector Barrionuevo, Julcani – Mina emblematica de Minas Buenaventura con 63 años de operación. PERU XVIII Peruvian Geological Congress).

Mineralisation at La Estrella occurs spatially and genetically associated with a sequence of volcanic and subvolcanic rocks, comprising coarse fragmental dome-diatreme andesite, massive porphyritic andesite and dacite dome facies, with late stage emplacement of amygdaloidal, biotite-feldspar porphyritic lamprophyre dykes and sills. These rocks lie on the hanging wall of a west-dipping fault, against redbeds of the Permo-Triassic Mitu Formation.

From 2003 to 2012 a total of 8,500 m was drilled in 41 holes defining a NNE tabular, west dipping mineralised system approximately 1,800 m long north to south, up to 300 m wide east to west, and 200 m thick. The deposit, which is open to the north, south and also down dip to the west, consists of multi-episodic polymetallic (Ag-Au ±Pb ±Zn ±Cu) intermediate sulphidation epithermal mineralisation that often starts in drill holes within a few metres from surface.

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Exploration Expenditures

The Company's accounting policies capitalize exploration and evaluation costs until such time that they are either impaired or advanced into production. The history of cumulative capitalized exploration and evaluation costs are as follows:

	Alta Victoria Property \$	Politunche Property \$	Other \$	Total \$
October 1, 2021	2,214,626	-	-	2,214,626
Acquisitions/staking/assessments	92,450	12,560	-	105,010
Geological and related expenditures	97,204	13,181	-	110,385
Dues and fees	1,951	-	-	1,951
Legal expenses	7,059	1,155	-	8,214
Field equipment and related expenditures	33,975	4,947	-	38,922
Services	19,444	1,526	-	20,970
Personnel	154,681	8,086	-	162,767
Foreign exchange translation	173,050	2,750	-	175,800
Impairments/write downs	(12,267)	-	-	(12,267)
March 31, 2023	2,782,173	44,205	-	2,826,378
October 1, 2022	3,506,341	138,971	-	3,645,312
Acquisitions/staking/assessments	76,331	27,758	56,937	161,026
Administrative	6,218	-	72,238	78,456
Geological and related expenditures	376,706	8,648	31,069	416,423
Legal expenses	12,709	2,126	424	15,259
Field equipment and related expenditures	25,725	6,632	-	32,357
Services	10,499	325	-	10,824
Personnel	235,482	6,479	-	241,961
Foreign exchange translation	(58,317)	-	-	(58,317)
March 31, 2023	4,191,694	190,939	160,668	4,543,301

During 2023 and 2022, the Company carried out drilling activities in the Alta Victoria project, resulting in a substantial increase of exploration investment as compared to prior years.

Selected annual information

The following are the main financial indicators for the periods indicated:

	September 30, 2022	September 30, 2021	December 31, 2020
Expenses	\$ (721,632)	\$ (477,904)	\$ (204,648)
Loss and comprehensive loss	\$ (736,677)	\$ (1,795,537)	\$ (487,021)
Weighted average number of common shares outstanding	60,557,468	41,340,182	29,419,316
- basic and diluted			
Loss and comprehensive loss per share	(0.01)	(0.04)	(0.01)
- basic and diluted			

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	September 30, 2022	September 30, 2021	December 31, 2020
	\$	\$	\$
Total assets	5,703,671	5,777,293	3,064,939
Working capital surplus	1,744,595	3,465,370	1,037,507
Total liabilities	(289,220)	(70,908)	(46,919)
Shareholders' equity	5,414,451	5,706,385	3,018,020
Deficit	(2,780,948)	(2,253,901)	(675,113)

During 2021, the Company conducted significant financing activities resulting in the increase in total assets and shareholders' equity. This is also reflected in increased general expenses for 2021.

This decrease in expenses and comprehensive loss in the six months ended March 31, 2023 as compared to 2022 was largely a result of the Company's added G&A in Canada, added professional fees, the cost of a transfer agent and filing fees etc.. Such costs have increased as a consequence of being listed as a public company, augmenting exploration programs and adding an additional exploration project.

