2022 YEAR END REPORT

Management's Discussion and Analysis
and
Consolidated Financial Statements

For the Twelve Months ended December 31, 2022
(AUDITED)

FILO MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022
(Amounts in Canadian Dollars unless otherwise indicated)

This management's discussion and analysis ("MD&A") of Filo Mining Corp. ("Filo Mining" or the "Company") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The effective date of this MD&A is March 17, 2023. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.filo-mining.com.

The Company's common shares trade on the Toronto Stock Exchange under the symbol "FIL", the NASDAQ First North Growth Market under the symbol "FIL" and on the OTCQX under the symbol "FLMMF".

The Company announced a proposed name change to "Filo Corp." to better align with the Company's strategic vision and plans to seek shareholder approval for the name change at its upcoming annual shareholder meeting. If approved by shareholders, the name change is also subject to TSX approval.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

CORE BUSINESS AND STRATEGY

Filo Mining is a mineral exploration company, focused on its 100% controlled Filo del Sol project ("Filo del Sol" or the "Filo del Sol Project"), which is comprised of two adjacent land holdings: the Filo del Sol property located in San Juan Province, Argentina, and the Tamberias property, located in Region III, Chile. The Filo del Sol Project is located between the prolific Maricunga and El Indio gold belts, two major mineralized trends that contain such deposits as Caspiche, La Coipa, Veladero, and El Indio. The region is an established mining jurisdiction and hosts a number of large-scale mining operations. The project area is covered under the Mining Integration and Complementation Treaty between Chile and Argentina, which provides the framework for the development of cross border mining projects.

Drilling continues to demonstrate the significant exploration potential of the Filo del Sol Project, intersecting long intervals of copper, gold and silver mineralization. The Company has a strong management team and board with extensive experience in the resource sector, particularly in Chile and Argentina. The board and management team have an appropriate mix of geological, engineering, financial, and business skills to advance the Company's projects and to generate value for its shareholders.

The Company's strategy is to create value for its shareholders by expanding and increasing the confidence in and continuity of the resources and reserves at the Filo del Sol Project through further exploration, and by advancing engineering and other studies that are required to prepare the Filo del Sol Project for eventual development.

2022 HIGHLIGHTS

- $82.5 million in exploration and project investigation costs incurred, yielding multiple successful holes highlighted by:
    - Discovering what is interpreted to be a new porphyry centre along the broader Filo trend, now named the "Bonita Zone". The Bonita discovery supports the interpretation that Filo del Sol hosts a multikilometer, northeast-trending alignment of overlapping porphyry-centered hydrothermal systems which is open to expansion both to the south and to the north. The Bonita Zone is evidence of the untapped exploration potential that still exists at Filo del Sol despite the significant mineral discoveries made to date;
    - Drilling the highest grade silver intersection on the project to date in hole FSDH055A which intersected 64m at 1,214 g/t silver;

- Extending the high-grade Breccia 41 Zone with new intersections in holes FSDH055C (126m @ 5.02% CuEq (2.12% Cu, 1.69 g/t Au, 188.7 g/t Ag)) and FSDH057 (289m @ 2.0% CuEq (1.18% Cu, 0.68 g/t Au, 36.0 g/t Ag));
- Continued drilling of a combination of larger step-out holes to try to find the edges of the mineralized system, along with step-out and infill holes to further define the size of the remarkable Aurora Zone;
- Both the Aurora Zone and Breccia 41 remain open to expansion in several directions and drilling to further define them is ongoing;

- Pace of exploration accelerated with drilling rig count on site increasing from 6 at the beginning of the year to 9 currently;
- The first year in which drilling, and field operations continued year-round, through the South American winter;
- Funding secured via $100 million strategic investment by BHP Western Mining Resources International Pty Ltd ("BHP"), resulting in BHP owning approximately 5% of the Company;
- Added to the S&P/TSX Composite Index - the headline index for Canada, represented by the largest companies on the TSX, and is the principal benchmark measure for the Canadian equity markets;
- Added to the VanEck Junior Gold Miners ETF, recognizing the significant precious metals content at Filo del Sol, as well as the continued growth in our market capitalization and trading liquidity; and
- Entered 2023 with a strong balance sheet including cash of $74.9 million and working capital of $60.3 million.

FOURTH QUARTER 2022 HIGHLIGHTS (DRILLING AND ASSAY RESULTS)

During and subsequent to the end of the fourth quarter of 2022, the Company announced the following results from the ongoing drill program:

- **FSDH067**, an infill hole in the Aurora Zone, intersected 1,131.6m at 1.11% CuEq from a depth of 132m, including 4m at 1.54% Cu, 12.08 g/t Au and 20.5 g/t Ag from 202m and 36m at 0.76% Cu, 0.71 g/t Au and 123.2 g/t Ag from 248m. The hole ended in strong mineralization at a depth of 1,263.6m;
- **FSDH062** intersected 1,313.2m at 0.65% CuEq from a depth of 134m, including 520.4m at 0.82% CuEq from 400m. The hole ended in strong mineralization at a depth of 1,447.2m due to rig capacity. The hole was collared at the eastern edge of the current mineral resource of the Aurora Zone and is entirely outside it;
- **FSDH064** intersected 1,356.0m at 1.09% CuEq from a depth of 44m, including 79.0m at 182.6 g/t Ag from 306.0m and 424.0m at 1.54% CuEq from 536.0m. The hole ended in mineralization at a depth of 1,400.0m. The hole is an Aurora Zone infill hole, filling a 300m gap between previously drilled holes. It tested an area which has particularly high-grade mineralization in the shallow, oxidized part of the deposit. The intersected silver zone correlates well with adjacent holes, although the silver zone here is thicker and higher-grade than expected. The porphyry interval in this hole also correlates well with adjacent holes;
- **FSDH070A** an infill hole in the Aurora Zone intersected 1,056.5m at 0.86% CuEq from a depth of 282m, including 670.4m at 0.97% CuEq from 369.7m. The hole ended in strong mineralization at a depth of 1,338.5m due to rig capacity;
- **FSDH071** an infill hole in the Aurora Zone intersected 1,028.0m at 1.16% CuEq from a depth of 292m, including 172.0m at 2.14% CuEq from 408.0m and 237.5m at 1.49% CuEq from 776.0m. The hole ended in mineralization at a depth of 1,320m due to rig capacity. The entire hole is outside of the resource pit shell;
- **FSDH068A** intersected 1,776.0m at 0.70% CuEq from a depth of 18.0m, including 1,120.0m at 0.92% CuEq from 394.0m and 724.2m at 1.08% CuEq from 574.0m. The hole was planned to test for the eastern and depth extension of the high-grade Breccia 41 Zone intersected in three holes drilled on this same section. The hole is entirely outside of the resource pit shell;
- **FSDH069A** intersected 1,296.5m at 1.00% CuEq from a depth of 138.0m, including 31m at 127.0 g/t Ag from 404.0m in the Silver Zone, 598.0m at 1.51% CuEq from 498.0m and 94.0m at 3.01% CuEq from

792.0m. The hole ended in strong mineralization at a depth of 1,434.5m due to rig capacity. The hole is entirely outside of the resource pit shell;

- **FSDH074** intersected 1,022.0m at 0.66% CuEq from a depth of 278.0m, including 516.0m at 0.79% CuEq from 644.0m and 252.0m at 0.85% CuEq from 840.0m. The hole was collared on Section 9200N, 200m east of FSDH068A and 400m east of FSDH041. The hole was stopped in porphyry mineralization at 1,509.0m. The hole is entirely outside of the resource pit shell; and
- **FSDH077** intersected 2.0m at 10.35 g/t Au from a depth of 192.0m plus 516.2m at 0.20% CuEq from 404.0m. The hole was collared on Section 6000N and is the first hole into the new Flamenco target and there are no holes within 500m of it. The hole was stopped at 920.2m.

2022 ASSAY RESULTS

Assay results received by the Company during and subsequent to 2022 are summarized in the following table:

Hole-ID	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq[1] (%)
FSDH054	146.0	1,369.5	1,223.5	0.71	0.54	18.0	1.26
incl.	435.9	442.0	6.1	0.59	0.24	127.5	1.89
incl.	498.0	1,090.0	592.0	1.15	0.84	31.9	2.04
incl.	830.0	1,001.5	171.5	1.51	1.42	75.9	3.22
FSDH055A	362.0	426.0	64.0	0.01	0.49	1,213.8	
incl.	374.4	402.0	27.6	0.01	0.50	2,439.2	
incl.	380.0	388.0	8.0	0.01	0.45	5,280.0	
FSDH055B	366.0	428.0	62.0	0.01	0.61	280.5	
FSDH055C	150.0	1,487.5	1,337.5	0.66	0.54	31.5	1.33
incl.	418.0	504.0	86.0	0.07	0.43	109.2	
and incl.	540.0	1,076.0	536.0	1.25	0.95	56.1	2.44
incl.	728.0	854.0	126.0	2.12	1.69	188.7	5.02
incl.	728.0	752.0	24.0	5.08	4.88	530.2	13.30
incl.	742.0	750.6	8.6	7.08	8.16	820.4	20.25
FSDH056	168.0	670.2	502.2	0.50	0.40	11.4	0.89
incl.	388.0	670.2	282.2	0.68	0.39	17.9	1.13
and incl.	420.0	432.5	12.5	0.39	0.93	135.8	
FSDH057	136.0	787.1	651.1	0.63	0.37	25.6	1.12
incl.	404.0	432.0	28.0	0.01	0.19	109.9	
incl.	498.0	787.1	289.1	1.18	0.68	36.0	2.00
and incl.	776.0	787.1	11.1	9.11	8.87	230.4	17.60
FSDH058	100.0	1,351.5	1,251.5	0.56	0.41	6.6	0.91
incl.	232.0	238.0	6.0	0.24	0.24	398.3	
incl.	500.0	1,004.0	504.0	0.77	0.54	7.4	1.23
incl.	600.0	910.0	310.0	0.87	0.62	8.2	1.40
FSDH059	124.0	311.5	187.5	0.13	0.19	6.2	0.33
incl.	304.0	311.5	7.5	0.00	0.08	49.7	
FSDH060	332.0	1,070.0	738.0	0.39	0.14	1.9	0.51
incl.	620.0	1,070.0	450.0	0.47	0.14	1.8	0.59
incl.	620.0	942.0	322.0	0.50	0.16	1.8	0.63
FSDH061	392.0	1,093.2	701.2	0.81	0.33	9.1	1.13
incl.	508.0	914.0	406.0	0.97	0.40	11.1	1.36
FSDH062	134.0	1,447.2	1,313.2	0.40	0.29	4.5	0.65
incl.	400.0	920.4	520.4	0.51	0.35	6.4	0.82

