



REYNASILVER

**REYNA SILVER CORP.**  
*(An Exploration Stage Company)*

**Management Discussion and Analysis  
For the Year Ended December 31, 2022**

**Dated: April 14, 2023**

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595 Howe Street  
Vancouver, British Columbia, Canada  
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## INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Reyna Silver Corp. ("Reyna Silver" or the "Company") and has been prepared based on information known to management as of April 14, 2023.

The MD&A is intended to complement and supplement the Company's consolidated financial statements, but it does not form part of those consolidated financial statements. The MD&A should be read in conjunction with the audited consolidated financial statements and the related notes for the years ended December 31, 2022 and 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included in those financial statements and/or this MD&A are quoted in Canadian dollars unless otherwise specified.

## FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future results. Consequently, certain statements contained in this MD&A constitute expressed or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

Forward looking statements that have been made in this MD&A include:

- Plans for exploration of the Company's exploration and evaluation assets;
- Impairment of long-lived assets;
- The progress, potential and uncertainties of the Company's exploration and evaluation assets in Mexico and USA (Nevada);
- References to future commodity prices;
- Budgets or estimates with respect to future activities;
- Estimates of how long the Company expects its working capital to last;
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties; and
- Management expectations of future activities and results.

## ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and/or on the Company's website at [www.reynasilver.com](http://www.reynasilver.com).

## SUMMARY AND OUTLOOK

Reyna is a growth-oriented junior exploration and development company. The Company focuses on exploring for high-grade, district-scale silver deposits in Mexico and USA.

The environment for junior resource companies has been challenging for many months and it is anticipated that recovery of the sector may take many more months. We evaluate our projects on a regular basis using criteria that include political environment, relative cost of exploration, seasonality and type of mineral. As a result of our review, we may from time to time add or drop specific Mineral Properties.



On June 24, 2022, the Company completed a non-brokered private placement by issuing 13,888,889 units ("Unit") at a price of \$0.36 per Unit for gross proceeds of \$5,000,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a 24-month period at a price of \$0.50, expiring on June 24, 2024.

In connection with the private placement, the Company paid a total of \$326,452 cash finder's fee, issued 624,999 compensation options, each of which is exercisable into one Unit at a price of \$0.36 for a period of 24 months, expiring on June 24, 2024, and issued 284,105 finder's warrants, each of which is exercisable into one common share at a price of \$0.50 for a period of 24 months, expiring on June 24, 2024. Another \$228,007 was also included as share issue costs.

On June 30, 2022, the Company issued 250,000 common shares with a fair value of \$78,750 to United Minerals pursuant to the mineral property option agreement.

On February 13, 2023, the Company completed the first tranche of a non-brokered private placement by issuing 16,666,000 units ("Unit") at a price of \$0.30 per Unit for gross proceeds of \$4,999,800 and on February 23, 2023, the Company completed the second tranche of a brokered private placement by issuing 10,039,720 units at a price of \$0.30 per Unit for gross proceeds of \$3,011,916. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.40 until February 13, 2026 for the first tranche and until February 23, 2026 for the second tranche.

In connection with the private placement, the Company paid a total of \$527,833 cash finder's fee, issued 1,166,620 compensation warrants, each of which is exercisable into one Unit at a price of \$0.30 until February 13, 2025, and issued 686,572 compensation warrants, each of which is exercisable into one Unit at a price of \$0.30 until February 23, 2025. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.40 until February 13, 2026 for the first tranche and until February 23, 2026 for the second tranche.

During the year ended December 31, 2022, 375,000 options and 923,000 warrants were exercised at \$0.20 and \$0.45 respectively, resulting in gross proceeds of \$490,350

The Company intends to use the net proceeds from the private placements and the exercise of options, finder's warrants and warrants for the exploration of the Company's Guigui, Batopilas and La Reyna projects in Mexico, as well as for Medicine Spring property in USA, and for general working capital purposes.

For the 2023 fiscal year, the Company continues to monitor its cash very closely and focuses on key objectives to improve shareholder value.

Additional Mineral Property information, including 2022 activity, can be found in Section 3 and more detailed Mineral Property information can be found on the Company's website at [www.reynasilver.com](http://www.reynasilver.com).

