



# FARADAY COPPER

**Faraday Copper Corp.**

**Management Discussion and Analysis**

For the three months ended March 31, 2024 and 2023

Dated: May 2, 2024



## **REPORTING PERIOD AND EFFECTIVE DATE**

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Faraday Copper Corp. (the "Company" or "Faraday") and its subsidiaries should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2024 and 2023 (the "Financial Statements"), which are prepared in accordance International Accounting Standard 34, Interim Financial Reporting. Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been condensed or omitted, and accordingly, these Interim Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022 ("Annual Financial Statements"), as some disclosures from the Annual Financial Statements have been condensed or omitted.

In this MD&A, unless the context otherwise dictates, a reference to "us", "we", "our", or similar terms refers to the Company. For further information on the Company, reference should be made to its public filings on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). All dollar amounts are in Canadian dollars, the presentation currency of the Company, except where otherwise noted. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements. All references to "\$", "CAD" and "dollars" refer to Canadian dollars, "US\$" and "USD" refers to United States dollars. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively.

## **DESCRIPTION OF BUSINESS**

Faraday was incorporated on October 21, 2014 under the Business Corporations Act (British Columbia). The Company's registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Company's head office and principal address is located at 250 - 200 Burrard St., Vancouver, British Columbia, V6C 3L6. The Company's shares are traded on the Toronto Stock Exchange and OTCQX under the symbol "FDY" and "CPPKF", respectively, and its principal business is the acquisition and development of resource properties.

### ***Company Strategy***

To create value through the technical advancement and economic viability of our copper projects by:

- Demonstrating leading health, safety, and environmental performance;
- Advancing and optimizing the Company's flagship asset, the Copper Creek Project; and
- Driving awareness and reputation through stakeholder engagements.



### ***Highlights to Date***

- Announced approval from the Bureau of Land Management for Notice of Intent to conduct drilling at the Copper Creek Project, on May 2, 2024.
- Reported 117.00 metres (“m”) at 0.40% copper near surface, including 23.37 m at 0.60% copper at Old Reliable and Drilling Success continuing at Area 51 on April 10, 2024.
- Reported positive metallurgical results for the Copper Creek Project on February 26, 2024.
- Reported 163.11 m at 0.85% Copper within 380.60 m at 0.62% Copper in the American Eagle Area of the Copper Creek Project on February 21, 2024.
- Reported new mineralized breccias (Starship and Eclipse) 800 metres southeast of the existing Mineral Resource at the Copper Creek Project on January 16, 2024 and March 4, 2024, respectively.
- Announced results for the Copper Creek Project drill programs on April 10, 2024, March 4, 2024, February 21, 2024, and January 16, 2024.
- Continued baseline environmental data collection, stakeholder mapping, and generative exploration targeting at the Copper Creek Project to provide a pipeline of future targets through ongoing geological mapping and recently reprocessed and newly acquired geophysical data.

### ***Upcoming Copper Creek Project Milestones***

- Ongoing results from the gold assaying program of historical drill core
- Ongoing results from the Phase III drill program

### ***Share Capital Transactions***

During the three months ended March 31, 2024, the Company had the following share capital transactions:

- The Company issued an aggregate of 18,600 common shares net of withholding tax in settlement of 40,000 RSUs. The total grant date fair value of the vested RSUs was \$28,800. A total of 21,400 common shares were withheld in lieu of withholding taxes in the amount of \$10,486. The fair value of common shares issued was \$13,392.

### **QUALIFIED PERSONS**

The scientific and technical information contained in this MD&A has been reviewed and approved by Thomas Bissig, P. Geo, VP Exploration and Zach Allwright, P. Eng., VP Projects and Evaluations, both a “Qualified Person” as defined under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”). Both have verified the data contained herein (where possible) which included a review of the sampling analytical and test methods underlying the data, information and opinions disclosed herein.



## **RESOURCE PROPERTIES**

As at March 31, 2024, the Company had two resource properties in the United States:

### ***Copper Creek Project***

The project is a 100% owned, large copper deposit, located ~80 road km northeast of Tucson, Arizona, and ~19 km northeast of San Manuel, Arizona. The resource area is ~3 km in length and is open in all directions. The property consists of ~73 square km of private land, patented and un-patented mining claims, and state prospecting permits. In addition, the Company controls ~26,000 acres of grazing leases which partially overlap with the claims and permits. The property locates within a historic mining district and politically stable jurisdiction with extensive infrastructure including power, rail, roads, and access to skilled personnel.

