Pucara Gold Ltd.

(An Exploration Stage Company)

Management Discussion and Analysis

December 31, 2022

Pucara Gold Ltd.
2110 – 650 West Georgia Street
Vancouver, BC   V6B 4N9

INTRODUCTION

This Management Discussion and Analysis (“MD&A) is intended to supplement Pucara Gold Ltd. (“Pucara” or the “Company”) consolidated financial statements for the year ended December 31, 2022. All financial information, unless otherwise indicated, has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Pucara Gold Ltd. was incorporated under the British Columbia Business Corporation Act on February 17, 2011. Pucara’s business is the acquisition, exploration and development of precious and base metal properties in Peru. The Company is actively exploring a number of its exploration stage projects as well has optioned some of its projects to other companies. The Company’s office is located at #2110 – 650 West Georgia Street, Vancouver, British Columbia, V6B 4N9. The Company’s common shares trade on the TSX-V under the symbol TORO, trade on the OTCQB in the United States under the symbol “PCRAF” and on the Lima Stock Exchange (BVL) under the symbol “TORO”.

The following discussion of the Company’s financial condition and results of operations should be read in conjunction with its consolidated financial statements and the related notes for the years ended December 31, 2022 and 2021.

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is April 26, 2023.

FORWARD-LOOKING INFORMATION

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

All forward-looking statements are based on the Company's or its consultants' current beliefs as well as various assumptions made by and information currently available to them. Many forward-looking statements are made assuming the correctness of other forward-looking statements. Cost information is prepared using current estimates, but the time for incurring costs will be in the future and it is assumed costs will remain stable over the relevant period.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, but specifically include, without limitation, risks related to exploration and development programs and their timing and success; risks relating to variations in the mineral content within the material identified as mineral reserves and mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals and minerals markets; risks relating to fluctuations in the Canadian dollar, the United States dollar and Peruvian nuevo sol relative to other currencies; increases in the estimated capital and operating costs or unanticipated costs; difficulties attracting the necessary work force; increases in financing costs or adverse changes to the terms of available financing, if any; tax rates or royalties being greater than assumed; risks relating to receipt of mining and regulatory approvals; the effects of competition in the markets in which the Company operates; operational and infrastructure risks. The foregoing list of factors that may affect future results is not exhaustive.

When relying on the forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on behalf of the Company, except as required by law.

CURRENT CORPORATE HIGHLIGHTS

Pucara is actively working on its wholly owned Pucaska project. At Pacaska, the Company is engaging stakeholders to advance the drill permitting process. At the Lourdes project, the Company has completed its remediation of its previous activities. Three of the Company's properties are being advanced by our partners, Santo Tomas by Iamgold Peru SA, and Capricho and Paco Orco by Lowell Copper SAC - Solaris Resources Inc.

On April 1, 2022, the Company appointed Scott Ansell as Vice President Corporate Development and David Daoud was appointed as Vice President Exploration.

On February 28, 2022, the Company announced the appointment of Greg Davis as Chief Executive Officer, President and Director of Pucara. Mr. Davis succeeds J. Steven Zuker who resigned as Chief Executive Officer of the Company. Mr. Davis is also the president and CEO of Sun Peak Metals Corp. Prior to his current roles, Mr. Davis was Business Development for Sunridge Gold Corp. from 2006 until the sale of the Asmara project in April 2016, during which time he directed financing efforts and raised over $50 million for the company. The Asmara Project was advanced from exploration and development through acquiring a mining license. Prior to Sunridge, Mr. Davis was part of the discovery team at Nevsun's Bisha Project as on-site Project Manager. Mr. Davis has an extensive technical background in the mining sector, with over 25 years of experience in all levels of corporate and project management in various jurisdictions around the world.

The novel coronavirus ("COVID-19") has caused many countries to implement measures to reduce the spread of the virus. The situation with COVID-19 is evolving and consequently, management cannot predict the effect of unknown adverse changes to its future business plans, financial position, cash flows, and results of operations.

PROJECTS

Pacaska Project, Ayacucho, Peru

The project consists of twelve concessions totaling 7,650 Has. and is subject to Net Smelter Royalties ("NSR") totalling 1.5%. The exploration target is a high sulfidation epithermal ("HSE") precious metal project and exhibits geophysical (IP, Mag) and geochemical characteristics related to a porphyry copper system. The alteration system contains anomalous, outcropping concentrations of gold with values in rock of up to 17 g/t and anomalous copper in rock of up to 11%. Pacaska is easily accessible by a paved, single lane road originating at the Pan American Highway in the town of Palpa 90 km southwest of Pacaska.