Management's overall expectations for the Company are positive, due in part to the following factors:

- ❑ The Company focuses its portfolio of properties with potential for high-grade, district-scale silver deposits;
- ❑ The Company's exploration team has an exceptional track record of discoveries; and
- ❑ The Company is well funded.

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## **1. Background**

Reyna Silver was incorporated in British Columbia, Canada, on August 24, 2017 under the *Business Corporations Act of British Columbia*. The Company changed its name from “Trudeau Gold Inc.” to “Century Metals Inc.” on April 30, 2018 and began trading on TSX Venture Exchange (the “Exchange”) on June 17, 2019.

Reyna Silver Mining Inc. (“Reyna”) was incorporated under the Business Corporations Act (British Columbia) on June 19, 2018.

On June 3, 2020, the Company completed the acquisition of Reyna pursuant to an amalgamation agreement dated March 20, 2020. This acquisition constituted a reverse takeover (“RTO”). Upon completion of the RTO, the Company changed its name from Century Metals Inc. to Reyna Silver Corp. and began trading on the Exchange under the symbol “RSLV”. Historical information on the formation of the Company can be found on the Company’s website [www.reynasilver.com](http://www.reynasilver.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **2. Overview**

### **2(a) Company Mission and Focus**

With an exceptional exploration team, the Company focuses its exploration work in a portfolio of properties with potential for high-grade, district-scale silver deposits.

### **2(b) Qualified Person**

Dr. Peter Megaw, Ph.D., C.P.G., is the Company's Qualified Person under NI 43-101, reviewing the technical aspects of exploration projects described herein and is responsible for the design and conduct of the exploration programs and the verification and quality assurance of analytical results. Dr. Megaw is not independent as he and/or companies with which he is affiliated hold Net Smelter Royalties on the Guigui and Batopilas Projects that predate Reyna Silver acquiring them.

### **2(c) Description of Metal Markets**

Silver prices have remained above their long term averages, albeit with high levels of volatility.

### **2(d) Use of the terms “Mineral Resources” and “Mineral Reserves”**

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

## **3. Mineral Properties**

The Company has properties in Mexico and also has an option to acquire 80% of the Medicine Springs property in Nevada, USA.

### 3(a) Mexico

#### i. *Batopilas Property*

The Company acquired 100% interest of the Batopilas Property pursuant to the Asset Purchase and Sale Agreement (the “Agreement”) with MAG Silver Corp. (“MAG Silver”) on June 29, 2018. The Batopilas Property, consisting of 10 concessions (1,169.7313 hectares) is located in Chihuahua Mexico.

The Batopilas property is subject to a 4.5% net smelter royalty (“NSR”) payable to the underlying owner with a right of first refusal.

On April 12, 2022, the Company reported results from 19 holes totaling 7964 meters (m) of the 10,000-meter Stage 1 drilling program on the Batopilas Project.

#### Highlights

- **A high-grade gold zone is emerging in the northeastern (NE) portion of the claim package showcased by Hole BA21-42A (See Table 1).**
- **The NE gold zone overlaps the southwestern (SW) native silver zone, indicating two overlapping mineralization sources (Figure 1).**
- **Building on the new exploration potential presented by these recent discoveries, the company immediately initiated a selective sampling survey to be followed by a detailed structural study and additional geophysics to refine drill targeting.**

**Table 1. Highlights from Hole BA21-42A**

Hole ID#	to	from	width (m)	Au (g/t)
BA21-42A	179.85	189.20	<b>9.35</b>	3.38
including	180.20	183.85	<b>3.65</b>	<b>8.18</b>
including	182.20	183.85	1.65	<b>12.75</b>

Building on the high-grade gold intercept found in BA21-34 in the Teodoro and Orochi vein area, additional drilling in the area focused on identifying the characteristics of the gold mineralization. Holes BA21-40 to BA21-42A intersected zones carrying visible gold surrounded by more dispersed gold mineralization associated with pyrite and amphiboles (Table 2). This is a marked divergence from the calcite-dominant veins which contained the district’s historic native silver ore.