Hole-ID	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq[1] (%)
FSDH063	16.0	860.2	844.2	0.29	0.25	6.5	0.53
incl.	16.0	548.0	532.0	0.35	0.32	9.0	0.66
incl.	16.0	158.0	142.0	0.36	0.26	18.1	0.71
incl.	436.0	548.0	112.0	0.42	0.42	15.0	0.86
FSDH064	44.0	1,400.0	1,356.0	0.58	0.53	14.4	1.09
incl.	306.0	385.0	79.0	0.73	0.90	182.6	3.00
incl.	536.0	960.0	424.0	0.86	0.84	7.8	1.54
FSDH067	132.0	1,263.6	1,131.6	0.62	0.53	11.9	1.11
incl.	160.0	480.0	320.0	0.66	0.73	29.9	1.45
incl.	202.0	206.0	4.0	1.54	12.08	20.5	10.52
incl.	248.0	284.0	36.0	0.76	0.71	123.2	2.36
FSDH068A	18.0	1,794.0	1,776.0	0.45	0.30	4.0	0.70
incl.	54.0	94.0	40.0	0.65	0.92	8.1	1.39
incl.	394.0	1,514.0	1,120.0	0.59	0.38	5.3	0.92
incl.	574.0	1,298.2	724.2	0.69	0.45	6.8	1.08
FSDH069A	138.0	1,434.5	1,296.5	0.60	0.38	13.9	1.00
incl.	404.0	435.0	31.0	0.00	0.27	127.0	
and incl.	498.0	1,096.0	598.0	0.92	0.57	19.3	1.51
incl.	792.0	886.0	94.0	1.78	1.37	26.3	3.01
FSDH070A	282.0	1,338.5	1,056.5	0.54	0.38	4.0	0.86
incl.	369.7	1,040.0	670.4	0.63	0.41	5.3	0.97
incl.	540.0	712.0	172.0	0.75	0.47	5.9	1.15
FSDH071	292.0	1,320.0	1,028.0	0.78	0.47	6.7	1.16
incl.	408.0	580.0	172.0	1.44	0.82	12.6	2.14
incl.	514.0	574.0	60.0	2.18	1.64	16.9	3.53
incl.	776.0	1,013.5	237.5	1.04	0.68	6.0	1.49
FSDH074	278.0	1300.0	1022.0	0.49	0.19	4.4	0.66
incl	644.0	1160.0	516.0	0.61	0.21	3.2	0.79
incl	840.0	1092.0	252.0	0.65	0.23	3.6	0.85
FSDH077	192.0	194.0	2.0	0.05	10.35	0.5	
plus	404.0	920.2	516.2	0.11	0.11	0.9	0.20

As of the date of this MD&A, additional holes have been completed with assays pending, which include:

- **FSDH073** drilled to a final depth of 1,388m; and
- **FSDH079** drilled to a final depth of 846m.

Assay results for completed holes will be released as they are received, analyzed, and confirmed by the Company. Two additional holes, **FSDH065** (196m) and **FSDH066** (458m) were suspended earlier this year, prior to the winter weather, and will be deepened during the upcoming months.

PRE-FEASIBILITY STUDY UPDATE

The Company has completed an update to the pre-feasibility study ("PFS") on the Filo del Sol Project, with an effective date of February 28, 2023, which continued to demonstrate the project's robust economic potential. The PFS, which was based only on the oxide portion of the current Mineral Resource and used prices of US$3.65/lb copper, US$1,700/oz gold, and US$21/oz silver, yielded an after-tax net present value ("NPV") of US$1.3 billion at a discount rate of 8%, and generated an internal rate of return of 20%. Positive valuations were also maintained across a wide range of sensitivities on key assumptions.

The Company's most recent Mineral Resource and Mineral Reserve statement for the Filo del Sol Project is shown below. This Resource does not include any of the mineralization hosted in the Aurora, Breccia 41 or Bonita Zones and the Reserve only encompasses the oxide portion of the Resource.

Category	Tonnes (millions)	Cu (%)	Au (g/t)	Ag (g/t)	Lbs Cu (billions)	Oz Au (millions)	Oz Ag (millions)
Mineral Resource							
Indicated	432.6	0.33	0.33	11.5	3.2	4.6	160.4
Inferred	211.6	0.27	0.31	7.4	1.3	2.1	50.3
Mineral Reserve							
Proven	-	-	-	-	-	-	-
Probable	259.6	0.39	0.34	16.0	2.2	2.9	133.3

Mineral Resource

1) *The Mineral Resource estimate has an effective date of January 18, 2023.*
2) *The qualified person for the resource estimate is James N. Gray, P Geo. of Advantage Geoservices Ltd.*
3) *The mineral resources were estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves.*
4) *Sulphide copper equivalent (CuEq) assumes metallurgical recoveries of 84% for copper, 70% for gold and 77% for silver based on similar deposits, as no metallurgical testwork has been done on the sulphide mineralization, and metal prices of $4/lb copper, $1800/oz gold, $23/oz silver. The CuEq formula is: CuEq=Cu+Ag*0.0077+Au*0.5469.*
5) *All figures are rounded to reflect the relative accuracy of the estimate.*
6) *Mineral resources are not mineral reserves and do not have demonstrated economic viability.*
7) *The resource was constrained by a Whittle® pit shell using the following parameters: Cu $4/lb, Ag $23/oz, Au $1800/oz, slope of 29° to 45°, a mining cost of $2.72/t and an average process cost of $9.86/t.*
8) *Cut-off grades are 0.2 g/t Au for the AuOx material, 0.15% CuEq for the CuAuOx material and 20 g/t Ag for the Ag material. These three mineralization types have been amalgamated in the oxide total above. CuAuOx copper equivalent (CuEq) assumes metallurgical recoveries of 77% for copper, 72% for gold and 71% for silver based on preliminary metallurgical testwork, and metal prices of $4/lb copper, $1800/oz gold, $23/oz silver. The CuEq formula is: CuEq=Cu+Ag*0.0077+Au*0.6136.*
9) *Mineral resources are inclusive of mineral reserves.*

Mineral Reserve

1) *The Mineral Reserve estimate has an effective date of February 28, 2023.*
2) *The qualified person for the estimate is Mr. Gordon Zurowski, P.Eng. of AGP Mining Consultants, Inc.*
3) *The mineral reserves were estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves.*
4) *The mineral reserves are supported by a mine plan, based on a pit design, guided by a Lerchs-Grossmann (LG) pit shell. Inputs to that process are metal prices of Cu $3.50/lb, Ag $20/oz, Au $1600/oz; mining cost average of $2.72/t; an average processing cost of $9.65/t; general and administration cost of $1.46/t processed; pit slope angles varying from 29 to 45 degrees, inclusive of geotechnical berms and ramp allowances; process recoveries were based on rock type. The average recoveries applied were 83% for Cu, 73% for Au and 80% for Ag, which exclude the adjustments for operational efficiency and copper recovered as precipitate which were included in the financial evaluation.*
5) *Dilution and mining loss adjustments were applied at ore/waste contacts using a mixing zone approach. The volumes of dilution gain and ore loss were equal, resulting reductions in grades of 1.0%, 1.3% and 1.0% for Cu, Au and Ag, respectively.*
6) *Ore/waste delineation was based on a net value per tonne (NVPT) cut-off of $4.5/t considering metal prices, recoveries, royalties, process and G&A costs as per LG shell parameters stated above, elevated above break-even cut-off to satisfy processing capacity constraints.*
7) *The life-of-mine stripping ratio in tonnes is 1.57:1.*
8) *All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.*

The Company's Mineral Resource estimate is inclusive of the Mineral Reserve estimate as set forth above.

The technical information relating to the PFS is described in a technical report titled "Filo del Sol Project NI 43-101 Technical Report, Updated Pre-feasibility Study" dated March 17, 2023, with an effective date of February 28, 2023 (the "Technical Report"). The Technical Report was prepared for Filo Mining by Ausenco Engineering Canada Inc. and is available for review under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.filo-mining.com.

OUTLOOK

Drilling continues to be the primary focus with nine drill rigs at site. As the summer drilling campaign continues, drilling is underway on new exploration targets outside of the Aurora and Breccia 41 Zones. Drilling will remain a mix of both large and small step-outs to the north and south of the Aurora Zone, as well as resource definition drilling within it. The Company continues to maintain a strong focus on improving drill productivity through a variety of initiatives, and is planning for year-around drilling and field operations.

Data collected from the current campaign will be used to develop a comprehensive geological model which will guide further exploration and form the basis of an eventual update to the Mineral Resource estimate. The Company will continue preliminary metallurgical testwork on the sulphide mineralization, as well as environmental and social baseline programs in support of future project permitting.

The Company's plans and timelines are subject to equipment and staff availability, along with being able to operate safely and effectively throughout the winter and in accordance with the Company's health and safety protocols.

BHP EXERCISES ANTI-DILUTIVE TOP-UP RIGHT TO MAINTAIN PRO RATA SHAREHOLDING

On February 7, 2023, the Company closed a non-brokered private placement to BHP Western Mining Resources International Pty Ltd, a wholly owned subsidiary of BHP Group Limited (collectively, "BHP"), whereby the Company issued 43,711 common shares to BHP for gross proceeds of C$1,084,907 (the "Anti-dilution Top-Up").

The Anti-dilution Top-Up was undertaken pursuant to the terms of the March 11, 2022 private placement (the "Private Placement"), whereby BHP was granted certain anti-dilutive rights, allowing BHP to top-up and maintain its pro rata ownership interest in the Company from time to time (see news releases dated February 28, 2022 and March 11, 2022).

RESULTS FROM OPERATIONS

Year ended December 31,		2022		2021		2020
Net loss (000's)	$	68,961	$	32,419	$	18,879
Total assets (000's)		85,964		30,660		47,663
Loss per share, basic and diluted	$	0.57	$	0.29	$	0.19

Filo Mining is an exploration company and, as such, its net losses are largely driven by its exploration and project investigation activities. There is no expectation of generating operating profits until it develops a commercially viable mineral deposit.

Increasing year end total assets is primarily driven by the Company's cash and cash equivalent balance, which increased to $74.9 million following BHP's $100 million private placement in March 2022.

Key financial results for the last eight quarters are provided in the table below.

Three Months Ended	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21
Exploration costs ($000's)	25,604	19,915	22,136	14,869	10,328	8,696	9,358	12,519
Operating loss ($000's)	28,608	26,238	23,666	17,013	12,037	11,835	10,041	13,268
Net loss ($000's)	21,008	20,040	13,513	14,400	8,053	9,142	4,793	10,431
Net loss per share, basic and diluted ($)	0.17	0.16	0.11	0.12	0.07	0.08	0.04	0.09

Costs increased during the three months and year ended December 31, 2022 with increased exploration activities being undertaken on a year-round basis. Other relevant factors, such as the financial position of the Company, other corporate initiatives, and the scope of planned exploration/project work, could affect the level of exploration activities, operating loss, and net loss in any particular period.