During 2022, Pucara has continued to focus on stakeholder engagement and preparation of its drill permit (DIA) in anticipation of a Phase I drill campaign at Pacaska.

Optioned Projects

Pucara currently has three projects optioned to partners. The Santo Tomas project is optioned to IAMGOLD Peru SA, Paco Orco and Capricho projects are optioned to Lowell Copper SAC, a subsidiary of Solaris Resources Inc.

Other Projects:

Pucapaca Project, Ayacucho, Peru

The Pucapaca property was acquired through staking and is subject to NSR royalties totalling 1.5%. During the year ended December 31, 2022, the Company recorded an impairment of $25,388 and reduced the balance to $nil.

Guadalupe Project, Ancash, Peru

On January 14, 2013, the Company acquired the Guadalupe project for share consideration and a 1% NSR royalty. The mineral concessions are subject to the 0.5% NSR royalty in favour of Lunde International Corporation ("Lunde"). During the year ended December 31, 2021, the Company wrote-off all capitalized amounts relating to the Guadalupe Project and entered into an agreement on June 23, 2021 with Black Swan Minerals S.A.C. to transfer the mining rights, concessions and associated land fee obligations for a 0.5% to 1.5% NSR royalty, in addition to the 0.5% NSR royalty in favour of Lunde and 1.0% NSR royalty in favour of Metalla Royalty & Streaming Ltd.

Santo Tomas Project, Ayacucho, Peru

The project consists of 25 mineral concessions totaling 15,793 Has. and is subject to NSR totalling 2%. The project was optioned to IAMGOLD Peru SA in February 2018 and in October 2020, IAMGOLD commenced drilling and have completed a total of 7 diamond drill holes, totaling 3,789 meters. IAMGOLD is encouraged by results and has expanded their exploration efforts, preparing another Declaración de Impacto Ambiental ("DIA") for drilling and modifying the current DIA with an Informe Técnico Sustentatorio. Delays by federal government ministries to grant permits are delaying community agreements. The SNC-Lavalin consulting firm finished its social-anthropological report on the evaluation of "Affectation of Original Collective Rights of the Totora Community".

Capricho and Paco Orco Projects, Cusco-Ayacucho, Peru

The Capricho project consists of 5 mineral concessions totaling 3,768 Has. and is subject to NSR totaling 2%. The project was optioned to Lowell Copper SAC, a subsidiary of Solaris Resources Inc. in May 2018. Land Fees and penalties were paid for 2022. During the current period, Lowell has continued to focus on stakeholder and community engagement.

The Paco Orco project consists of 6 mineral concessions totaling 4,400 Has. and is subject to NSR totaling 1%. The project was optioned to Lowell Copper SAC, a subsidiary of Solaris Resources Inc. in May 2018. Land Fees and penalties were paid for 2022.

Keyla Project, Ayacucho, Peru

The Keyla project area is located at the southern end of the Lourdes/Apumayo/Breapampa trend approximately 50km southeast of the Lourdes project area, 30km southeast of the Apumayo Mine, 25km southeast of the Apumayo Santos gold deposit, and 22km southwest of the Breapampa Mine. The project was acquired through staking and consists of four mineral concessions totaling 3,500 Has. The concessions are subject to 0.5% NSR. The project area covers a large high sulfidation hydrothermal system with over 10km of strike length and 2.5-3km of width.

Rock chip sampling to date has identified gold concentrations up to 1.84 g/t and silver concentrations to 45.8 g/t, with most gold occurring in granular silica, similar to the Apumayo Mine deposits. Soil surveys completed in the southern portion of the concession have identified strong multi-element geochemical anomalies (mercury, arsenic, and antimony), including a large 300 by 400 meter gold soil anomaly.

The Company is actively searching for an option partner of the project. During the year ended December 31, 2022, the Company recorded an impairment of $30,938 and reduced the balance to $nil.

Lourdes Project, Ayacucho, Peru

The project consists of eleven mineral concessions totaling 2,817 Has. and is subject to NSR totalling 2.5%. Lourdes Project is a fully-drill permitted HSE precious metal project, which lies at the intersection of two regional mineralized trends with neighboring high sulfidation prospects and a producing mine. The project is located approximately 400 kilometres southeast of Lima and is easily accessible by a paved, single-lane road originating in the town of Puquio, 155 kilometres east of the Pan American Highway.