**Table 2. Drill results from the NE gold zone.**

Hole ID#	from (m)	to (m)	width (m)	Au (g/t)
BA21-40	55.15	56.60	1.45	6.87
including	55.15	55.50	0.35	<b>11.55</b>
and	56.30	56.60	0.30	<b>18.95</b>
BA21-42A	179.85	185.25	5.40	5.68
including	180.20	185.25	5.05	6.05
including	180.20	183.85	<b>3.65</b>	<b>8.18</b>
including	182.20	183.85	1.65	<b>12.75</b>
and	180.20	180.95	0.75	9.55

Metallic Screen Assay Testing

To verify the high-grade visible native gold encountered in Hole BA21-34 and in subsequent Gold Zone holes, the technical team decided to send the samples with higher gold results for repeat analysis by Metallic Screen Assaying (Table 3). On average, intervals containing significant visible gold mineralization came back higher; in contrast, some of the lower grade gold intervals from the prior survey that lacked visible gold decreased. Overall it appears that the additional testing confirms the high values and increases our confidence in the gold values.

**Table 3. Highlights of changes in grades post metallic screen assay**

Hole ID#	to	from	width	g/t metallic screen assay	Au g/t standard fire assay	% change
BA21-34	65.35	66.00	0.65	<b>6.91</b>	5.15	<b>34.17%</b>
BA21-34	45.70	45.95	0.25	<b>36.10</b>	28.70	<b>25.78%</b>
BA21-37	37.90	38.20	0.30	0.46	1.78	-74.08%
BA21-42	56.30	56.60	0.30	<b>18.95</b>	15.45	<b>22.65%</b>
BA21-41	38.15	38.35	0.20	1.39	1.19	<b>17.30%</b>
BA21-42A	179.85	189.20	9.35	3.38	2.88	<b>17.14%</b>
BA21-42A	179.85	185.25	5.40	<b>5.68</b>	4.82	<b>17.69%</b>
BA21-42A	180.20	185.25	5.05	<b>6.05</b>	5.14	<b>17.71%</b>
BA21-42A	180.20	183.85	3.65	<b>8.18</b>	6.99	<b>17.12%</b>
BA21-42A	180.20	180.95	0.75	<b>9.55</b>	6.54	<b>46.02%</b>
BA21-43	19.50	20.85	1.35	0.31	0.51	-39.22%
BA21-43	20.85	21.95	1.10	0.89	1.21	-26.45%
BA21-43	19.50	21.95	2.45	0.57	0.82	-30.80%
BA21-44	100.50	101.00	0.50	0.82	1.58	-47.94%
BA21-46	44.10	45.35	1.25	<b>5.61</b>	3.51	<b>59.83%</b>

Based on the high-grade gold and silver mineralization cut by Hole BA21-30, the program then moved south to the Cobriza area to drill six holes (BA21-43 to BA21-49). While gold grades decreased relative to the NE zone, this area contained discrete styles of both silver and gold mineralization in proximity to one another. This led us to believe that there are probably two mineralization centers generating different and overlapping styles of mineralization.