Professional fees decreased by approximately \$17,500 to \$204,700 primarily due to the decreased legal, accounting, auditor, and management fees incurred during the year. As the Company did not undertake in any acquisitions as in prior year.

Office expenses increased by approximately \$20,420 to \$32,200 due to the Company incurring public company expense requirements and activities related to Peruvian office expenses.

Advertising and promotion decreased by approximately \$600 to \$14,600 due to the Company incurring public company expense requirements and market maker activities.

Share based payments decreased by approximately \$206,500 due to the Company issuing 2,570,000 during the prior period and 50,000 shares issued to the former CEO in connection with his services contract.

All other amounts were consistent with prior period costs.

The three months ended March 31, 2023 as compared to 2022 was largely a result of the Company's added G&A in Canada, added professional fees, the cost of a transfer agent and filing fees . Such costs have increased as a consequence of being listed as a public company, augmenting exploration programs and adding an additional exploration project.

Professional fees decreased by approximately \$1,000 to \$120,300 primarily due to the decreased legal, accounting, auditor, and management fees incurred during the year. As the Company did not undertake in any acquisitions as in prior year.

Office expenses increased by approximately \$10,000 to \$8,800 due to the Company incurring public company expense requirements and activities related to Peruvian office expenses.

Advertising and promotion decreased by approximately \$14,800 to \$nil due to the Company cancelling their market maker activities.

Share based payments increased by approximately \$65,800 due to the Company issuing stock options to new directors and management during the period.

All other amounts were consistent with prior period costs.

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SUMMARY OF QUARTERLY RESULTS

The following table shows results from the previous quarters:

Period Ending	Loss and comprehensive loss \$	Basic and Diluted Net Loss Per Share \$
31-Mar-23	(230,894)	(0.00)
December 31, 2022	(233,602)	(0.00)
September 30, 2022	(159,999)	(0.00)
June 30, 2022	(117,926)	(0.00)
March 31, 2022	(40,687)	(0.00)
December 31, 2021	(418,065)	(0.01)
September 30, 2021	(1,465,259)	(0.03)
June 30, 2021	(181,259)	(0.00)

The main activities during fiscal 2022 are related to the Company's completed RTO listing, resulting in an increase in operating expenses due to the professional fees, transfer agent and filing fees required for a publicly traded Company.

The main activities during 2021 were related to financing efforts, resulting in a general increase of administration, professional and legal fees. Administration and accounting included the preparation of consolidated financial statements, preparation of income tax returns, and compensation of services provided in Peru. Professional fees in 2020 were paid to a director of the Company in connection with business development activities. Audit and legal increased in connection with financing activities carried out during 2020.

Liquidity Working Capital and Capital Resources

Based on its current operating plan, management estimates that the Company will have enough cash to sustain its operations for the next year.

The longer-term ability of the Company to continue its business is dependent on the continuing success of its exploration programs coupled with available funding through sale of its share capital. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to raise money on acceptable terms or at all.

During the six months ended March 31, 2023, the Company cash outflows of approximately \$248,415 in respect of operating activities, compared to approximately \$325,420 during the comparative 2022 period. Further, the Company no cash flows from financing during the six months ended March 31, 2023, compared to \$10,750 from exercise of stock options during the comparative 2022 period. Lastly, the Company used approximately \$954,802 in cash on investing activities associated with the purchase of equipment and deferred exploration and evaluation costs of the Company's mineral property interests and used approximately \$625,740 for the six months ending March 31, 2022.

The Company has relied on cash from financing activities to support its operations and investments. On March 31, 2023, the Company was in a working capital surplus position. The Company has an approximately \$662,086 in working capital surplus.

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Transactions with related parties

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the six months ended March 31, 2023 and March 31, 2022.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the six months ended March 31, 2023, key management of the Company were granted 1,700,000 stock options exercisable at \$0.21 for a period of five years, with a fair value of \$98,302.