During December 2020, Pucara completed its Phase I drill program of 25 holes totaling 3,955 meters. In January 2021, Pucara reported the results of its drilling program. The program tested and drilled 5 of the 9 identified targets. Thick intercepts of oxidized silicic alteration, starting from surface and extending to depths of more than 200 meters confirmed the target concept. Gold concentrations included three low-grade gold intercepts hosted in granular silica. Pucara interprets the gold zone as flat-lying and distal from the inferred structural feeder, which may contain higher-grade mineralization, similar to the relationship at the Apumayo Mine. The open intercepts indicate the inferred structural source is to the west toward the Paccha Huayco – Cascada area.

The Company has completed its reclamation obligations on the Lourdes project. The Company is actively searching for an option partner of the project. During the year ended December 31, 2022, the Company recorded an impairment of $127,977 reducing the capitalized balance of the project to $nil.

Exploration Activities in Peru

The Company's mineral exploration activities are subject to receiving and maintaining licenses, permits and approvals (collectively, "permits") from appropriate governmental and community authorities in Peru. Pucara or its joint venture partners may be unable to obtain on a timely basis or maintain in the future all necessary permits to explore and develop its properties. Delays may occur in connection with obtaining necessary renewals or permits for Pucara's existing operations and activities, additional permits for existing or future operations or activities, or additional permits associated with new legislation. The Company can provide no assurance that it will continue to hold or obtain, if required to, all permits necessary to explore or develop at any particular site, which could adversely affect its operations. Peru is experiencing increased political, social and economic unrest. The unrest adds uncertainties that cannot be accurately predicted and any future material adverse changes in government policies or legislation in the jurisdictions in which Pucara operates that affect foreign ownership, mineral exploration, development and timing of mining activities and may affect the Company's viability.

PROJECT EXPLORATION COSTS

During the year ended December 31, 2022 and December 31, 2021, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Lourdes		Pacaska		Other		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Administrative	-	27,564	-	58,015	-	262,970	-	348,549
Depreciation	**4,998**	4,400	**3,224**	4,499	**20,634**	20,927	**28,856**	29,826
Assays	-	42,462	-	1,300	**5,306**	25,537	**5,306**	69,299
Community programs	**18,969**	16,750	**18,969**	20,098	**42,807**	62,361	**80,745**	99,209
Equipment maintenance	**10,767**	6,536	**10,767**	7,447	**3,707**	2,935	**25,241**	16,918
Geological	**83,386**	206,068	**83,386**	340,531	**191,552**	295,110	**358,324**	841,709
Travel	**13,465**	-	**13,465**	-	**56,850**	-	**83,780**	-
Total Expenditure	**$131,585**	$303,780	**$129,811**	$431,890	**$320,856**	$669,840	**$582,252**	$1,405,510

During the year ended December 31, 2022, the Company recorded an impairment loss of $205,828 on its exploration and evaluation assets in Peru. Capitalized expenditures relating to the projects in Peru are summarized as follows:

	Lourdes	Pacaska	Other	Total
Balance, December 31, 2020	42,944	113,570	262,380	418,894
Acquisition and mineral licenses	970	525	1,741	3,236
Annual maintenance costs	12,222	30,600	19,680	62,502
Transfer of Guadalupe land fees obligation	-	-	(87,054)	(87,054)
Impairment of exploration and evaluation assets	-	-	(97,283)	(97,283)
Foreign exchange movement	(4,170)	(10,992)	(27,696)	(42,858)
Balance, December 31, 2021	$ 51,966	$ 133,703	$ 71,768	$ 257,437

Mineral licenses fees	69,839	33,579	440	103,858
Impairment of exploration and evaluation assets	(127,977)	-	(77,851)	(205,828)
Foreign exchange movement	6,172	16,311	8,094	30,577
Balance, December 31, 2022	-	$ 183,593	$ 2,451	$ 186,044

RESULTS OF OPERATIONS

For the year ended December 31, 2022 as compared to the year ended December 31, 2021

For the year ended December 31, 2022 the Company incurred a loss of $2,388,951 (2021 –$ 3,117,398). The Company's loss per share was $0.04 (2021 – $0.05). The decrease in the loss for the period of $728,447 was primarily the result of a reduction of exploration expenditures and investor relations offset by an in increase in management and consulting fees. Management and consulting fees increased in the year ended December 31, 2022 to $1,000,358 from $728,462. Included in management and consulting fees are severance payments to the Company's former CEO as well key management staff in the Company Peruvian field office.