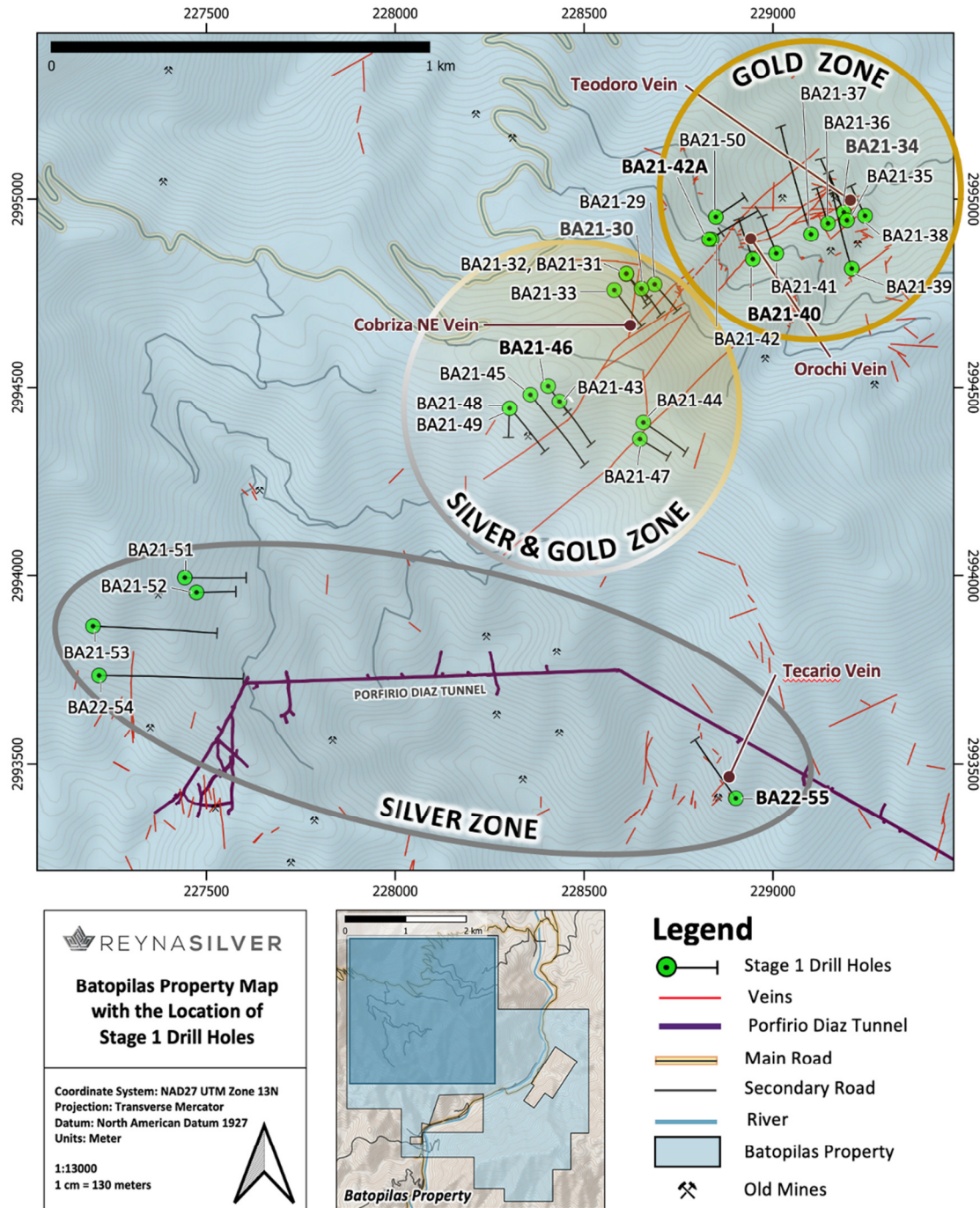


Figure 1. Map of gold and silver zones identified during Stage 1 drilling at Batopilas. Nine holes, BA21-35 to BA21-42A and BA21-50, focused on the Teodoro and Orochi area revealed the NE Gold zone (upper right portion of the map). Six holes, BA21-43 to BA21-49, were drilled proximal to the Cobriza Native-silver vein extension (middle of the



map). Four holes, BA21-51 to BA22-54, focused on the SW (bottom left of the map). BA21-55 was in the Tecario vein area (near the Porfirio Diaz Tunnel, bottom right of the map).

The next focus of the district-scale exploration program during Stage 1 drilling was four holes (BA21-51 to BA21-54) focused on the Zona del Cinco and Los Santos silver areas as part of the district-scale exploration plan designed to better define and understand the controls on the native silver mineralization. The last of these holes (BA22-55) was over 1 kilometer south of the Cobriza zone in the Tecario area near the historical portion of the district, and cut through a 1.8m zone of unexpectedly strong gold mineralization (Table 4). This is the most recent drill result in hand and will be part of the study to understand the relationship between the gold and silver mineralization in the district.

**Table 4. Hole BA22-55 in the Tecario area**

Hole ID#	to	from	width (m)	Au (g/t)*	Ag (g/t)
BA22-55	274.5	276.3	1.8	4.06	7.9

\*Please note this interval has not undergone Metallic Screen Assay yet.