For the three months and year ended December 31, 2022 Filo Mining incurred net losses of $21.0 million and $69.0 million, respectively (2021 – $8.1 million and $32.4 million) including operating losses of $28.6 million and $95.5 million, respectively (2021 – $12.0 million and $47.0 million) and net gains of $8.4 million and $25.0 million, respectively, from the use of marketable securities (2021 – $4.7 million and $15.3 million). Exploration and project investigation costs are generally the most significant expenses for the Company and for the three months and year ended December 31, 2022, they accounted for approximately 90% and 86%, respectively, of the operating loss (2021 – 86% and 87%). The Company expenses its exploration costs through the consolidated statement of comprehensive loss, except for mineral property option payments and mineral property acquisition costs, which are capitalized.

Exploration and project investigation expenses for the three months and year ended December 31, 2022 were $25.6 million and $82.5 million, respectively, which increased relative to expenses of $10.3 million and $40.9 million incurred in the comparative periods in 2021. The period-over-period increase is primarily the result of larger drilling programs undertaken and, for the annual period in 2022, continuing drilling and field operations through the South American winter. By comparison, during the year ended December 31, 2021, the 2020/2021 drill campaign concluded in May 2021, with only winterization and maintenance of the field camp and access roads having taken place during the winter period. The Company drilled 18,629m during 2022 compared to 14,801m drilled in 2021. In addition, during the three months and year ended December 31, 2022, the Company opened and maintained the Chilean land access routes to the Filo del Sol Project, which was not opened in 2021, resulting in higher roadwork costs.

Detailed categories of exploration and project investigation expenses are provided in note 10 to the 2022 Financial Statements.

Excluding share-based compensation expense, general and administration costs for the three months and year ended December 31, 2022 totalled $1.4 million and $5.3 million, respectively (2021 – $1.2 million and $3.6 million). The increase is due primarily to higher general office and public company maintenance costs, such as stock exchange and regulatory fees and insurance costs. The increases in these costs are largely the result of the Company's graduation from the TSX Venture Exchange to the Toronto Stock Exchange, effective October 1, 2021 and the significant increase in the Company's market capitalization since early 2021. Salaries and benefits increased by $0.3 million and $0.8 million during the three months and year ended December 31, 2022, due primarily to executive and head office personnel additions.

Total share-based compensation expense for the three months and year ended December 31, 2022, was $2.0 million and $9.5 million, respectively (2021 – $0.7 million and $3.3 million). Share based compensation is a non-cash cost which reflects the amortization of the estimated fair value of share options over their vesting period. The fair value of share options is calculated using the Black-Scholes pricing model, which relies heavily on the Company's share price and historical share price volatility. Due to the material increase in the Company's share price and volatility since 2021, the calculated fair value of the Company's share options has increased considerably, resulting in a higher share option value and resultant share-based compensation expense being recognized. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of the Company's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

Interest income has increased to $0.8 million and $1.8 million for the three months and year ended December 31, 2022, respectively (2021 – $30,227 and $0.2 million), which is due to the significant increase in the Company's average cash balance following the $100 million private placement to BHP, combined with increases in the interest rates offered by the Canadian financial institutions with which the Company holds funds.

During the three months and year ended December 31, 2022, the Company recognized a net monetary loss of $0.1 million and gain of $478,705, respectively (2021 – loss of $87,458 and gain of $34,814) in relation to the application of hyperinflationary accounting for the Company's Argentinian subsidiary. The monetary gains recognized are the result of changes in the Argentinian price indices and changes to the Company's net monetary position during the year ended December 31, 2022. Further discussion regarding the application of hyperinflationary accounting has been provided in the note 4 to the 2022 Financial Statements.

From time to time, the Company acquires and transfers marketable securities as a mechanism to facilitate intragroup funding transfers between its Canadian headquarters and its Argentinian operating subsidiary. Accordingly, for the three months and year ended December 31, 2022, the Company recognized gains of $8.4 million and $25.0 million, respectively (2021 – $4.7 million and $15.3 million) on the use of marketable securities for the purposes of facilitating intragroup funding transfers, which represents the net benefit of having used this funding mechanism over traditional methods. The year-over-year increase is primarily the result of increased funds provided to the Argentinian subsidiary

Other foreign exchange for the three months and year ended December 31, 2022 totalled a loss of $0.2 million and a gain of $0.5 million, respectively (2021 – losses of $0.1 million $0.1 million), which increased relative to 2021 due to a larger average US dollar balance held by the Company and depreciation of the Canadian dollar, the Company's functional currency, relative to the US dollar from the time of when the US dollars were purchased and December 31, 2022.

In other comprehensive income, the Company reported foreign exchange translation gains of $0.6 million and $0.5 million for the three months and year ended December 31, 2022, respectively (2021 – losses of $0.2 million and $0.7 million) on translation of subsidiary company accounts from their respective functional currencies to the Canadian dollar presentation currency. The foreign exchange translation losses reported in the current periods are primarily the result of fluctuations of the Canadian dollar relative to the Chilean peso over the respective periods. For the three months and year ended December 31, 2022, the impact of hyperinflation amounted to gains of $0.4 million and $0.8 million, respectively (2021 – $0.1 million and $0.3 million) and consist of adjustments recognized on the continuing inflation of opening non-monetary balances during the year and the ongoing translation of the Company's Argentinian subsidiary into the Canadian dollar presentation currency.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, the Company had cash and cash equivalents of $74.9 million and net working capital of $60.3 million, compared to cash of $19.4 million and net working capital of $13.1 million as at December 31, 2021. The increase in the Company's cash and cash equivalents and net working capital is due primarily to the $100.0 million private placement to BHP and $4.8 million in gross proceeds received by the Company in relation to the exercise of stock options during 2022. These cash inflows have been offset by funds used in operations and for general corporate purposes, plus mineral property payments and amounts used in the acquisition of equipment and facilities for the Filo del Sol Project.

The Company will continue to deploy the majority of its treasury to fund ongoing advancement of the Filo del Sol Project, and to a lesser extent, for working capital and general corporate purposes.

The Company does not currently generate income from operations. The Company has sufficient working capital for the Company to fund operations for the near term. However, the Company will need further funding to support the advancement of the Filo del Sol Project towards development and to meet general corporate and working capital requirements. Historically, capital requirements have been funded through equity financing. While management is confident that additional sources of funding will be secured to fund potential future expenditures, factors that could affect the availability of financing include the progress and results of ongoing project exploration and evaluation activities at the Company's Filo del Sol Project, the state of international debt and equity markets, investor perceptions and expectations of the global copper, gold, and/or silver markets. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. During the year ended December 31, 2022, the Company engaged with Josemaria Resources Inc. ("Josemaria") and NGEx Minerals Ltd. ("NGEx Minerals"), which were related parties to the Company by way of directors, officers and shareholders in common. Josemaria ceased to be a related party of the Company as of April 28, 2022, following the acquisition of all of Josemaria's issued and outstanding common shares by Lundin Mining Corporation.

Related party services

The Company has an ongoing cost sharing arrangement with NGEx Minerals and, through April 28, 2022, Josemaria. Under the terms of these arrangements, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to NGEx Minerals and Josemaria, and vice versa. These transactions were incurred in the normal course of operations, and are summarized as follows:

		Year ended December 31,
	2022	**2021**
Management Services to NGEx Minerals	$ 902,414	$ 549,787
Management Services to Josemaria	42,374	281,813
Management Services from NGEx Minerals	(364,343)	(591,415)
Management Services from Josemaria	-	(99,869)

Related party balances

The amounts due from (to) related parties, and the components of the consolidated statement of financial position in which they are included, are as follows:

	Related Party	**December 31, 2022**	**December 31, 2021**
Receivables and other assets	NGEx Minerals	$ 186,449	$ 15,113
Receivables and other assets	Josemaria	-	46,678
Accounts payable and accrued liabilities	NGEx Minerals	(112,163)	(24,343)
Accounts payable and accrued liabilities	Josemaria	-	(1,667)

Camp usage agreement

On June 26, 2019, the Company, through a wholly-owned subsidiary, entered into a transaction with a wholly-owned subsidiary of Josemaria whereby the Company extended its right to use Josemaria's Batidero Camp in Argentina.

The agreement may be terminated with one year's prior notice by Josemaria, and in the absence of such notice the agreement may be renewed annually at the Company's election. On March 9, 2023, Filo Mining provided formal notice of renewal for the period through April 1, 2024.

Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

		Year ended December 31,
	2022	**2021**
Salaries	$ 1,346,667	$ 965,333
Short-term employee benefits	32,369	28,107
Directors' fees	233,056	162,004
Stock-based compensation	6,910,772	2,040,635
Incentive bonuses	1,165,000	1,030,000
	$ 9,687,864	**$ 4,226,079**

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant account policies are described in Note 3 the consolidated financial statements for year ended December 31, 2022, as filed on SEDAR at www.sedar.com.

New Accounting Pronouncements

The IASB and/or the IFRS Interpretations Committee have issued new standards, amendments, or interpretations to existing standards, which were not yet in effect or did not apply to the Company as at December 31, 2022, such as:

IAS 16, Property, plant and equipment

IAS 16 has been amended to provide clarity with respect to the treatment of net proceeds generated from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Specifically, the amendments prohibit entities from deducting amounts resulting from the sale of items produced during this phase from the cost of property, plant and equipment. Instead, an entity shall recognize such sales proceeds and related costs in profit or loss.

The amendments to IAS 16 were not effective for annual reporting periods beginning on or after January 1, 2022, and did not have an impact on the Company's financial results for the year ending December 31, 2022.

There are no other IFRS standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have any impact on the Company.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the consolidated financial statements in accordance with IFRS, such as the underlying consolidated financial statements for the year ended December 31, 2022, requires management to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities and expenditures. These estimates, assumptions and judgements are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ and such differences could be material. Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates, assumptions and judgements, and the resulting effects on the carrying amounts of the Company's assets and liabilities, are accounted for prospectively. Information about estimates, assumptions, judgements and other sources of estimation uncertainty as at December

31, 2022 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties

The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. At each reporting period, management applies judgement in assessing whether there are any indicators of impairment relating to mineral properties. If any such indicator exists, then an impairment test is performed by management, which also requires the Company to make significant judgments and estimates. Information considered by management in assessing indicators of impairment may include the period for which the entity has the right to conduct its exploration and project investigation activities, including expected renewals, whether substantive expenditure on further exploration and project investigation of mineral properties is budgeted, the evaluation of the results of exploration and project investigation activities up to the reporting date and other information that may indicate that that the carrying value of mineral properties may not be recovered in full from successful development or sale of the asset. The judgments and estimates mentioned above are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

The Company has determined that no indicators of impairment exist for its mineral properties as of December 31, 2022.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and other assets, and trade payables and accrued liabilities. The carrying values of the Company's financial instruments are considered to be reasonable approximations of fair value due to their anticipated short-term nature.

