

TORCHLIGHT INNOVATIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

This Management Discussion and Analysis ("MD&A") provides an analysis of the business of Torchlight Innovations Inc. ("Torchlight" or the "Company") as at April 21, 2025. The MD&A compares the Company's financial results for the years ended December 31, 2024, and 2023. The "MD&A" should be read in conjunction with the financial statements of the Company and the related notes for the years ended December 31, 2024 and 2023 (the "Financial Statements"). The financial statements and the financial information contained in the related MD&A were prepared in accordance with IFRS Accounting Standards ("IFRS").

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth under "*Risk Factors*" sections.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings. These financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith, and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's ability to continue as a going concern;
- The Company's strategies and objectives;
- The Company's cost controls and other financial operating objectives;
- The availability of qualified employees for business operations;
- General business and economic conditions;
- The Company's ability to meet its financial obligations as they become due;
- The positive cash flows and financial viability of its business;
- The Company's ability to manage growth with respect to its business and new business opportunities;
- And The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions, and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Overall Performance

Torchlight Innovations Inc. (the "Company") was incorporated on October 8, 2021 under the laws of British Columbia and is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V" or the "Exchange") Policy 2.4. Torchlight's business plan is to find a qualifying transaction (QT) to take a private operating company public via Reverse-Take-Over (RTO). The target RTO company may be from any industry, ultimately creating shareholder returns for the investors of Torchlight.

On August 8, 2022, the Company completed its initial public offering ("Offering"), raising gross proceeds of \$300,000 pursuant to the Company's final prospectus dated May 12, 2022 (the "Prospectus") by issuing an aggregate of 3,000,000 common shares in the capital of the Company (the "Shares") at a price of \$0.10 per Share.

Pursuant to the agency agreement dated May 12, 2022, Research Capital Corporation (the "Agent") acted as the agent for the Offering. In connection with the Offering, the Agent received a cash commission of \$30,000, a work fee of \$15,000 (plus GST) and an option to purchase up to 300,000 Shares at a price of \$0.10 per share until August 8, 2024.

The Company is a "capital pool company" ("CPC") under the policies of the TSX Venture Exchange (the "Exchange") and intends to use the net proceeds of the Offering to identify and evaluate assets or businesses for acquisition with a view to completing a "Qualifying Transaction" under the policies of the Exchange. On August 4, 2022, the Exchange issued a bulletin announcing the listing of the Shares as of market open on August 8, 2022 and immediately halted trading pending completion of the Offering. The Shares resumed trading under the trading symbol "TLX.P" on August 10, 2022.

Upon closing of the Offering, the Company granted 550,000 stock options to its directors and officers which are exercisable until August 8, 2032 at an exercise price of \$0.10 per Share. Following the closing of the Offering, the Company has 5,500,000 Shares issued and outstanding, 2,500,000 of which are subject to escrow restrictions.

On April 10, 2025 the Company incorporated a wholly owned subsidiary named 1535261 B.C. ("Subco").

Subsequent to the year ended December 31, 2024 the Company entered into an amalgamation agreement dated April 11, 2025 with Innovation Mining Inc. ("Innovation") and Subco pursuant to which Torchlight will, by way of a "three-cornered amalgamation", acquire all of the issued and outstanding securities of Innovation (together with the related transactions and corporate procedures set forth in the Amalgamation Agreement, the "Transaction").

In connection with the Transaction, the Company intends to consolidate its common shares on a 1.93:1 basis (the "Consolidation") and change its name to "Innovation Mining Inc." or such other name as may be determined by Innovation (the "Name Change").

Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, on the closing date of the Transaction (the "Closing Date"), Innovation will amalgamate with Subco pursuant to the provisions of the *Business Corporations Act (British Columbia)* (the "Amalgamation"). The amalgamated entity ("Amalco") will be a wholly-owned subsidiary of Torchlight.

The Amalgamation must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of shareholders of Innovation (the "Innovation Meeting"), which will be held to consider, among other things, the Amalgamation. The Amalgamation is not anticipated to be subject to Torchlight shareholder approval.