## 2022 Surface and Mine Sampling Program

On September 13, 2022, the Company announced high-grade silver and gold results from its late 2021 to mid-2022 surface and in-mine sampling program focused on the area surrounding the Silver Zone of the historic Batopilas district. Highlights of that program include:

- Identification of a new gold zone on the east side of the river - the East Belt - paralleling the Teodoro Gold Zone (previously the “NE Gold Zone”) which lies 2 km farther west.
- 300-1500m extensions into under-explored areas of the high-grade Silver Zone veins.
- 1458 sample results with 6% ranging from 199 to 14,170 gr/ton Silver with more than 10% reporting Gold values from 1.1 to 32.6 gr/ton (Tables 5 to 8)
- Recognition of two geochemically distinct gold events superimposed on earlier silver.

Sample Type	Zone	Sample	Au ppm	Ag ppm
Surface	Ag	202349	0.6	<b>14,170</b>
Mine Interior	Ag	196237	0.1	<b>3,120</b>
Mine Interior	Au	202918	<b>32.6</b>	15.9
Surface	Au	109436	<b>30.6</b>	16
Surface	Au	202937	<b>22.9</b>	22
Surface	Au + Ag	202105	16.4	67
Surface	Au + Ag	202566	8.8	91
Surface	Au + Ag	202984	<b>19</b>	<b>2,090</b>

Table 5. Highlights from each style of mineralization: Silver, gold, and silver-gold.

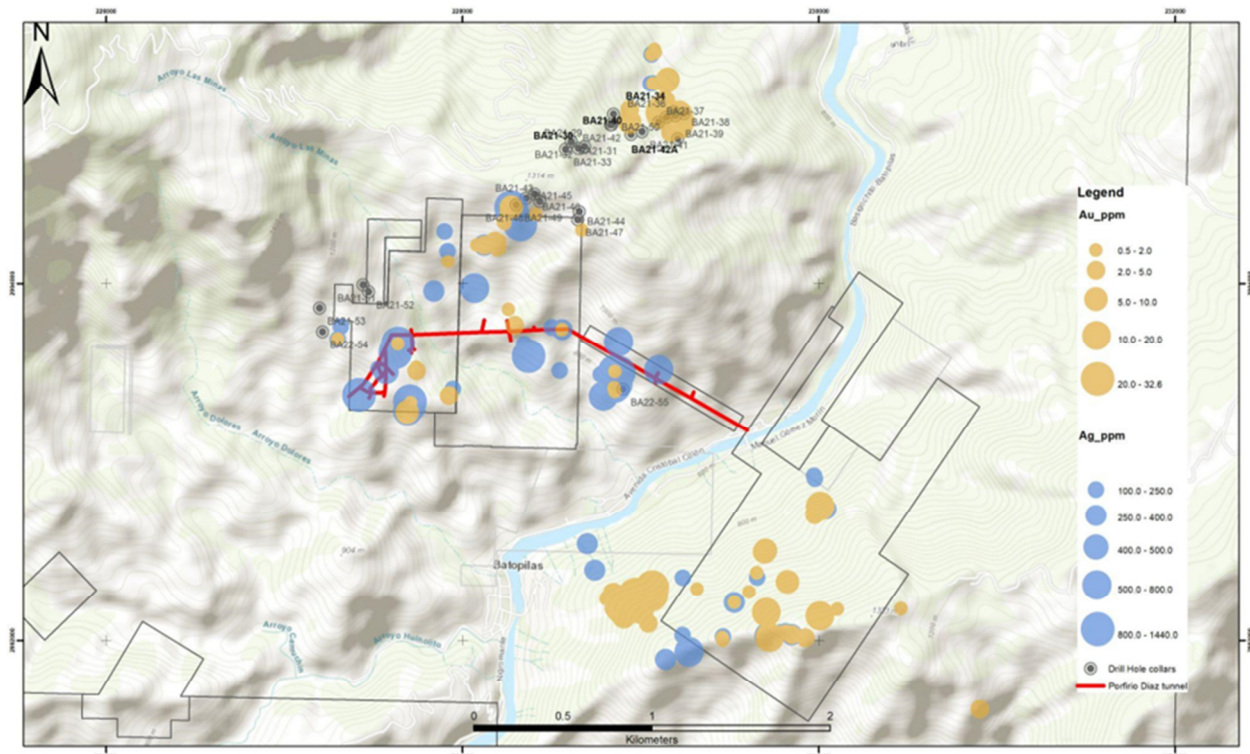


Figure 2. Map of the Batopilas District showing location of Selective Sampling survey results. Gold is in yellow, and Silver is in blue. The Porfirio Diaz Tunnel is in red. The location of drill holes from Phase 1 are in green, with the standout holes (BA21-30, 34 and BA21-40 and 42A) in black.