As at December 31, 2022, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

(i) Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risks associated with the inability to meet obligations as they become due are minimized through the management of its capital structure and by maintaining good relationships with significant shareholders and creditors, such as Zebra. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis.

The maturities of the Company's financial liabilities as at December 31, 2022, are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 15,450,886	$ 15,450,886	$ -	$ -
Total	**$ 15,450,886**	**$ 15,450,886**	**$ -**	**$ -**

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2022, the Company's largest foreign currency risk exposures existed at the level of its Canadian headquarters, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately $9.6 million. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of Filo Mining, would give rise to an increase/decrease of approximately $1.0 million in financial position/comprehensive loss.

OUTSTANDING SHARE DATA

As at March 17, 2023, the Company had 123,567,695 common shares outstanding and 5,568,200 share options outstanding under its share-based incentive plan.

FINANCIAL INFORMATION

The Company's next scheduled financial report will be for the three months ended March 31, 2023, which is expected to be published on or around May 5, 2023.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P")

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. They include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any material changes in the Company's DC&P during the year ended December 31, 2022.

Internal controls over financial reporting ("ICFR")

The Company's ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. The Company's ICFR include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS; that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Any system, no matter how well conceived or operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation and will not prevent all, or detect all, misstatements and frauds. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management uses the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO) in order to assess the effectiveness of the Company's ICFR.

There have not been any material changes in the Company's internal controls during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing, exploration, development and operation of mineral and mining properties. There are a number of factors that could negatively affect the Company's business and the value of its common shares, and these risk factors could materially affect the Company's future operations and financial position and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Significant risk factors have been identified by the Company and are listed below. Further discussion and additional risk factors are also available in the Company's most recent annual information form, as filed on SEDAR at www.sedar.com. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors, as they could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Development Risk

Mining exploration, development and operations generally involve a high degree of risk that cannot be eliminated, and which can adversely impact the Corporation's success and financial performance. Exploration for and development of mineral deposits involves a high degree of risk and few properties that are explored are ultimately developed into producing mines.

Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is dependent upon a number of factors, some of which are discussed elsewhere in this AIF, and include the particular attributes of the deposit (such as size, grade, metallurgy, expected recovery rates of metals from the ore and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the ability to acquire and access land, the availability and cost of water and power, anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates, higher input commodity and labour costs, commodity price fluctuations, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing, as major expenses are typically required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration and development of copper, gold, and silver projects and properties, including unusual and unexpected geologic formations, seismic activity, rock slides, ground instabilities or failures, mechanical failures, precipitation, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of facilities, damage to life or property, environmental damage and possible legal liability.

As appropriate, the Company may seek to mitigate its exploration risk by diversifying its portfolio, or through the establishment of joint ventures and option agreements with third parties.

Mineral Reserves and Mineral Resources Estimates

The Company's reported Mineral Reserves and Mineral Resources are estimations only. No assurance can be given that the estimated Mineral Reserves and Mineral Resources are accurate or that the indicated level of copper, gold, silver or any other mineral will be recovered or produced. Actual mineralization or formations may be different from those predicted. It may take many years from the initial phase of drilling before production is possible and during that time the economic feasibility of exploiting a discovery may change. Market price fluctuations of copper, gold and silver and certain other metals, as well as increased production and capital costs or reduced recovery rates, may render the Company's Mineral Reserves uneconomic to develop. Moreover, short-term operating factors relating to the Mineral Reserves, such as the need for the orderly development of ore bodies, the processing of new or different ore grades, the technical complexity of ore bodies, unusual or unexpected geological formations, ore dilution or varying metallurgical and other ore characteristics may cause Mineral Reserves to be reduced. Estimated Mineral Reserves may have to be recalculated based on fluctuations in the price of metals, or changes in other assumptions on which they are based. Any of these factors may require the Company to reduce its Mineral Reserves and Mineral Resources, which could have a negative impact on the Company's business.

Failure to obtain or maintain necessary permits or government approvals or changes to applicable legislation could also cause the Company to reduce its reserves. In addition, changes to mine plans could cause the Company to reduce its Mineral Reserves. There is also no assurance that the Company will achieve indicated levels of copper, gold or silver recovery or obtain the prices assumed in determining such Mineral Reserves.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to Mineral Resources, there is no assurance that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves; and no assurance that all or any part of an Inferred Mineral Resources exists or is economically or legally mineable.

Permitting

The Company's development and exploration activities are subject to permitting requirements in both Argentina and Chile. In particular, comprehensive environmental assessments will be necessary for the Filo del Sol Project in Argentina in order to obtain the necessary approval for each of the Filo del Sol Project stages, which assessment will be conducted in compliance with Argentinian regulations. Project development will also require an environmental impact assessment study in Chile. Following the receipt of environmental approvals, additional permits, licences, authorizations, and certificates will be required to proceed to project construction, including, for example, mining water and fuel delivery, sewage water treatment, hazardous waste plans, drilling and closure plans. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties.

There can be no assurance that the Company will obtain all such permits and/or achieve or maintain full compliance with such permits at all times. Activities required to obtain and/or achieve or maintain full compliance with such permits can be costly and involve extended timelines.

Previously issued permits may be suspended or revoked for a variety of reasons, including through government or court action. Failure to obtain and/or comply with required permits can have serious consequences, including: damage to the Company's reputation, stopping the Company from proceeding with the exploration and development of a project, negatively impacting further development of a mine, and increasing the costs of development and litigation or regulatory action against the Company, and may materially adversely affect the Company's business, results of operations or financial condition.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants that affect costs. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including: global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

Establishing such infrastructure will require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power, water and access rights going forward or on reasonable terms.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property, or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all its properties, and the precise area and location of claims or the properties may be challenged, and no assurances can be given that there are no title defects affecting such properties. The rules governing mining concessions in Chile and Argentina are complex and any failure by the Company to meet requirements would have a material adverse effect on the Company. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in the Tamberias property through an option agreement requiring property payments and acquisition of title to the properties is completed only when the option conditions have been met. If the Company does not satisfactorily complete these option conditions in the period laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

Ability to Operate Year-round

During 2022, the Company commenced year-round operations at the Filo del Sol Project. Risks and uncertainties associated with the Company's ability to successfully operate year-round include, but are not limited to, the nature, duration or extent of weather and other natural events and the availability of personnel, logistical support and key contractors to provide services in challenging winter conditions.

There can be no assurances that the Company's preparation and winterization efforts adequately anticipated, and safeguarded against, all the challenges of conducting exploration programs during the South American winter in the high Andes.

Dependence on Single Project

The Filo del Sol Project is currently the Company's sole project and therefore, any adverse development with respect to the Filo del Sol Project will have a material adverse effect on the Company.

Economic and Political Instability in Argentina

The Filo del Sol Project is predominantly located in San Juan Province, Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina. During an economic crisis in 2001 to 2003 and again in 2014 and 2020, Argentina defaulted on foreign debt repayments and on the repayment on a number of official loans to multinational organizations. In addition, the government has renegotiated or defaulted on contractual arrangements. The current government, which took office in December 2019, has reinstated currency controls previously lifted by the opposition government, which, among other impacts, restricts the ability of companies and its citizens to obtain foreign currency including, US$, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in foreign currency including, US$). The current government has also reversed certain corporate tax rate reductions previously introduced by the previous opposition government. While the political environment in Argentina continues to develop, and the status of currency controls and restrictions remains fluid, past actions indicate that the Argentinean government may from time to time alter or impose additional requirements or policies that may adversely affect the Company's activities in Argentina or in its ability to attract joint venture partners or obtain financing for its projects in the future. In addition, economic instability in Argentina may negatively impact the timeliness or recoverability of amounts collectible from the government of Argentina. There may be material adverse consequences with respect to the Company and its operations as a result of political or economic instability in Argentina.

Foreign Operations Risk

The Company conducts exploration activities in foreign countries, including Argentina and Chile. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties, as well as the revocation or suspension of previously issued mining permits. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities. Chile is typically viewed as a favourable mining jurisdiction; however, certain Canadian issuers have recently experienced regulatory action with regards to Chilean operations, specifically with respect to increased permitting timelines.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries, which are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. There is a risk that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

Non-compliance with applicable laws, regulations and permitting requirements (including allegations of such) may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of permits or mining licenses, and the imposition of corrective measures requiring material capital expenditure or remedial action resulting in materially increased cost of compliance, reputational damage and potentially impaired ability to secure future approvals and permits. The Company may be required to compensate third parties for loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental and Socio-Political Risks

Present or future laws and regulations with respect to environmental protection standards or corporate social responsibility may affect the Company's operations. Environmental legislation is evolving in a manner that requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company is currently engaged in exploration with limited environmental impact. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines, as well as with respect to changing requirements for disclosure and compliance. The Company is subject to environmental regulation in the various jurisdictions in which it operates. Failure to comply with these laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may also 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 for violations of applicable laws or regulations. Furthermore, environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Programs may also be delayed or prohibited in some areas due to technical factors, new legislative constraints, social opposition or local government capacity or willingness to issue permits to explore in a timely manner. In parts of Argentina, there is environmental opposition to both mineral exploration and mining. Accordingly, there may be a certain degree of anti-mining sentiment that could potentially affect the risk of successfully exploring and developing the Company's assets in those provinces.

In Chile, a newly elected government is discussing changes to its constitution which may include changes to the current environmental and socio-political landscape in that country. Additionally, the Chilean Congress is also considering legislation designed to protect the country's glaciers. No changes have yet been made to the constitution and any proposed legislation has not yet been approved; however, depending on its final language, these changes could affect the Company's ability to develop the Tamberias property.

Climate Change and Carbon Pricing

Climate change continues to be a top priority for many countries and jurisdictions around the world and governments and regulators continue to implement and develop new rules and regulations to control carbon gas or "green-house" gas emissions attributable to climate change. As part of their efforts to shift to lower-carbon economies, governments have implemented carbon pricing, a mechanism that harnesses market forces to address climate change by creating financial incentives to lower emissions. Some of these mechanisms include the implementation of taxes on fuel sales, emissions trading schemes, and fossil fuel extraction fees, all of which are expected to play an ongoing role in global efforts to address climate change. The cost of compliance with various climate change regulations will ultimately be determined by the regulations themselves and by the markets that evolve for carbon credits and offsets and, as a result, the financial impact, if any, on the Company's operations cannot yet be fully understood.

The potential physical impacts of climate change due to extreme weather events on the Company's operations are also highly uncertain and may be particular to the unique geographic circumstances associated with the Company's projects and operations. Due to changes in global climate conditions, many scientists predict an increase in the frequency of extreme weather events such as severe and unpredictable rain and snowfall precipitation, winds, floods, droughts, and other types of extreme weather conditions and events. Such events could disrupt the Company's operations and development activities; impact the Company's equipment and infrastructure; impede access to the Company's projects and properties; or threaten the health and safety of the Company's employees and contractors.