During the six months ended March 31, 2022, key management of the Company were granted 2,020,000 stock options exercisable at \$0.30 for a period of five years, with a fair value of \$510,970. No options were granted during the six months ended March 31, 2021.

The following related parties transacted with the Company or Company controlled entities during the period:

- (a) Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services (included within professional fees).
- (b) Philip Anderson is the Company's Director, former interim CEO and General Manager of Minera CAPPEX S.A.C. He provides the Company with geological, management and administrative services.
- (c) David Fincham was appointed as the Company's new CEO effective October 2022.
- (d) Graeme Lyall is the Company's Director. He has significant influence of Lyall Consult SPA. ("Lyall"). Lyall provides the Company with geological services.
- (e) Dr. Leandro Echavarría is the Company's VP of Exploration. He has significant influence of LE Geological Services USA. ("LE Geo"). Echavarría provides the Company with geological services.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions Six months ended March 31, 2023 \$	Transactions Six months ended March 31, 2022 \$	Balances outstanding March 31, 2023 \$	Balances outstanding September 30, 2022 \$
DBM CPA	40,737	53,470	16,524	5,250
Philip Anderson	30,544	47,816	-	43,278
Lyall	21,700	-	10,960	-
LE Geo	60,919	-	29,850	-
David Finchman	98,998	-	5,837	18,333
	252,898	101,286	63,171	66,861

All related party balances are unsecured and are due within thirty days without interest.

Outstanding Share Data

As at March 31, 2023 and the date of this MD&A the Company has:

- a) 60,920,867 common shares issued and outstanding as at March 31, 2023 and 60,920,867 common shares issued and outstanding as at the date of this MD&A ;
- b) 18,200,003 share purchase warrants outstanding as at March 31, 2023 and 18,200,003 share purchase warrants outstanding as at the date of this MD&A; and
- c) 3,250,000 stock options outstanding as at March 31, 2023 and 3,250,000 stock options outstanding as at the date of this MD&A.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

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Proposed Transactions

There are no proposed transactions as of the date of this MD&A.

Accounting Policies

Please refer to notes 2 to the Financial Statements for a complete description of the basis of presentation and the accounting policies followed, respectively.

Financial Instruments

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities.

The carrying value of receivables, accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
March 31, 2023				
Cash	878,711	-	-	878,711
	878,711	-	-	878,711
September 30, 2022				
Cash	1,968,174	-	-	1,968,174
	1,968,174	-	-	1,968,174

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivables exposure and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable features of its cash equivalents. For the six months ended March 31, 2023, every 1% fluctuation in interest rates up or down would have had an insignificant impact on profit or loss.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(d) Currency risk

As at December 31, 2022, all of the Company's cash were held either in Canadian dollars, US dollars or Peruvian Soles. The Company incurs expenditures in Canada and Peru, and as such is exposed to currency risk associated with these costs.

A change in the value of the Peruvian Soles by 10% relative to the Canadian dollar would not have a significant impact on the Company's working capital and net loss for the six months ended March 31, 2023 and March 31, 2022.

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Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses, and the valuation of stock options and share purchase warrants. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

Risk Factors

AN INVESTMENT IN THE COMMON SHARES IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS MD&A, READERS AND PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS.

The risks discussed below also include forward-looking statements and actual results may differ substantially from those discussed in these forward-looking statements.

Issues related to the Company's mineral projects

Limited Operating History

The Company is an early-stage company. The Alta Victoria and Politunche Projects are early exploration stage properties. As such, in addition to the risks disclosed above which are specific to the Company's material property, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Alta Victoria and Politunche Projects require significant additional expenditures in order to exercise the Option Agreement before development and mining operations can generate cash flow. There is no assurance that the Company will be successful in exercising the Option Agreement or achieving a return on shareholders' investment and the likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Most exploration projects do not result in the discovery of commercially mineralized deposits. An investment in the Common Shares therefore carries a high degree of risk and should be considered speculative by investors.

Trends

The Company's financial success is dependent upon the discovery of mineral resources which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public marketplace. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's results or financial position.