### 2022 Sampling and Exploration Program

The sampling program reported here stems from 2021-2022 geologic work and drilling that identified significant gold and mixed silver-gold mineralization outboard of the district's historic high-grade silver center. That work dramatically increased the district footprint and highlighted additional areas with potential for new gold and silver veins and extensions of previously known veins. Sampling was performed along surface traverses guided by strong geological lineaments identified in satellite imagery, projections of structural trends recognized in old mines and zones where overlooked veins were suspected. A total of 1,458 samples were collected and submitted for assay with appropriate control duplicates, standards and blanks. At least 25 percent of the samples reported either strong silver or gold anomalies or combined silver-gold anomalies.

- The East Belt is a new gold-silver zone identified on the east side of the Batopilas river, where only limited sampling had been done previously. The East Belt structures trend roughly parallel to the nearly N-S trend of the Teodoro Gold Zone discovered in 2021 over 2km to the north-west on the other side of the Batopilas river. The East Belt structures show both gold-dominant and mixed gold-silver zones as is seen at Teodoro (See Press Release, April 12, 2022). Geochemically, there appear to be two distinct gold mineralizing stages-one very similar to Teodoro, the other distinctly different. The three principal gold-rich veins of the East Belt include the new Las Pilas and Nestor veins and the southwestern extension of the historic Nevada-Valenciana native silver vein. (Figure 2, Tables 6 and 8).
- Nine silver veins of the Silver Zone were delineated through surface and underground mapping and sampling, which extended them between 300 and 1200 m beyond their known lengths. The structures show the pinch and swell of thickness from 0.2 to 1m characteristic of Batopilas. All returned significant silver values, with most of them featuring samples with over 1,000 g/t Ag. Three of these structures have never been drilled, and two have seen very little drilling. The extensions of these veins clearly warrant further drilling and a number of additional structures with

shorter recognized outcrop lengths remain to be mapped and sampled in detail. (Figure 5, Table 9 and 10)

- The sampling program is complemented by a new district-scale magneto-telluric (MT) geophysical survey and a detailed structural reanalysis. The results from these three facets will be combined to define targets for the next round of drilling.

SAMPLE	Au g/t	Ag g/t
196104	1.6	983
202216	2.3	<b>2180</b>
202547	2.5	360
202586	1.3	255
202782	<b>6.8</b>	<b>1090</b>
202857	1.1	102
202971	1.3	151
202978	2.5	218
202979	1.1	116
202980	3.2	437
202982	1.9	210
202984	<b>19.0</b>	<b>2090</b>
202990	1.8	171
203079	1.5	176
203082	3.1	319

Table 6. The 16 samples returning over 1 g/t Gold plus over 100 g/t Silver together.

Type	SAMPLE	Au g/t	Ag g/t
Surface	109423	5.9	3
Surface	109436	<b>30.6</b>	16
Surface	109437	<b>15.7</b>	15
Surface	109491	8.6	36
Small adit	187220	9.9	15
Small adit	187222	9.7	37
Old Adit	196211	7.8	41
Surface	196432	<b>16.3</b>	13
Surface	202105	16.4	67
Surface	202151	5.6	31
Small adit	202152	13.6	43
Mine Interior	202398	5.3	27
Mine Interior	202399	7.0	15
Mine Interior	202400	12.3	24
Surface	202423	6.7	29
Small adit	202466	7.4	4

Small adit	202469	9.7	15
Surface	202564	8.4	62
Surface	202566	8.9	91
Surface	202611	7.0	19
Surface	202612	12.6	47
Surface	202694	13.9	47
Surface	202705	5.9	20
Surface	202803	9.8	24
Surface	202808	7.9	54
Mine Interior	202918	32.6	16
Mine Interior	202919	14.2	10
Mine Interior	202920	<b>19.6</b>	16
Surface	202937	<b>22.9</b>	22
Mine Interior	202938	15.0	11
Mine Interior	202941	9.4	7
Mine Interior	202945	5.9	6
Surface	202955	5.9	12
Surface	203044	6.3	6

Table 7. Gold Results above 5.0 g/t Au. There are also 61 samples with grades from 0.5-1.0 g/t Au, and 66 samples at 1.0-5.0 g/t Au.