Negative Operating Cash Flow

The Company is an exploration stage company and has not generated cash flow from operations. The Company is devoting significant resources to the exploration and acquisition of its properties; however, there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. The Company currently has negative cash flow from operating activities.

The Company's exploration projects have no operating history upon which to base estimates of future cash flows. Substantial expenditures are required to develop mineral projects. It is possible that actual costs and future economic returns may differ materially from Filo Mining's estimates. There can be no assurance that the underlying assumed levels of expenses for any project will prove to be accurate. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated. There can be no assurance that Filo Mining's projects will move beyond the exploration stage and be put into production, achieve commercial production or that Filo Mining will produce revenue, operate profitably or provide a return on investment in the future. Mineral exploration involves considerable financial and technical risk. There can be no assurance that the funds required for exploration and future development can be obtained on a timely basis. There can be no assurance that Filo Mining will not suffer significant losses in the near future or that Filo Mining will ever be profitable.

Uncertainty of Long-term Funding and Dilution of Shareholders' Interests in the Company

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions which may be impacted by geopolitics or international conflict, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing in the long term. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the economic and voting rights of the Company's shareholders and reduce the value of their investment. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of Common Shares of the Company bear the risk of any future offerings reducing the market price of the Common Shares and diluting their shareholdings in the Company.

Metal Price Risk

The Company's portfolio of properties and investments have exposure to predominantly copper, gold, and silver prices. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US$ and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the Common Shares and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Tax, Royalties and Other Charges

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The Company is potentially subject to taxes (including income taxes and mineral taxes), various fees and royalties imposed by various levels of government across the jurisdiction in which it operates. The laws imposing these taxes, fees and royalties and the manner in which they are administered may in the future be changed or interpreted in a manner that materially and adversely affects our business, financial position and results of operations. Repatriation of earnings to Canada from other countries may be subject to withholding taxes or restricted by currency controls. The Company has no control over withholding tax rates.

Health and Safety Hazards

Mining exploration and operations involve health and safety hazards that could adversely affect the Company's reputation, business and future operations. By nature, exploration and mining activities present a variety of hazards and associated health and safety risks. Workers involved in the Company's operations are subject to many inherent health and safety risks and hazards, including, but not limited to, rock falls, slides or bursts, equipment or structural fires, falls of ground, floods, chemical and biological hazards, mineral dusts, atmospheric hazards including low oxygen levels, gases and fumes, high altitude work, use of explosives, noise, electricity, fixed and moving equipment, civil disturbances and criminal activity, which could result in occupational illness or health issues, personal injury, and loss of life, and/or facility and workforce evacuation. Even though robust health and safety controls and risk mitigation measures are in place across the Company's sites, health and safety incidents may occur. The overall management of health and safety is governed in accordance with the requirements of the Company's Responsible Mining Development Policy. While significant effort is made to control and eliminate potential health and safety risks, these risks cannot be eliminated and may adversely affect the Company's reputation, business, and future operations. Incidents resulting in serious injury or death, or those having a negative impact on surrounding communities (real or perceived) could result in litigation, civil or criminal sanctions, regulatory action (including, but not limited to suspension of operations and/or fines and penalties), increased community tensions, or otherwise adversely affect the Company's reputation and ability to meet its objectives.

Pandemic Virus Outbreaks

Over the last three years the COVID-19 pandemic has negatively impacted and increased volatility of global financial markets and may continue to do so. The economic viability of the Company's long-term business plan is impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

The health and safety of the stakeholders remain the Company's top priority, and pursuant to its COVID-19 operating protocol, the Company's camp facilities and offices have implemented travel restrictions, surveillance, monitoring and response plans to reduce the risk of COVID-19 exposure and outbreak, including health screening of personnel when appropriate.

As the Company continues to monitor developments with respect to COVID-19, both globally and within its operating jurisdictions, it will remain adaptive and will implement any such changes to its COVID-19 protocol, or its business in general, as may be deemed appropriate to mitigate any potential impacts to its business and its Stakeholders. Such changes, may include, but are not limited to, reduced operations, temporary closures of the Company's project site or offices, and deviations from the timing and nature of previous operating plans. Moreover, sustained COVID-19 outbreaks have resulted in operational and supply chain delays and disruption as a result of governmental regulation and preventative measures being implemented worldwide, including in Argentina. The Company could also be required to close, curtail or otherwise limit its operating activities as a result of the implementation of any such governmental regulation or preventative measures in the jurisdictions in which the Company operates, or as a result of sustained COVID-19 outbreaks at its project site or facilities. Any such closures or curtailments could have an adverse impact on the business of the Company.

In addition to the current COVID-19 pandemic, another emerging infectious disease or the threat of outbreaks of viruses or other contagions or epidemic diseases could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions, labour shortages and shutdowns, social unrest, breach of material contracts and customer agreements, government or regulatory actions or inactions, changes in tax laws, payment deferrals, increased insurance premiums, decreased demand for base and precious metals, declines in the price of base and precious metals, delays in permitting or approvals, governmental disruptions, capital markets volatility, or other unknown but potentially significant impacts. In addition, governments may impose strict emergencies measures in response to the threat or existence of an infectious disease, which could have a material adverse effect on the Company's business.

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 2022, there were no material off-balance sheet transactions which have not been recorded in the Company's consolidated financial statements. The Company has not entered into any specialized financial arrangement to minimize its currency risk.

QUALIFIED PERSON

The scientific and technical disclosure for the Filo del Sol Project included in this MD&A have been reviewed and approved by Bob Carmichael, P. Eng. (BC) and/or Jamie Beck, B.A.Sc., P.Eng. Mr. Carmichael is Filo Mining's Vice-President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects. ("NI 43-101"). Mr. Beck is Filo Mining's President and Chief Executive Officer and is also a Qualified Person under NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information" or "forward-looking statements") concerning the business, operations, financial performance and condition of Filo Mining. The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, 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, identified by words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "projects" , "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "should", "might" or "will be taken", "will occur" or "will be achieved" or the negative connotations thereof and similar expressions) are not statements of historical fact and may be forward-looking statements.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding Mineral Resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks, and uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A and in the Company's most recent Annual Information Form, under the heading "Risks Factors", and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information is as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the assumptions used in the PFS for the Filo del Sol Project, the assumptions used in the Mineral Reserves and Resources estimates for the Filo del Sol Project, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological conditions, as applicable; ability to develop infrastructure; assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits; expectations regarding access and demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and that activities will not be adversely disrupted or impeded by exploration, development, operating, regulatory, political, community, economic and/or environmental risks. In addition, this MD&A may contain forward-looking statements or information pertaining to: the potential exploration results or anticipated outcomes of infill or step-out drilling planned at Filo del Sol; exploration and development plans and expenditures, including but not limited to its plans to add rigs its ongoing drilling campaign, the sequencing or prioritization of drill targets, and a transition to year-round operations; the ability of the Company's COVID-19 operating protocol to continue to meet government mandated health and safety guidelines enabling it to conduct its field programs as planned; the ultimate size and scope of its field programs and the Company's ability to achieve the objectives thereof; the size and scope of its field programs and the Company's ability to achieve the objectives thereof; the impact of the Company's winterization efforts at Filo del Sol, and whether such efforts will enable year-round operations and have adequately anticipated the challenges of winter operation, including but not limited to weather and potential supply chain disruptions; the anticipated use of proceeds from the Private Placement; the timing or results of an upgrade to the Mineral Resources estimate at Filo del Sol, including the inputs used therein; opportunities to improve project economics; the success of future exploration activities; potential for resource expansion; potential for the discovery of new mineral deposits; ability to build shareholder value; expectations with regard to adding to Mineral Reserves or Resources through exploration; expectations with respect to the conversion of inferred resources to an indicated resources classification; ability to execute the planned work programs; estimation of commodity prices, Mineral Reserves and Resources, estimations of costs, and permitting timelines; ability to obtain surface rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, 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 the Company's actual results and future events could differ materially from those anticipated in such statements, as a result of the factors discussed in the "Risk and Uncertainties" section of this MD&A, and elsewhere, and in the "Risk Factors" section of the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Statements relating to "Mineral Resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the Mineral Resources described can be profitably produced in the future.

Independent auditor's report

To the Shareholders of Filo Mining Corp.

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of mineral properties *Refer to note 3(b) – Critical accounting estimates, assumptions and judgments, note 3(d) – Mineral properties and exploration expenditure, note 3(f) – Impairment of non-financial assets and note 7 – Mineral properties to the consolidated financial statements.* The total book value of mineral properties amounted to $9.7 million as at December 31, 2022. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to mineral properties. If any such indicator exists, then an impairment test is performed by management. Information considered by management in assessing indicators of impairment may include (i) the period for which the entity has the right to conduct its exploration and project investigation activities, including expected renewals, (ii) whether substantive expenditure on further exploration and project investigation of mineral properties is budgeted, (iii) the evaluation of the results of exploration and project investigation activities up to the reporting date and (iv) other information that may indicate that the carrying value of mineral properties may not be recovered in full from successful development or sale of the asset. No impairment indicators were identified by management as at December 31, 2022.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: – Assessed the period for which the entity has the right to conduct its exploration and project investigation activities, including expected renewals, by agreeing the Company's list of mining titles to government agency websites, and other regulatory bodies, as applicable, and vouching payments of required fees on a sample basis. – Assessed whether substantive expenditure on further exploration and project investigation of mineral properties is budgeted by considering the results of current year work programs and management's long-term plans, the Board of Directors' meeting minutes and approved budgets. – Assessed the evaluation of the results of exploration and project investigation activities up to the reporting date by considering the results of the current year work programs and considering evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the mineral properties balance and (ii) the subjectivity in performing audit procedures to evaluate management's indicators of impairment assessment, which required management judgment.	– Assessed whether there is other information that may indicate that the carrying amount may not be recovered from successful development or sale of the asset, by considering evidence obtained in other areas of the audit.

Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Ranbir Gill.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 17, 2023

Filo Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Audited)

	Note		**December 31, 2022**		**December 31, 2021**
ASSETS					
Current assets					
Cash and cash equivalents		$	74,915,331	$	19,416,984
Receivables and other assets	*5*		831,388		697,660
			75,746,719		20,114,644
Non-current assets					
Taxes receivable	*5, 10*		-		2,314,091
Equipment and facilities	*6*		480,760		168,347
Mineral properties	*7*		9,736,629		8,062,918
			10,217,389		10,545,356
TOTAL ASSETS			85,964,108		30,660,000
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities			15,450,886		7,062,830
TOTAL LIABILITIES			15,450,886		7,062,830
SHAREHOLDERS' EQUITY					
Share capital	*8*		287,955,759		180,266,718
Contributed surplus			15,499,303		8,544,029
Deficit			(232,073,903)		(163,112,572)
Accumulated other comprehensive loss			(867,937)		(2,101,005)
TOTAL SHAREHOLDERS' EQUITY			70,513,222		23,597,170
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	85,964,108	$	30,660,000

Subsequent events (Notes 1, 8)

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

On behalf of the Board:

/s/Joyce Ngo
Director

/s/James Beck
Director

Filo Mining Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Audited)

	Note		2022		Year ended December 31, 2021
Expenses					
Exploration and project investigation	*10*	$	82,523,935	$	40,901,439
General and administration:					
Salaries and benefits			3,327,768		2,386,974
Share-based compensation	*9*		7,688,403		2,486,014
Management fees			198,900		128,100
Professional fees			221,385		236,521
Travel			264,767		21,826
Promotion and public relations			338,817		309,748
Office and general			961,835		543,845
Operating loss			95,525,810		47,014,467
Other (income) and expenses					
Interest income			(1,846,038)		(166,848)
Financing costs			-		167,178
Net monetary gain	*4*		(478,705)		(34,814)
Gain on use of marketable securities	*14*		(25,015,866)		(15,281,148)
Other foreign exchange loss (gain)			(459,211)		128,821
Other non-income taxes			1,235,341		591,553
Net loss			68,961,331		32,419,209
Other comprehensive (income) loss					
Items that may be reclassified subsequently to net loss:					
Foreign currency translation adjustment			(458,688)		722,469
Impact of hyperinflation	*4*		(774,380)		(259,519)
Comprehensive loss		$	67,728,263	$	32,882,159
Basic and diluted loss per common share		$	0.57	$	0.29
Weighted average common shares outstanding			120,914,843		112,765,794

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

Filo Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Audited)

	Note	2022	Year ended December 31, 2021
Cash flows used in operating activities			
Net loss for the year		$ (68,961,331)	$ (32,419,209)
Items not involving cash			
Share-based compensation	*9*	9,460,115	3,301,123
Financing costs		-	330
Net monetary loss		1,532,312	739,682
Unrealized foreign exchange loss (gain)		(460,321)	27,525
Depreciation	*6, 10*	15,632	-
Net changes in working capital and other items			
Receivables and other		1,535,743	(928,417)
Trade payables and accrued liabilities		11,592,776	4,887,150
		(45,285,075)	(24,391,816)
Cash flows from (used in) financing activities			
Proceeds from option exercises	*9*	4,788,719	9,626,522
Proceeds from equity financings, gross	*8*	100,682,181	-
Share issuance costs	*8*	(286,700)	-
Repayment of lease liabilities		-	(12,411)
		105,184,200	9,614,111
Cash flows used in investing activities			
Acquisition of equipment and facilities	*6*	(289,671)	(165,698)
Mineral properties and related expenditures	*7*	(1,118,190)	(1,114,460)
		(1,407,861)	(1,280,158)
Effect of foreign exchange rate changes on cash and cash equivalents		(2,992,917)	(851,271)
Increase (decrease) in cash and cash equivalents during the year		55,498,347	(16,909,134)
Cash and cash equivalents, beginning of the year		19,416,984	36,326,118
Cash and cash equivalents, end of the year		$ 74,915,331	$ 19,416,984

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

Filo Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Audited)

	Note	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total Shareholders' Equity**
Balance, January 1, 2021		110,770,770	$ 166,119,611	$ 9,763,491	$ (130,693,363)	$ (1,638,055)	$ 43,551,684
Share-based compensation	*9*	-	-	3,301,123	-	-	3,301,123
Shares issued pursuant to stock option exercises	*9*	4,272,169	14,147,107	(4,520,585)	-	-	9,626,522
Net loss and other comprehensive loss		-	-	-	(32,419,209)	(462,950)	(32,882,159)
Balance, December 31, 2021		**115,042,939**	**$ 180,266,718**	**$ 8,544,029**	**$ (163,112,572)**	**$ (2,101,005)**	**$ 23,597,170**
Shares issued pursuant to the Private Placement	*8*	6,314,047	100,682,181	-	-	-	100,682,181
Share issuance costs	*8*	-	(286,700)	-	-	-	(286,700)
Share-based compensation	*9*	-	-	9,460,115	-	-	9,460,115
Shares issued pursuant to stock option exercises	*9*	1,727,832	7,293,560	(2,504,841)	-	-	4,788,719
Net loss and other comprehensive loss		-	-	-	(68,961,331)	1,233,068	(67,728,263)
Balance, December 31, 2022		**123,084,818**	**$ 287,955,759**	**$ 15,499,303**	**$ (232,073,903)**	**$ (867,937)**	**$ 70,513,222**

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

1. NATURE OF OPERATIONS

Filo Mining Corp. (the "Company" or "Filo Mining") was incorporated on May 12, 2016 under the Canada Business Corporations Act. The Company's principal business activities are the exploration and development of the Filo del Sol and Tamberias properties, which are comprised of adjacent mineral titles in San Juan Province, Argentina and Region III, Chile. Its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. The Company's common shares trade on the Toronto Stock Exchange under the symbol "FIL". In addition, the Company's common shares trade on the NASDAQ First North Growth Market under the symbol "FIL" and on the OTCQX under the symbol "FLMMF". On January 17, 2023, the Company announced a proposed name change to "Filo Corp." to better align with the Company's strategic vision. The Company plans to seek shareholder approval for the name change at its upcoming annual shareholder meeting. If approved by shareholders, the name change is also subject to TSX approval.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These consolidated financial statements are prepared on a historical cost basis except for certain financial assets, which are measured at fair value. Certain prior year comparatives have been reclassified to align with current year presentation. Specifically, interest income is now separately presented on the consolidated statements of comprehensive loss.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 17, 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements of the Company include the following subsidiaries:

Subsidiaries	Jurisdiction	Nature of operations
NGEx Filo del Sol Holdings Inc.	Canada	Holding company
NGEx Chile Holdings Inc.	Canada	Holding company
Filo del Sol Uruguay S.A.	Uruguay	Holding company
Frontera Holdings (Bermuda) IV Ltd.	Bermuda	Holding company
Frontera Holdings (Bermuda) V Ltd.	Bermuda	Holding company
Filo del Sol Exploración S.A.	Argentina	Exploration company
Frontera Chile Limitada	Chile	Exploration company

The Company consolidates an entity when it has control over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its control over that entity.

All the Company's subsidiaries are wholly owned and all intercompany balances, transactions, including income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

b) Critical accounting estimates, assumptions and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates, assumptions and judgements are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ and such differences could be material. Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates, assumptions and judgements, and the resulting effects on the carrying amounts of the Company's assets and liabilities, are accounted for prospectively. Information about estimates, assumptions, judgments and other sources of estimation uncertainty as at December 31, 2022 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are provided below:

Valuation of mineral properties

The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. At each reporting period, management applies judgement in assessing whether there are any indicators of impairment relating to mineral properties. If any such indicator exists, then an impairment test is performed by management, which also requires the Company to make significant judgments and estimates. Information considered by management in assessing indicators of impairment may include the period for which the entity has the right to conduct its exploration and project investigation activities, including expected renewals, whether substantive expenditure on further exploration and project investigation of mineral properties is budgeted, the evaluation of the results of exploration and project investigation activities up to the reporting date and other information that may indicate that that the carrying value of mineral properties may not be recovered in full from successful development or sale of the asset. The judgments and estimates mentioned above are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties.

The Company has determined that no indicators of impairment exist for its mineral properties as of December 31, 2022.

c) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currencies of its material subsidiaries, which have operations in Chile and Argentina, are the Chilean peso and the Argentine peso, respectively.

For the Company's Argentine subsidiary, which is affected by hyperinflationary accounting as described in Notes 3o) and 4 below, and uses the Argentine peso as its functional currency, the results and financial position of this subsidiary are translated into the presentation currency using the exchange rate prevailing at the date of the statement of financial position.

The results and financial position of all other subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated using the exchange rate prevailing at the date of that statement of financial position;
- Income, expenses, and other comprehensive income for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Mineral properties and exploration expenditure

The Company capitalizes acquisition costs for property rights, including payments for exploration rights and estimated fair value of exploration properties acquired as part of an acquisition.

Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. When it has been established that a mineral property is considered to be sufficiently advanced to the development stage, with economic viability and technical feasibility demonstrated, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets to which they relate.

e) Equipment and facilities

Equipment and facilities are carried at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to the working condition and location of its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. Depreciation of an asset begins when it is available for use at the location, and in the condition, as intended by management.

The assets’ residual values, depreciation methods, and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, the difference between the net sale proceeds and its carrying amount is recognized as a gain or loss within net loss in the consolidated statement of comprehensive loss.

f) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or “CGU’s”). Value in use is determined as the present value of future cash inflows expected to be derived from a CGU using a pre-tax discount rate that reflects the current time value of money and the risks specific to that CGU.

Non-financial assets that have been previously impairment are reviewed for possible reversal of the impairment at each reporting date.

g) Financial instruments

(i) Recognition

The Company measures and classifies its financial assets based on its business model for managing its financial assets and the contractual cash flow characteristics of those financial assets. Financial assets are classified into three measurement categories on initial recognition: those measured at fair value through profit or loss, those measured at fair value through other comprehensive income ("OCI") and those measured at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Investments in marketable securities, such as equity instruments of publicly listed entities, are required to be measured at fair value through profit or loss, unless the Company makes an irrevocable election to present subsequent changes in the fair value of such instruments through OCI. The Company has not elected to measure any of its marketable securities through OCI.

(ii) Derecognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition of financial assets and liabilities are generally recognized in the consolidated statement of comprehensive loss.

(iii) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

h) Cash

Cash includes cash on hand, and deposits held with financial institutions with a fixed deposit term of three months or less, net of bank overdrafts.

i) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

j) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

k) Share-based compensation

The Company has a share-based compensation plan, whereby it is authorized to grant share options to officers, employees, directors, and other eligible persons. The fair value of the options is measured at the date the options are granted, using the Black-Scholes option-pricing model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the common shares and an expected life of the options. The fair value less estimated forfeitures is charged over the vesting period of the related options as an expense on its financial statements.

l) Provisions

Provisions for restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

m) Leases

The Company recognizes a right-of-use asset, and corresponding lease liability, for almost all leases, unless the lease term is 12 months or less or the underlying asset has a low value, in which case, lease payments are recognized as an expense on a straight-line basis over the lease term or another systematic basis, if deemed more representative.

n) Segment reporting

As the Company primarily focuses its activity on the exploration and development of mineral properties, its operating and reportable segments are the Filo del Sol Project, comprised of the Filo del Sol property and the Tamberias property, other general exploration and project generation initiatives, and the Company's corporate administration function. Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer, the chief operating decision-maker for the Company, obtains and reviews operating results of each operating segment on a monthly basis.

o) Hyperinflation

The Company applies IAS 29, *Financial Reporting in Hyperinflationary Economies*, which outlines the use of the hyperinflationary accounting, to consolidate and report its Argentine operating subsidiary.