The property is in the heart of the prolific southwestern porphyry copper region of North America at the projected intersection of a major northwest belt of copper deposits (Ray, Miami/Globe, Superior/Resolution, Johnson Camp) and a major east-northeast belt of deposits (San Manuel/Kalamazoo, Silver Bell, Lakeshore, Safford, Morenci).

The property hosts an Early Halo vein style porphyry copper deposit with high-grade, near-surface, breccia-hosted mineralization. Both mineralization types include historical copper/molybdenum mineral resources prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards. Silver and gold are present in varying amounts associated with both types of mineralization.

On May 3, 2023, the Company announced the updated MRE (Table 3 & 4) and PEA (Table 1 & 2) for the project, with a technical report titled “Copper Creek Project NI 43-101 Technical Report and Preliminary Economic Assessment” filed on SEDAR+ on June 13, 2023.

The learnings from the geological and structural model and the results from the Phase I and Phase II drill programs, along with the recently acquired geophysical and air-borne spectral data sets, and economic criteria defined in the PEA base case, have contributed to the framework for the Phase III drill program, which commenced in the fourth quarter of 2023. The focus of Phase III drilling will be on expanding the mineral resource, improved delineation of high-grade mineralized zones, and reconnaissance drilling on new targets.

With extensive historical exploration, over 200,000 metres of drilling and modest past production, significant exploration upside remains. There are several hundred known breccia occurrences mapped at surface, of which less than 40 have been drilled and 17 are included in the MRE.

In the Phase II drill program gold assay results confirmed the potential for gold to occur in economic concentrations in certain phases of the mineralization. Gold is not currently included in the MRE. A sampling program is underway to gather sufficient data coverage for potential gold inclusion in future technical studies. The results from the Childs Aldwinkle and Copper Prince breccias have been returned. The Company is continuing the re-assaying of historical material for potential inclusion of gold in future mineral resource updates. Additional areas are expected to include the Pole breccia and the Keel underground zone, with the Company continuing to evaluate other potential areas.

The Company has reported results from a metallurgical program focused on grind size optimization that demonstrated the viability of coarse particle flotation, gold recoveries in concentrate and test work on near surface mineralization.

The Company is focusing on exploration at the property while continuing to advance technical studies, environmental data gathering, and stakeholder outreach.

### ***Contact Copper Project***

The project is a 100% owned, copper oxide project located in Elko County, Nevada. The project is located west of the town of Contact, Nevada. U.S. Highway 93 traverses the east side of the project along with a 138 KV transmission line, between the towns of Wells and Jackpot, Nevada. The property consists of approximately 2,650 acres in 155 patented claims and 3,285 acres in 219 unpatented claims.

Copper mineralization occurs as an intrusive-related deposit within a granodiorite batholith and is observed in quartz veins within structural zones and in the surrounding intrusion. The copper content is highest in the quartz veins, particularly where chalcocite is present, but grades outward into granodiorite where copper minerals occur in quartz veinlets, fracture coatings and disseminations. Mineralization is in the form of tenorite, chrysocolla and cuprite, and lesser chalcocite and covellite. In addition, skarn mineralization potential exists at the contact of the granodiorite to the Paleozoic sedimentary rocks.

The historical MRE and technical study were published in a technical report titled “NI 43-101 Pre-Feasibility Study on the Contact Copper Project” prepared for Enxco International Ltd. by Hard Rock Consultants LLC, published October 1, 2013.



There is expected to be exploration upside with several targets that have not been drill tested including Copper Ridge, which features oxide copper mineralization with grab samples containing up to 12.4% copper.

Currently, the Company has made a strategic decision to focus on advancement of the Copper Creek Project.

## USE OF PROCEEDS

On February 14, 2023, the Company closed a bought deal financing and issued 49,999,700 common shares at a price of \$0.80 per share for gross proceeds of \$39,999,760 (the "Offering").

The Company intends to use the gross proceeds from the Offering to advance the Company's Copper Creek project, as well as for general working capital purposes, as estimated below.

	<b>February 14, 2023</b>
Total proceeds	\$ 39,999,760
<b>Expected allocation of net proceeds:</b>	
Underwriter fees and expenses	1,749,988
Ranch acquisition*	13,350,000
Advancement of the Copper Creek Project*	19,899,772
General working capital expenses	5,000,000

*Notes:*

\* Compared to amounts previously disclosed in the Management Discussion and Analysis for the year ended December 31, 2022, the expected allocation of net proceeds related to the Ranch acquisition has increased by \$350,000 to reflect final amounts incurred, with a corresponding decrease of \$350,000 related to the Advancement of the Copper Creek Project.