Innovation intends to complete a share split on an approximately 1:1.24 basis prior to completion of the SR Financing (defined below) and the Transaction (the "Share Split"). Pursuant to the Transaction, the Company will then issue one (1) post-Consolidation common share to Innovation shareholders for every one (1) common share of Innovation held. Outstanding options, warrants and broker warrants of Innovation will also be replaced with options, warrants and broker warrants of the Resulting Issuer exercisable on equivalent terms.

In connection with the Transaction and following the Share Split, Innovation intends to undertake a non-brokered private placement of subscription receipts (each a "Subscription Receipt") at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of up to \$2,000,000 (the "SR Financing"). Each Subscription Receipt is expected to be exchanged for one common share and one common share purchase warrant of Innovation (exercisable at a price of \$0.75) prior to completion of the Transaction. The underlying Innovation common shares and warrants will subsequently be exchanged for common shares and warrants of the Resulting Issuer on a one for one basis, in accordance with the exchange ratio, at the time of completion of the Transaction.

Prior to completion of the SR Financing and before the Share Split, Innovation intends to complete a non-brokered private placement of units (the “Units”) at a price per Unit of \$0.35 (\$0.28 post-Share Split) for additional gross proceeds of up to \$752,500 (the “PP Financing”). Each Unit will be comprised of one common share and one common share purchase warrant (each whole warrant exercisable for one common share at a price of \$0.50 per share (\$0.40 post-Share Split)). Any funds raised in the PP Financing will be available for Innovation’s use towards its business prior to the completion of the Transaction and will not form part of the SR Financing.

No finder’s fee is payable in connection with the Transaction. Finder’s fees may be paid in connection with the SR Financing and PP Financing. There are no common control persons of both the Company and the Innovation. The Transaction will not constitute a “Non-Arm’s Length Qualifying Transaction” (as such term is defined in Policy 2.4) or a related party transaction pursuant to the policies of the TSXV and applicable securities laws.

Selected Financial Information and Additional Disclosure

The following financial data for the years ended December 31, 2024, 2023, and 2022 is derived from the audited financial statements for the respective periods and should be read in conjunction with these financial statements.

	Year ended December 31, 2024 (Audited)	Year ended December 31, 2023 (Audited)	Year ended December 31, 2022 (Audited)
Total revenue	Nil	Nil	Nil
Loss from operations	\$55,022	\$48,285	\$79,535
Loss per share – basic	\$0.02	\$0.02	\$0.07
Loss per share – diluted	\$0.02	\$0.02	\$0.07
Total assets	\$90,133	\$146,067	\$211,435
Total current liabilities	\$9,499	\$10,411	\$27,494
Total non-current financial liabilities	Nil	Nil	Nil
Cash dividends declared (cents per share)	Nil	Nil	Nil

As an IPO venture issuer with no revenue from operations, the Company makes the following additional disclosure in accordance with Section 8.6 of Form 41-101F1 – *Information Required in a Prospectus*.

	Year ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Office and administration	\$ 2,408	\$ 3,145	\$ 2,637
Filing fees	\$ 13,326	\$ 11,037	\$ 1,070
Professional fees	\$ 39,288	\$ 34,103	\$ 35,128
Other material costs	Nil	Nil	\$ 40,700

Results of Operations

Torchlight recorded a loss of \$217,343 during the period commencing from incorporation on October 8, 2021 to December 31, 2024 which was comprised of general and administrative costs as set forth below:

	Three months ended December 31, 2024	Three months ended September 30, 2024	Three months ended June 30, 2024	Three months ended March 31, 2024
Filing fee	\$ 6,946	\$ 4,284	\$ 616	\$ 1,480
Professional services	3,372	5,740	9,899	20,277
Office and administration	276	686	1,373	73
Loss for the period	\$ 10,594	\$ 10,710	\$ 11,888	\$ 21,830

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023
Office and administration	\$ 2,648	\$ 44	\$ 1,342	\$ 1,631
Filing fee	2,119	2,648	2,731	3,100
Professional services	38	700	5,442	25,842
Loss for the period	\$ 4,805	\$ 3,392	\$ 9,515	\$ 30,573

Summary of Quarterly Results

Years ended December 31, 2024 and 2023

During the year ended December 31, 2024 the Company incurred \$22,591 in the legal fees compared to \$24,050 incurred during the previous year. Accounting fees incurred during the year ended December 31, 2024 were \$16,697 and \$10,053 during the year ended December 31, 2023.