Negative Cash-Flow

Since its incorporation, the Company has not generated cash flow from its operations and has incurred certain operating losses. Such losses and negative operating cash flow are expected to continue since funds will be expended to pay its administrative expenses, make option payments and to conduct the recommended exploration programs. Although the Company has allocated \$300,000, to fund its ongoing operations on the Alta Victoria Project for a period of 12 to 18 months, thereafter, the Company will be reliant on future equity financings for its funding requirements.

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COVID-19 Outbreak

As of the date of this MD&A, markets, governments and health organizations around the world are working to contain the outbreak of the coronavirus ("COVID-19"). COVID-19 presents a wide range of potential issues and complications for the Company, most of which the Company is not able to know the full extent of. The following is a summary of what the Company believes may impact its business as a result of COVID-19:

- disruptions to business operations resulting from quarantines of employees, consultants and third-party service providers in areas affected by COVID-19;
- disruptions to business operations resulting from travel restrictions and access to properties; and
- uncertainty around the duration of the COVID-19 pandemic.

Operating Hazards and Risks

The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damages. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in any of which events the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Economics of Developing Mineral Properties

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be 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. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Ownership of Property Interests and Assets

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title. Land may be transferred by the State to businesses and citizens for possession and use based on leases.

In order to satisfy itself of its ownership of its property interests in Peru, the Company has, among other things: (i) obtained and reviewed title opinions from certain local law firms in Peru; (ii) obtained and reviewed certificates of compliance issued by the appropriate governmental officials in Peru; (iii) conducted searches in Peru; and (iv) reviewed, negotiated and executed various agreements with the Government of Peru relating to the acquisition and/or transfer of certain mining titles and concessions.

Environmental Factors

The Company conducts exploration activities in various parts of Peru. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. Extensive environmental legislation has been enacted in Peru by federal, state and municipal governments. All phases

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of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held or formerly worked by the Company. The approval of new mines in Peru is subject to detailed review by Peruvian mining authorities and there is no assurance that such approval can be obtained. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. Failure to comply with the legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offense under such legislation.

Peruvian mining law establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of the public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and, in particular, the cost of long-term management of mining properties can be substantial. In the case of the Alta Victoria Project, exploration activities have and will in the future cause moderate environmental impact. By Peruvian mining law, environmental impact from past mining activities prior to the onset of present-day exploration activities are not the responsibility of the company. Such historic mining disturbance are well documented in the DIA permitting document and will not be included in any future remediation requirement unless those same historical mine works have been further utilized or disturbed by the company.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceed all environmental regulations currently applicable to it. The Company is currently engaged in exploration with minimal environmental impact.

Community Relations

Community relations may affect the Company's business. Maintaining a positive relationship with the communities in which the Company operates is critical to continuing successful exploration and development. Community support for operations is a key component of a successful exploration or development project. As a business in the mining industry, the Company may come under pressure in the jurisdictions in which the Company explores or develops, to demonstrate that other stakeholders benefit and will continue to benefit from our commercial activities. The Company may face opposition with respect to our current and future development and exploration projects which could materially adversely affect our business, results of operations, financial condition and share price.

Environmental Permits

The ability of the Company to explore its properties is dependent on environmental regulations and the permitting process. A permit for drilling from existing roads and disturbed areas is in place for the Alta Victoria Project. Future work to allow road construction and additional surface disturbance at the Company's projects will require filing for necessary environmental permits. The Company's interest in a property or project could be adversely affected by an inability to obtain environmental permits.

Competition and Agreements with Other Parties

The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties on terms it considers acceptable. The Company competes with other companies that may have substantially greater financial resources than the Company. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

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Metals Prices

The Company's revenues, if any, and ability to attract equity financing is expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in the last three years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot accurately be predicted.

Management and Directors

The Company is dependent on its key management personnel. Loss of the key person could have an adverse effect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

Conflicts of Interest

Certain of the Directors and Officers of the Company are also in their personal capacities, or as Directors or Officers of other companies, engaged in mineral exploration and development. Accordingly, exploration opportunities or prospects of which they become aware may not necessarily be made available to the Company. The Directors and Officers intend to allocate opportunities or prospects from time to time on the basis of prudent business judgment. The Directors are required by law to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a Director for the approval of such transaction.