Considering the current uncertainty as to the general market and competitive conditions, the Company continues to maintain its fiscally responsible approach to its mineral exploration activities. In particular, the Company continues to evaluate market conditions on an ongoing basis, with the goal of, among other things: (i) identifying the appropriate time to initiate certain business objectives, and (ii) exploring potential alternative, viable opportunities to further develop and expand the Company's business.

As such, the Company notes that there may be circumstances where, for sound business reasons, the Company may be required to reallocate funds, including due to demands for shifting focus or investment in mining exploration and/or development activities, requirements for accelerating, increasing, reducing, or eliminating initiatives in response to changes in market, regulations and/or developments in the mining sector generally and in the price of copper, unexpected setbacks, and strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other opportunities.



## SUMMARY OF QUARTERLY RESULTS

All the Company's resource properties are in the exploration stage. The Company has not had revenue from inception and does not expect to have revenue in the near future. The Company's operating results are not seasonal in nature and have been mainly related to the amount of exploration activities in each quarter. The Company's quarterly performance in the latest eight quarters is as follows:

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
	\$	\$	\$	\$
Net loss	5,499,835	5,284,930	2,550,024	5,497,051
Loss per share	0.03	0.03	0.01	0.03

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	\$	\$	\$	\$
Net loss	7,167,959	5,211,558	5,490,614	6,603,853
Loss per share	0.05	0.04	0.04	0.06

### Loss per Share - Basic and Diluted

The Company's quarterly historical results are not subject to seasonality. The loss during the quarter ended March 31, 2024, was consistent with Q4 2023, as the Company is actively conducting exploration drilling activities through its Phase III drill campaign.

### Performance Summary

	Note	Q1 2024	Q1 2023
<b>Operating expenses</b>			
Amortization		49,697	27,720
Consulting and management fees	(a)	28,002	181,000
Exploration and evaluation expenses	(b)	4,464,210	5,239,030
General and administration	(c)	695,542	880,029
Professional fees		78,597	146,420
Promotion and investor relations		30,929	84,008
Share-based compensation	(d)	269,617	690,083
Travel		19,699	97,213
<b>Total operating expenses</b>		<b>5,636,293</b>	<b>7,345,503</b>
Foreign exchange gain		(65,002)	-
Interest income		(71,456)	(177,544)
<b>Loss for the period</b>		<b>5,499,835</b>	<b>7,167,959</b>

- Consulting and management fees are lower during Q1 2024, primarily due to advisory fees in the prior year associated with the Company's financing and corporate strategy.
- Exploration and evaluation expenses are lower during Q1 2024, primarily due to costs associated with the PEA in the prior year, lower legal costs, favorable foreign exchange rates, offset partly by increased Environmental, Social, and governance spending.
- General and administration costs are lower during Q1 2024, primarily due to lower listing and filing fees associated with the Company's financing during 2023.
- Share-based compensation expenses are lower during Q1 2024, primarily due to Company's share price driven by the RSUs as opposed to previously driven by options, which is valued on issue and amortized over the vesting period.



## SOURCES AND USES OF CASH

During the three months ended March 31, 2024, cash used in operating activities was \$5,767,179 (2023 - \$7,922,544), cash used in investing activities was \$393,496 (2023 - \$13,538,439), and cash used in financing activities was \$10,486 (2023 - cash provided \$39,174,354).

Cash used in investing activities was primarily related to the purchase of land at the Copper Creek Project.

## LIQUIDITY, CAPITAL RESOURCES, AND GOING CONCERN

The Company is a resource exploration stage company and does not generate any revenue and has been mainly relying on equity-based financing to fund its operations. As at March 31, 2024, the Company had cash and cash equivalents of \$8,754,699 (December 31, 2023 - \$14,901,206) and current assets less current liabilities of \$7,233,935 (December 31, 2023 - \$12,793,784). The Company will need to raise additional funding to finance its day-to-day operations and to enable the Company to achieve its long-term business objectives. On February 14, 2023, the Company completed an equity-based financing for net proceeds of \$38,437,854, which included share issuance costs of \$1,561,906 to fund its operations.

The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements, or a combination thereof to meet its administrative costs and to continue to explore and develop its resource properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. As such, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## RELATED PARTY TRANSACTIONS

### Key Management Personnel

During the three months ended March 31, 2024 and 2023, the Company incurred the following transactions with key management personnel, including the Chief Executive Officer, Chief Financial Officer, Vice President Studies & Evaluations, and Vice President of Exploration; as well as the directors of the Company.