The application of hyperinflationary accounting requires restatement of the Argentine subsidiary's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

p) New accounting pronouncements

The IASB and/or the IFRS Interpretations Committee have issued new standards and amendments, or interpretations to existing standards, which were not yet effective or did not apply to the Company as at December 31, 2022. The Company continues to evaluate these changes to determine their impact, if any.

IAS 16, Property, plant and equipment

IAS 16 has been amended to provide clarity with respect to the treatment of net proceeds generated from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Specifically, the amendments prohibit entities from deducting amounts resulting from the sale of items produced during this phase from the cost of property, plant and equipment. Instead, an entity shall recognize such sales proceeds and related costs in profit or loss.

The amendments to IAS 16 were effective for annual reporting periods beginning on or after January 1, 2022 and did not have an impact on the Company's financial results for the year ended December 31, 2022.

There are no other IFRS standards or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have any impact on the Company.

4. HYPERINFLATION

Argentina was designated a hyperinflationary economy as of July 1, 2018 for accounting purposes.

The Company recognized a gain of $774,380 for the year ended December 31, 2022 (2021 – $259,519) in relation to the impact of hyperinflation within other comprehensive (income) loss, which is primarily the result of continued inflation during the year and the resulting adjustments recognized on the net asset position of the Company's Argentine operating subsidiary.

As a result of changes in the IPC and changes to the Company's net monetary position, the Company recognized a net monetary gain of $478,705 for the year ended December 31, 2022 (2021 – $34,814), to adjust transactions recorded during the year into a measuring unit current as of December 31, 2022.

(Expressed in Canadian Dollars, unless otherwise stated)

The level of the IPC at December 31, 2022 was 1,134.59 (December 31, 2021 – 582.5), which represents an increase of approximately 95% over the IPC at December 31, 2021, and an approximate 34% increase over the average level of the IPC during the year ended December 31, 2022.

5. RECEIVABLES AND OTHER ASSETS

		December 31, 2022		December 31, 2021
Current				
Taxes receivable	$	28,427	$	59,150
Other receivables		334,091		237,238
Prepaid expenses and deposits		468,870		401,272
		831,388		**697,660**
Non-current				
Taxes receivable		-		2,314,091
	$	**831,388**	**$**	**3,011,751**

Pursuant to statutory regulations, the Company is entitled to a refund of certain value added taxes ("VAT") paid in Argentina, however, the Company has deemed the collection of these funds to be uncertain. As such, during the year ended December 31, 2022, the Company wrote down the balance of its outstanding VAT receivable balances to $nil, resulting in a charge of $2,812,565, recognized in exploration and project investigation (note 10). Should the Company receive a future refund of amounts written down, the corresponding impact will be credited against exploration and project investigation expense.

(Expressed in Canadian Dollars, unless otherwise stated)

6. EQUIPMENT AND FACILITIES

The Company's equipment and facilities relate to mobile equipment and field facilities acquired or constructed for its Filo del Sol property in Argentina. The Company depreciates these assets over their useful lives of 10 years and classifies its depreciation expense as other administrative costs within exploration and project investigation expense (note 10).

	Works in progress			
	Equipment	**Facilities**	**Facilities**	**Total**
Cost				
January 1, 2021	$ -	$ -	$ -	$ -
Additions	32,309	133,389	-	165,698
Adjustment for the impacts of hyperinflation	(529)	3,178	-	2,649
December 31, 2021	**$ 31,780**	**$ 136,567**	**$ -**	**$ 168,347**
Additions	-	82,111	207,560	289,671
Adjustment for the impacts of hyperinflation	6,578	5,852	31,572	44,002
Reclassifications	-	(224,530)	224,530	-
December 31, 2022	**$ 38,358**	**$ -**	**$ 463,662**	**$ 502,020**
Accumulated depreciation				
January 1, 2021	$ -	$ -	$ -	$ -
December 31, 2021	**$ -**	**$ -**	**$ -**	**$ -**
Depreciation	-	-	(15,632)	(15,632)
Adjustment for the impacts of hyperinflation	-	-	(5,628)	(5,628)
December 31, 2022	**$ -**	**$ -**	**$ (21,260)**	**$ (21,260)**
Net book amount				
December 31, 2021	**$ 31,780**	**$ 136,567**	**$ -**	**$ 168,347**
December 31, 2022	**38,358**	**-**	**442,402**	**480,760**

7. MINERAL PROPERTIES

	Filo del Sol	**Tamberias**	**Total**
January 1, 2021	$ 3,385,531	$ 5,471,870	$ 8,857,401
Adjustment for the impacts of hyperinflation	108,294	-	108,294
Effect of foreign currency translation	-	(902,777)	(902,777)
December 31, 2021	**$ 3,493,825**	**$ 4,569,093**	**$ 8,062,918**
Additions	-	1,118,190	1,118,190
Adjustment for the impacts of hyperinflation	118,962	-	118,962
Effect of foreign currency translation	-	436,559	436,559
December 31, 2022	**$ 3,612,787**	**$ 6,123,842**	**$ 9,736,629**

(Expressed in Canadian Dollars, unless otherwise stated)

The Company's primary mineral property assets are the Filo del Sol and Tamberias properties (together, the "Filo del Sol Project"), which are comprised of adjacent mineral titles in San Juan Province, Argentina and Region III, Chile, and are 100% controlled by Filo Mining either through direct ownership or option agreements.

Filo del Sol Property (San Juan Province, Argentina)

Sole ownership of the Filo del Sol property was acquired by Filo del Sol Exploracion S.A., a wholly owned subsidiary of the Company, in October 2014, through the acquisition of its then joint exploration partner's 40% interest in the property.

Tamberias Property (Region III, Chile)

Through its wholly owned subsidiary, Frontera Chile Limitada, the Company is party to an option agreement with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias property by making certain scheduled option payments. In addition, Tamberias SCM will retain a 1.5% net smelter royalty, which will be paid only after the Company has recovered all its exploration and development costs.

Pursuant to a series of amendments to the terms of the remaining option payments payable under the option agreement with Tamberias SCM, the last of which was executed on May 13, 2020 (the "Option Amendments"), the remaining option payments were rescheduled and extended through to June 30, 2026. In June 2022, the Company made a US$500,000 payment pursuant to the Option Amendments and as at December 31, 2022, the Company's total remaining option payments were as follows:

Payment by:	**Amount (US$)**
June 30, 2023	750,000
June 30, 2024	950,000
June 30, 2025	1,050,000
June 30, 2026	12,000,000
TOTAL	**14,750,000**

In addition, in June 2022, the Company acquired a five-hectare claim block, which is located within the broader Tamberias property area (the "Austral Claims"). Prior to the acquisition, the Austral Claims were the only claim blocks within the Tamberias property footprint that were not owned or controlled by the Company. The Austral Claims were acquired for a purchase price of US$400,000.

8. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value.

On March 11, 2022, by way of a non-brokered private placement, the Company closed the sale of 6,270,000 common shares to BHP Western Mining Resources International Pty Ltd, a wholly owned subsidiary of BHP Group Limited (collectively, "BHP"), at a price of $15.95 per common share for total proceeds of $100 million (the "Private Placement"). Share issuance costs related to the Private Placement totaled $268,751 and consisted of professional fees and regulatory fees. No finder's fee or commissions were payable in connection with this Private Placement.

Upon closing of the Private Placement, BHP owned approximately 5% of the Company's issued and outstanding common shares on an undiluted basis. The common shares acquired by BHP pursuant to the Private Placement were subject to a statutory four-month hold period in accordance with applicable securities regulations, which ended July 12, 2022.

(Expressed in Canadian Dollars, unless otherwise stated)

In connection with the Private Placement, BHP has been granted certain participation and top-up rights (the "Top-Up Provision"), allowing BHP to maintain its ownership interest from time to time, provided that such participation rights will not apply to any portion of BHP's ownership interest in excess of a 9.9% undiluted ownership level in the Company. On July 29, 2022, the Company closed a non-brokered private placement to BHP in accordance with the Top-Up Provision, whereby the Company sold 44,047 common shares to BHP for gross proceeds of $675,681, less share issuance costs of $17,949.

On February 7, 2023, the Company closed a non-brokered private placement to BHP in accordance with the Top-Up Provision, whereby the Company sold 43,711 common shares to BHP for gross proceeds of $1,084,907, less share issuance costs of $5,684.

The Company has deployed the proceeds of the Private Placement to advance exploration and development of the Company's Filo del Sol Project and for working capital and general corporate purposes. In addition, the Company and BHP have formed a joint advisory committee to share expertise, exploration concepts, and discuss future project development.

Also during 2022, 1,727,832 share options were exercised (2021 – 4,272,169; note 9), resulting in an increase to share capital of $7,293,560 (2021 – $14,147,107). These exercises consisted of a cash portion of $4,788,719 (2021 – $9,626,522) and a contributed surplus portion of $2,504,841 (2021 – $4,520,585).

9. SHARE OPTIONS

a) Share option plan

The Company has a share option plan adopted by the Board of Directors on July 8, 2016 and amended May 6, 2022, which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. The granting, vesting and terms of the share options are at the discretion of the Board of Directors.

b) Share options outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares issuable pursuant to share options		Weighted average exercise price per share
Balance at January 1, 2021	9,455,834	$	2.29
Options granted	1,082,600		9.04
Exercised	(4,272,169)		2.25
Expired or forfeited	(28,667)		6.49
Balance at December 31, 2021	**6,237,598**	**$**	**3.47**
Options granted	1,540,000		17.17
Exercised	(1,727,832)		2.77
Forfeited	(42,400)		14.06
Balance at December 31, 2022	**6,007,366**	**$**	**7.11**

(Expressed in Canadian Dollars, unless otherwise stated)

The weighted average share price on the exercise date for the share options exercised during the year ended December 31, 2022 was $18.51.