Foreign Operations

The Company's operations are currently conducted principally in Peru. As such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. The Company's operation is not in an area with a history of political issues or criminal activity which have led to disturbances in exploration or mining activities. Risks and uncertainties vary from region to region and could include terrorism; hostage taking; extortion; local drug gang activities; military repression; expropriation; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Although the Company strives to maintain good relations with the local community in Peru by providing employment opportunities and social services, local opposition to mine development projects could arise, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's foreign operations. If the Company were to experience resistance or unrest in connection with its operations, it could have a material adverse effect on its operations.

Government Regulation

The Company's mineral exploration activities will be subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that the new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit, suspend, terminate or curtail production or development. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed on them for violations of applicable laws or regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or require abandonment or delays in the development of new mining properties.

The Company is at the exploration stage on its property. Exploration requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required

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to be registered to do business and have a valid prospecting license in any territory in which it is carrying out work. In Peru, mineral exploration primarily falls under federal jurisdiction, but there are state, municipal, local and community issues to be addressed.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Surface Exploration Rights

Mining concession licenses in Peru are separate from surface rights. Permission for surface access must be negotiated with the owners of the surface rights to the areas covered by the mining concessions, and commonly involve leasing of the surface rights. In Peru surface rights are owned by private persons or communities (local communal organizations), and agreements for access must be made with the surface owners to do significant work. There are potential risks with regard to the completion of a successful exploration program in that there is a possibility of not being able to extend the surface access agreement over part of the area of interest, or problems with obtaining an environmental permit for road construction and drilling.

Management's responsibility over financial information

The Company's management is responsible for presentation and preparation of the quarterly and annual consolidated financial statements and the MD&A. These financial statements have been prepared in accordance with IFRS.

The quarterly and annual consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the consolidated financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

Legal Proceedings

As at the date of this document, there were no legal proceedings against or by the Company.

Subsequent events

- a) On April 5, 2023, the Company announced it has extended the exploration periods of the Alta Victoria and Politunche option agreements.

Alta Victoria

Option agreement term extended by up to five (5) years and six (6) months to September 2028. Monthly cash payments of USD\$10,000 suspended for up to eighteen (18) months from March 2023 to September 2024. Total acquisition cost for 100% ownership of the project increased from USD\$4 million to USD\$5 million such cost to include the cumulative monthly payments plus final option payment. The Company may terminate the agreement, in its sole discretion, at any time.

Politunche

Option agreement term extended for six (6) months from February 2026 to July 2026. Monthly cash payments of USD\$5,000 suspended for six (6) months from March 2023 to September 2023. Monthly cash payments of USD\$5,000 to begin September 2023 and end June 2024. Monthly cash payments of USD\$10,000 to begin July 2024 and end June 2026. Final option payment of USD\$1,735,000 due on July 17th 2026 the Company elects to acquire 100% of the project. Total acquisition cost increased for 100% ownership of the project increased from USD\$2 million to USD\$2.1 million. The Company may terminate the agreement, in its sole discretion, at any time.

- b) On May 16, 2023, the Company announced an investor relations agreement with Harbor Access Inc. Under the terms of the agreement, Harbor Access has been engaged for 12 months, commencing on May 15, 2023, and will be paid a monthly retainer of \$7,000 (U.S.) and will provide support to build an investor relations strategy, and assist with incoming and outgoing communications.

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Board of Directors and Officers

As at the date of this MD&A, the following are the Directors and Officers of the Company:

Philip W. Anderson	Director	(Peru)
Fabian N. Baker	Director	(UK)
David Fincham	Director, Chief Executive Officer	(Columbia)
Graeme Lyall	Director	(Chile)
Stephen Brohman	Chief Financial Officer	(CDN)

Approval

The Board of Directors of Highlander have approved the disclosures in this MD&A.