Exploration expenses for the year ended December 31, 2022, was $582,252 compared to $1,405,510 in the year ended December 31, 2021. The decrease was the result of the Company's phase 1 drill program on the Lourdes project which commenced in the last quarter of 2020 and was completed in early 2021. During the 2022 year, the Company focused its attention in community relation activities on its Peruvian projects, generative exploration in Peru as well as other countries, and also focused on the environmental remediation of its Lourdes project. As a result of the current investing climate in Peru and the Company focusing its efforts on the Pucaska project as well as generative efforts for new projects outside of Peru, the Company has recorded an impairment write off of on the Company's Lourdes, Keyla, and other minor projects for a total of $205,828 (2021 - $96,283) during the year ended December 30, 2022. Investor relations costs (2022 – $91,630; 2021 –$328,852) also contributed to the overall decrease in the loss for the year ended December 31, 2022.

For the three months ended December 31, 2022 as compared to the three months ended December 31, 2021

For the three months ended December 31, 2022 the Company incurred a loss of $689,712 (2021 –$697,869). The Company's loss per share was $0.01 (2021 – $0.01). The increase in the loss for the period of $8,157 was primarily the result of the Company recording an impairment on the Lourdes project offset by a decrease of exploration expenditures by $164,981 in the three months ended December 31, 2022 when compared with three months ended December 31, 2021. The decrease in exploration expenditures was mainly the result of less expenditure in terms of geological costs associated with its projects during the three months ended December 31, 2022, compared to the same period in 2021.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management.

Period	Revenues	Loss for the period $	Basic and fully diluted loss per share $
December 31, 2022	Nil	(689,712)	(0.01)
September 30, 2022	Nil	(434,766)	(0.01)
June 30, 2022	Nil	(492,867)	(0.01)
March 31, 2022	Nil	(771,606)	(0.01)
December 31, 2021	Nil	(697,869)	(0.01)
September 30, 2021	Nil	(642,489)	(0.01)
June 30, 2021	Nil	(869,517)	(0.01)
March 31 2021	Nil	(907,523)	(0.01)

The Company's quarterly losses are expected to vary as a result of its exploration activity on its exploration projects.

SELECTED ANNUAL INFORMATION

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the year ended December 31, 2022, for year ended December 31, 2021 and the for the nine months ended December 31, 2020.

	Year ended December 31, 2022 $	Year ended December 31, 2021 $	Nine months ended December 31, 2020 $
Revenues	Nil	Nil	Nil
Loss for the year	(2,388,951)	(3,117,398)	(5,495,907)
Loss per share (basic and diluted)	(0.04)	(0.05)	(0.13)
Total assets	1,771,038	3,329,669	6,816,368
Total non-current financial liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity as at December 31, 2022 was cash and cash equivalents totaling $1,427,328 (2021 – $2,870,258).

During the year ended December 31, 2022, the Company's cash used in operating activities amounted to $2,018,319 (2021 - $3,174,024).

The Company's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Company has been successful at raising capital in the past, there is no assurance that the Company will be able to raise adequate financing on terms that are acceptable to the Company, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Company would need to raise additional capital to accomplish its business objectives thereafter.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2022, the Company had not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of entities where the executive officers and directors of the Company are principles. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

a) **Transactions**

Management Fees

On September 1, 2017, Pucara Resources entered into a consulting agreement with its CEO, amended October 28, 2020 for annual management fee of USD $214,500 (the "Management Fee") through Sumaq Exploration Corp ("Sumaq"). During the year ended December 31, 2022, the Company terminated the contract with Sumaq and as a result paid $273,488 in a lump sum payment as part of the termination.

During the year ended December 31, 2022, the Company incurred $334,453 (2021 –$190,593) respectively to Sumaq. As at December 31, 2022, $Nil (2021-$21,386) was owing to Sumaq.

In April 2022 the Company appointed a new CEO for an annual salary of $50,000. During the year ended December 31, 2022, the Company incurred $38,000 (2021 - $Nil) respectively as salary for the new CEO.

In April 2022 the Company appointed the Vice President - Exploration for an annual salary of $50,000. During the year ended December 31, 2022, the Company incurred $38,000 (2021 - $Nil) respectively as salary for the Vice President - Exploration.