A summary of the Company's related party transactions is as follows:

	2024	2023
	\$	\$
Consulting and Management fees	3,373	-
Director fees	56,250	42,000
Salaries and other compensation	1,180,958	440,975
Share-based payments	208,787	434,712
	<b>1,449,368</b>	<b>917,687</b>

As at March 31, 2024, amount due to related parties comprised of amounts owed to key management members and directors totaling \$213,858 (December 31, 2023 - \$748,571). Due to related parties has the same terms as the Company's accounts payable and accrued liabilities, which is unsecured and non-interest-bearing and with no specific terms of repayment.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 2024 or at the date of this MD&A.

## PROPOSED TRANSACTIONS

The Company has no undisclosed proposed transactions as at March 31, 2024 or at the date of this MD&A.



## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate, and liquidity risks. The Company may, or may not, establish from time-to-time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale, and pattern of cash flow of its operations would warrant such hedging activities. There was no change in the management of the financial risks compared to the recent period ended March 31, 2024.

### Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in major financial institutions. As at March 31, 2024, the Company had cash equivalents of \$7,724,498 in term deposits (December 31, 2023 - \$11,832,227) that are redeemable within 365 days and bear interest up to 5.9% (December 31, 2023 - 5.9%). Interest income on term deposits during the three months ended March 31, 2024 was \$71,456 (2023 - \$177,544).

### Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties. The Company's accounts payable and accrued liabilities and is due within 60 days of March 31, 2024 and due to related parties has no specific terms of repayment.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

### Interest rate risk

Interest rate risk is the risk that the Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of March 31, 2024, the Company did not have debt instruments exposed to variable interest rate. The risk is not significant.

### Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

A summary of the Company's financial assets and liabilities that are denominated in US dollars is as follows:

	March 31, 2024		December 31, 2023	
	US\$	\$	US\$	\$
Cash	1,139,184	1,543,594	2,017,746	2,668,671
Accounts payable and accrued liabilities	(997,135)	(1,351,118)	(1,039,971)	(1,375,465)
	142,049	192,476	977,775	1,293,206

As at March 31, 2024, a 5% change in the US dollar against the Canadian dollar would result in a \$9,624 impact to the Company.





## **FINANCIAL INSTRUMENTS**

Financial assets and liabilities that are recognized on the statement of financial position at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

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 (that is, as prices) or indirectly (that is, derived from prices); and

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

The Company's financial instruments consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and due to related parties, which are classified as financial assets and liabilities held at amortized cost, respectively. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

## **OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company has outstanding 176,585,575 common shares, 4,938,538 restricted stock units, 12,500,000 warrants and 11,439,000 stock options.

## **RISK FACTORS**

The principal activity of the Company is mineral exploration which is inherently risky. There is intensive government legislation from state, provincial, federal, municipal and aboriginal governments, surrounding the exploration for and production of minerals from our and any mining operations. Exploration and development is also capital intensive and the Company currently has no source of income. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks, and therefore constitute one of the main assets of the Company.

The Company has its cash deposited with a large, federally insured, commercial bank which it believes to be creditworthy.

For additional discussion of risk factors, please refer to the Company's annual information form for the year ended December 31, 2023, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company's website at [www.faradaycopper.com](http://www.faradaycopper.com).

## **NON-IFRS ACCOUNTING STANDARDS AND OTHER FINANCIAL MEASURES**

This MD&A makes reference to certain financial measures, including non-IFRS Accounting Standards measures that are forward-looking, non-GAAP ratios and supplementary financial measures. Management uses these financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS Accounting Standards, do not have a standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS Accounting Standards measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS Accounting Standards.



## **FORWARD LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute “forward-looking statements”. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be relied upon. In particular this MD&A contains forward looking statements pertaining to the expected mine life for Copper Creek, the expected production during active mining, the expected construction timing, the low operating cost profile, the expected high-performance metallurgical recoveries, the anticipated exploration upside and the intended use of proceeds from the Company’s private placement offering. These statements speak only as of the date of this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- permitting and licensing risks;
- public health risks;
- negative cash flow;
- liquidity and financing risks;
- funding risk;
- exploration costs;
- uninsurable risks;
- conflicts of interest;
- government policy changes;
- ownership risks;
- community relations;
- market conditions;
- stress in the global economy;
- current global financial condition;
- exchange rate and currency risks;
- commodity prices;
- dilution risk;
- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper or other mineral commodities under exploration;
- the availability of financing for the Company’s exploration and development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- The accuracy of our resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section “Risk Factors”. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors discussed in the section. The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.