The Company uses the Black-Scholes option pricing model to estimate the fair value for all options granted and the resulting stock-based compensation. The weighted average assumptions used in this pricing model, and the resulting fair values per option, for the 1,540,000 share options granted during the year ended December 31, 2022, were as follows:

	Year ended December 31, 2022
Risk-free interest rate	2.8%
Expected life	4.8 years
Expected volatility	62.9%
Expected dividends	Nil
Fair value per option	$9.29

The following table details the share options outstanding and exercisable as at December 31, 2022:

	Outstanding options			**Exercisable options**		
Exercise price	**Options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Options exercisable**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
$ 1.91	1,068,333	2.6	$ 1.91	1,068,333	2.6	$ 1.91
$ 2.20	1,245,000	0.6	$ 2.20	1,245,000	0.6	$ 2.20
$ 2.75	1,235,000	1.8	$ 2.75	1,235,000	1.8	$ 2.75
$ 8.95	921,833	3.6	$ 8.95	614,555	3.6	$ 8.95
$ 11.00	15,000	3.4	$ 11.00	10,000	3.4	$ 11.00
$ 12.90	5,200	3.9	$ 12.90	5,200	3.9	$ 12.90
$ 15.42	80,000	4.7	$ 15.42	26,667	4.7	$ 15.95
$ 16.03	226,000	4.7	$ 16.03	75,333	4.7	$ 16.03
$ 16.93	951,000	4.6	$ 16.93	317,000	4.6	$ 16.93
$ 19.45	210,000	4.2	$ 19.45	70,000	4.2	$ 19.45
$ 20.10	50,000	4.5	$ 20.10	16,667	4.5	$ 20.10
	6,007,366	**2.7**	**$ 7.11**	**4,683,755**	**2.2**	**$ 4.81**

(Expressed in Canadian Dollars, unless otherwise stated)

c) Share-based compensation

		2022		Year ended December 31, 2021
Exploration and project investigation (note 10)	$	1,771,712	$	815,109
General and administration		7,688,403		2,486,014
	$	**9,460,115**	**$**	**3,301,123**

10. EXPLORATION AND PROJECT INVESTIGATION

All exploration and project investigation costs are related to the Filo del Sol Project. Due to the geographic location of the Filo del Sol Project, the Company's business activities have historically fluctuated with the seasons, through increased drilling and other exploration activities during the summer months in South America. However, commencing in June 2021, the Company has undertaken winterization efforts which are intended to facilitate continuous, year-round field operations potentially reducing this seasonal fluctuation in exploration expenditures moving forward.

The Company expensed the following exploration and project investigation costs, all incurred in relation to the Filo del Sol Project:

		2022		Year ended December 31, 2021
Land holding and access costs	$	905,932	$	610,952
Drilling, fuel, camp costs and field supplies		42,030,383		20,624,075
Roadwork, travel and transport		13,529,981		5,762,367
Conceptual and engineering studies		320,280		-
Consultants, geochemistry and geophysics		1,511,590		1,043,631
Environmental and community relations		1,784,545		751,171
VAT and other taxes		10,950,266		5,555,377
Write-down of VAT receivable (note 5)		2,812,565		-
Office, field and administrative salaries, overhead and other administrative costs		6,069,360		3,719,574
COVID-19-related health and safety		837,321		2,019,183
Share-based compensation		1,771,712		815,109
	$	**82,523,935**	**$**	**40,901,439**

During the year ended December 31, 2022, the Company deemed collection of its VAT receivable to be uncertain and made a provision for the balance, resulting in a write-down of $2,812,565.

11. RELATED PARTY TRANSACTIONS

Under the normal course of operations, the Company may undertake transactions or hold balances with related parties. During the year ended December 31, 2022, the Company engaged with Josemaria Resources Inc. ("Josemaria") and NGEx Minerals Ltd. ("NGEx Minerals"), which were related parties to the Company by way of directors, officers and shareholders in common. Josemaria ceased to be a related party of the Company as of April 28, 2022, following the acquisition of all of Josemaria's issued and outstanding common shares by Lundin Mining Corporation.

(Expressed in Canadian Dollars, unless otherwise stated)

a) Related party services

The Company has an ongoing cost sharing arrangement with NGEx Minerals and, through April 28, 2022, Josemaria. Under the terms of these arrangements, the Company provides management, technical, administrative and/or financial services (collectively, "Management Services") to NGEx Minerals and Josemaria, and vice versa. These transactions were incurred in the normal course of operations, and are summarized as follows:

		Year ended December 31,		
		2022		**2021**
Management Services to NGEx Minerals	$	902,414	$	549,787
Management Services to Josemaria		42,374		281,813
Management Services from NGEx Minerals		(364,343)		(591,415)
Management Services from Josemaria		-		(99,869)

b) Related party balances

The amounts due from (to) related parties, and the components of the consolidated statements of financial position in which they are included, are as follows:

	Related Party		**December 31, 2022**		**December 31, 2021**
Receivables and other assets	NGEx Minerals	$	186,449	$	15,113
Receivables and other assets	Josemaria		-		46,678
Accounts payable and accrued liabilities	NGEx Minerals		(112,163)		(24,343)
Accounts payable and accrued liabilities	Josemaria		-		(1,667)

c) Camp usage agreement

On June 26, 2019, the Company, through a wholly-owned subsidiary, entered into a transaction with a wholly-owned subsidiary of Josemaria whereby the Company extended its right to use Josemaria's Batidero Camp in Argentina.

The agreement may be terminated with one year's prior notice by Josemaria, and in the absence of such notice the agreement may be renewed annually at the Company's election. On March 9, 2023, Filo Mining provided formal notice of renewal for the period through April 1, 2024.

(Expressed in Canadian Dollars, unless otherwise stated)

d) Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

		Year ended December 31, 2022		2021
Salaries	$	1,346,667	$	965,333
Short-term employee benefits		32,369		28,107
Directors' fees		233,056		162,004
Stock-based compensation		6,910,772		2,040,635
Incentive bonuses		1,165,000		1,030,000
	$	**9,687,864**	**$**	**4,226,079**

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss for the year. These differences result from the following items:

		Year ended December 31, 2022		2021
Loss before taxes	$	68,961,331	$	32,419,209
Combined Canadian federal and provincial statutory income tax rates		27.00%		27.00%
Income tax recovery based on the above rate		18,619,559		8,753,186
Income tax benefits that have not been recognized and other temporary differences		(13,415,921)		(9,703,799)
Non-deductible expense		(3,795,236)		(111,588)
Other permanent differences		9,301,551		6,325,850
Impacts of changes in foreign tax and currency rates		(13,806,839)		(7,021,540)
Differences between Canadian and foreign tax rates		3,096,886		1,757,891
Total income tax recovery	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars, unless otherwise stated)

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following:

		December 31, 2022		**December 31, 2021**
Non-capital losses carried forward	$	8,317,504	$	6,442,468
Mineral properties and related expenditures		26,330,023		16,543,307
Other		929,399		1,066,502
	$	**35,576,926**	**$**	**24,052,277**

As at December 31, 2022, the non-capital loss carry-forwards and their respective expiration dates are as follows:

Year		**Canada**		**Argentina**		**Other**		**Total**
2023	$	-	$	2,739	$	11,943	$	14,682
2024		-		76,664		-		76,664
2025		-		200,497		239,088		439,585
2026		-		2,254,429		8,159		2,262,588
2027 and onwards		23,283,047		5,300,116		30,692		28,613,855
	$	**23,283,047**	**$**	**7,834,445**	**$**	**289,882**	**$**	**31,407,374**

13. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The information regarding equipment and facilities, mineral properties and exploration and project investigation costs presented in Notes 6, 7, and 10, respectively, represent the manner in which management reviews its business performance. All the Company's equipment and facilities, mineral properties and exploration and project investigation costs relate to the Filo del Sol Project, which straddles the border between the San Juan Province, Argentina and Region III, Chile and is comprised of the Filo del Sol property and the Tamberias property. The net gains on the use of marketable securities are allocated to the Filo del Sol Project, as they are the result of funding provided to the Company's Argentinian subsidiary in support of the project. Materially, all the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's South American subsidiaries in support of ongoing and planned work programs.

(Expressed in Canadian Dollars, unless otherwise stated)

The following are summaries of the Company's current and non-current assets, current liabilities, and net losses by segment:

As at			**Filo del Sol Project**		**Corporate**		**Total**
December 31, 2022	Current assets	$	4,055,924	$	71,690,795	$	75,746,719
	Taxes receivable		-		-		-
	Equipment and facilities		480,760		-		480,760
	Mineral properties		9,736,629		-		9,736,629
	Total assets	$	14,273,313	$	71,690,795	$	85,964,108
	Current liabilities	$	14,590,638	$	860,248	$	15,450,886
December 31, 2021	Current assets	$	6,524,265	$	13,590,379	$	20,114,644
	Taxes receivable		2,314,091		-		2,314,091
	Equipment and facilities		168,347		-		168,347
	Mineral properties		8,062,918		-		8,062,918
	Total assets	$	17,069,621	$	13,590,379	$	30,660,000
	Current liabilities	$	6,628,841	$	433,989	$	7,062,830

Year ended December 31,			**Filo del Sol Project**		**Corporate**		**Total**
2022	Exploration and project investigation	$	82,523,935	$	-	$	82,523,935
	Gain on use of marketable securities		(25,015,866)		-		(25,015,866)
	General and administration and other items		756,636		10,696,626		11,453,262
	Net loss	**$**	**58,264,705**	**$**	**10,696,626**	**$**	**68,961,331**
2021	Exploration and project investigation	$	40,901,439	$	-	$	40,901,439
	Gain on use of marketable securities		(15,281,148)		-		(15,281,148)
	General and administration and other items		(34,814)		6,833,732		6,798,918
	Net loss	**$**	**25,585,477**	**$**	**6,833,732**	**$**	**32,419,209**

14. USE OF MARKETABLE SECURITIES

From time to time, the Company may acquire and transfer marketable securities to facilitate intragroup funding transfers between the Canadian parent and its Argentinian operating subsidiary.

The Company does not acquire marketable securities or engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large, established companies, with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations do occur.

As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading. Accordingly, all changes in the fair value of the instruments, between acquisition and disposition, are recognized through profit or loss.

As a result of having utilized this mechanism for intragroup funding for the year ended December 31, 2022, the Company realized a net gain of $25,015,866 (2021 – $15,281,148). The net gain for the year ended December 31, 2022 was comprised of a favorable foreign currency impact of $27,414,923 (2021 – $18,425,317) and a trading loss of $2,399,058 (2021 – $3,144,170), including the impact of fees and commissions.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments, as necessary, in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including, but not limited to, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

16. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash, receivables and other assets, and trade payables and accrued liabilities. The carrying values of the Company's financial instruments are considered to be reasonable approximations of fair value due to their anticipated short-term nature.

As at December 31, 2022, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

(i) Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risks associated with the inability to meet obligations as they become due are minimized through the management of its capital structure as explained on Note 16 and by maintaining good relationships with significant shareholders and potential creditors.

The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis.

The maturities of the Company's financial liabilities as at December 31, 2022 are as follows:

	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 15,450,886	$ 15,450,886	$ -	$ -
Total	**$ 15,450,886**	**$ 15,450,886**	**$ -**	**$ -**

(iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2022, the Company's largest foreign currency risk exposures existed at the level of its Canadian headquarters, where the Company held a net financial asset position denominated in US dollars having a Canadian dollar equivalent of approximately $9.6 million. A 10% change in the foreign exchange rate between the US dollar and the Canadian dollar, the functional currency of Filo Mining, would give rise to an increase/decrease of approximately $1.0 million in financial position/comprehensive loss.

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VP Exploration
Trevor D'Sa
VP Corporate Development & IR
Ian Gibbs
Chief Financial Officer
Arndt Brettschneider
VP Operations & Projects

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