In April 2022 the Company appointed the Vice President - Corporate Development for an annual salary of $50,000. During the year ended December 31, 2022, the Company incurred $38,000 (2021 - $Nil) respectively as salary for the Vice President – Corporate Development.

Avisar Everyday Solutions Ltd.

Avisar Everyday Solutions Ltd. ("Avisar") (a company where the CFO of the Company effective August 1, 2020, is a founder) provides bookkeeping, treasury, and financial reporting services to the Company. During the year ended December 31, 2022, the Company incurred $72,000 (2021 – $85,650) respectively of fees to Avisar. As at December 31, 2022, $6,300 (2021-$6,300) was owing to Avisar.

Gordon J. Fretwell Law Corporation

Gordon J. Fretwell Law Corp., an entity where a director of the Company is a principal, provides legal services to the Company. During the year ended December 31, 2022, the Company incurred $10,627 (2021 - $18,058) respectively to Gordon J. Fretwell Law Corp. As at December 31, 2022, $Nil (2021-$Nil) was owing to the entity.

b) **Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel are the Company's executive management team and members of the Board of Directors.

Key management personnel compensation comprised share-based compensation related to the fair value of the stock options granted to these key management personal and its recognition in these consolidated financial statements on a graded vesting basis. During the year ended December 31, 2022, share-based compensation for the key management personnel amounted to $160,212 (2021 - $175,143).

OUTSTANDING SHARES

As at the date of this MD&A, the Company has 76,591,960 common shares outstanding. The Company also has 5,162,500 incentive stock options outstanding at a weighted average exercisable price of $0.28 per share, 4,112,500 exercisable at weighted average exercisable price of $0.32 per share.

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Management's key estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates and Judgments

Significant assumptions relate to the following:

i. *Share-based compensation:* The Company provides compensation benefits to employees, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility and has been based upon other public listed mineral exploration companies as the Company's shares are not public listed. Historical data is utilized to estimate option exercises and forfeiture behaviour with the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

ii. *Impairment of mineral properties:* The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of potential impairment indicators include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

iii. *Lease obligations:* The Company has recognized obligations for its office leases in Peru. The recognition of such lease obligations requires the Company to estimate the term of the leases and the Company's incremental borrowing rate.

FINANCIAL INSTRUMENTS

Fair Value

The Company's financial instruments as at December 31, 2022 consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

The Company's cash and cash equivalents are held in large Canadian and Peruvian financial institutions. The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates involving the Canadian dollar or Peruvian Sol.

Management of Capital

The Company's capital management objectives are to safeguard the Company's ability to support the Company's development and exploration of its mineral properties and support any expansion plans. The capital of the Company consists of items included in its shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets.

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the sufficient liquidity to meet its objectives. The Company may issue new shares or seek debt to ensure that there is sufficient working capital to meet its short-term business requirements.

There were no changes to the Company's approach to capital management during the year ended December 31, 2022.

Management of Financial Risk

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

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, and receivables. The Company's credit exposure is limited to the carrying amount of these financial assets.

The Company's cash and cash equivalents are held by high-credit-rated financial institutions and, as such, the Company does not believe there to be a significant credit risk.

The Company's concentration of credit risk and maximum exposure is as follows:

	December 31, 2022 $	December 31, 2021 $
Cash at Canadian financial institutions	1,389,401	2,797,908
Cash at Peruvian financial institutions	37,927	72,350
Total	1,427,328	2,870,758

b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

(i) *Foreign currency risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operations and financial results. The Company operates in Canada and Peru. The Company funds the subsidiary in US dollars and a portion of its expenditures are incurred in Peruvian nuevo soles. The risk is that there could be a significant change in the exchange rate of the Canadian dollar relative to the US dollar and the Peruvian nuevo sol. The Company has not hedged its exposure to currency fluctuations.

(ii) *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Its interest rate risk is limited to potential decreases on the interest rate offered for cash held with chartered Canadian financial institutions. The Company considers the risk to be immaterial.

(iii) *Commodity price risk*

Commodity risk is the exposure to fluctuations in the market price of commodities. The Company does not have any commodity exposure.

(iv) *Equity price risk*

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company does not have any equity investments.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The key success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's policy is to ensure that it will have sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the period ended December 31, 2022, and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at www.sedar.com.

Approval

The Audit Committee of Pucara has approved the disclosure contained in this MD&A.