Years ended December 31, 2023 and 2022

During the year ended December 31, 2023 the Company incurred \$24,050 in the legal fees compared to \$19,293 incurred during the 2022 year. The year ended December 31, 2023 was the first full year for the Company being listed on TSX Venture exchange. Accounting fees incurred during the year ended December 31, 2023 were \$10,053 and \$15,835 during the year ended December 31, 2022. The higher accounting fees incurred during the year ended December 31, 2022 related to the work done on the Prospectus when the company became listed on the TSX Venture exchange.

Three months ended December 31, 2024 and 2023

During the three months ended December 31, 2024 the Company incurred \$297 in the legal fees compared to \$719 incurred during the comparative period of 2023. This change relates to the uneven distribution of legal expenses throughout the periods. Accounting fees incurred during the three months ended December 31, 2024 were \$3,075 and \$1,400 during the three months ended December

31, 2023. The increase in accounting fees relates to audit fees accrued during the three months period ended December 31, 2024.

Liquidity and Capital Resources

In November 2021, the Company completed a non-brokered private placement pursuant to which the Company issued an aggregate of 2,500,000 Common Shares at a price of \$0.05 per Common Share for gross proceeds of \$125,000. No finders' fees were paid.

On August 8, 2022 the Company completed a private placement and issued of 3,000,000 shares at a price of \$0.10 per share for gross proceeds of \$300,000. The Company paid a cash commission to the agent in the amount of \$15,000 and issued 300,000 compensation warrants exercisable into common shares at a price of \$0.10 per common share for a period of 24 months from the date of issuance. During the year ended December 31, 2024, 300,000 warrants expired.

The Company has no revenue-producing operations. As at December 31, 2024, the Company had an accumulated deficit of \$217,343. As at December 31, 2024, the Company had a working capital balance of \$80,634, including cash of \$70,008. Management feels the Company has sufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

The Company does not have any commitments for capital expenditures.

The Company is dependent on external financing, including equity issuances and debt financing, to fund its activities. Management of the Company will determine whether to accept any offer to finance weighing such things as the financing terms, share price at the time and current market conditions, among others. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions, the price of relevant commodities and the other factors set forth below under "*Risk Factors*".

On an ongoing basis, and particularly in light of current market conditions, management evaluates and adjusts its planned level of activities, including planned and administrative costs, to maintain adequate levels of working capital.

Off-Balance Sheet Arrangements

Torchlight has not participated in any off-balance sheet or income statement arrangements.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of December 31, 2024, \$Nil (December 31, 2023 - \$Nil) was due to related parties. Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors

and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended December 31, 2024, \$Nil (December 31, 2023 - \$Nil) was recorded as compensation costs for key management personnel and companies related to them.

Changes in Accounting Policies

Torchlight has adopted accounting policies stated in the audited financial statements for the year ended December 31, 2024.

Financial Instruments

As at December 31, 2024, Torchlight's financial instruments consisted of cash and accounts payable. The fair values of Torchlight's financial instruments approximate their carrying value, due to their short-term maturities or liquidity.

Risks Factors

As at December 31, 2024, Torchlight's risk exposure and the impact on Torchlight's financial instruments are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at December 31, 2024, Torchlight holds cash balances at a chartered bank. Torchlight has assessed the credit risk to be low.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Torchlight manages liquidity risk by maintaining sufficient cash balances and to ensure that there is sufficient capital to meet short-term obligations. As at December 31, 2024, Torchlight had a working capital balance of \$80,634, including cash of \$70,008.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. As at December 31, 2024 Torchlight is not exposed to significant market risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Torchlight does not have any interest-bearing debt; however, it does hold cash balances in an interest-bearing bank account.

Foreign Currency Risk

The functional currency of Torchlight is the Canadian dollar. As of December 31, 2024, Torchlight had no financial assets and liabilities that were subject to currency translation risk.

Price Risk

Torchlight is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on Torchlight's earnings due to movements in individual equity prices or general movements in the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatility. Future declines in commodity prices may impact the valuation of long-lived assets.

Outstanding share data

As at April 21, 2025 the Company has 5,500,000 common shares outstanding, 550,000 stock options exercisable at \$0.10 per share until August 8, 2032.