Type	SAMPLE	Au g/t	Ag g/t	Location
Mine Interior	109402	0.09	1935	Hundido Mine
Mine Interior	196065	0.12	1045	Old Adit, no name.
Mine Interior	196096	0.08	1610	Old Mine
Mine Interior	196237	0.12	<b>3120</b>	Del Aire Mine
Mine Interior	196455	0.25	1140	Del Aire Mine
Mine Interior	202216	<b>2.36</b>	2180	Ciempies Mine
Mine Interior	202227	0.04	1875	Ford Tunnel
Mine Interior	202228	0.05	1550	Ford Tunnel
Mine Interior	202229	0.31	1450	Ford Tunnel
Mine Interior	202231	0.61	1920	Ford Tunnel
Mine Interior	202232	0.33	2080	Ford Tunnel
Mine Interior	202245	0.044	1505	Ford Tunnel
Mine Interior	202316	0.028	<b>3190</b>	Ford Tunnel
Mine Interior	202317	0.102	1065	Ford Tunnel
Surface	202349	0.64	<b>14170</b>	Surface
Mine Interior	202486	0.12	1440	Palo Mulato Mine
Surface	202641	0.18	<b>3120</b>	Surface

Surface	202782	<b>6.88</b>	1090	Surface
Surface	202984	<b>19.0</b>	2090	near Nestor

Table 8. Silver Results above 1,000 g/t Ag. In addition there are 20 samples with values between 300-600 g/t Ag, and 11 samples between 600-1000 g/t Ag. In total, 76 samples had grades greater than 199 g/t Ag.

#### Summary and Synthesis for Future Work

Batopilas is believed to be the highest-grade silver system in Mexico's history, having produced an estimated over 300 Moz of native silver from ores that averaged over 1500 g/t. However, Reyna's work has also identified a previously unrecognized gold overprint on the historically important silver mineralization (See [Press Release](#) of April 12, 2022) and further, the geochemical results from both sampling and drilling indicate at least two different sources for the gold mineralization. The gold-bearing structures in the East Belt Zone are structurally similar to the Teodoro Zone (previously identified as the NE Gold Zone), but, although at least one of the East Belt gold vein types is geochemically allied to the Teodoro Gold Zone mineralization, the other is distinctly different.

These newly revealed features are potentially hallmarks of a large, very active and well-mineralized system. Understanding the relationship between the different styles of mineralization could be a critical tool for ongoing exploration, which indicates re-evaluation of existing data as well as additional ground, structural and geophysical surveys is necessary.

#### ii. Guigui Property

The Company acquired 100% interest of the Guigui Property pursuant to the Agreement with MAG Silver on June 29, 2018. The Guigui Property, consisting of 7 concessions (4,553.7034 hectares) is located in Chihuahua Mexico. The Guigui property is subject to a 2.5% NSR payable to the underlying owner with a right of first refusal.

The Company entered into two agreements to acquire an 80% interest in the La Chinche Property (which is contiguous to the Guigui Property and together formed part of the Guigui Property).

On July 1, 2020, the Company entered into a mineral property option agreement with United Minerals Pty Limited and Minerales Unidos La Chinche S.A. de C.V. ("United Minerals") to acquire 50% interest in the La Chinche property in exchange for 500,000 common shares and 11,500,000 warrants as follows:

Date/Period	Shares	Warrants
Upon receipt of the Exchange approval	250,000 (issued)	1,000,000 warrants exercisable for a period of 12 months at \$0.74 (issued)
January 1, 2021	None	3,000,000 warrants exercisable for a period of 12 months at \$0.75 (issued)
July 1, 2021	None	3,500,000 warrants exercisable for a period of 12 months at \$1.00 (issued)
January 1, 2022	None	4,000,000 warrants exercisable for a period of 12 months at \$1.25 (issued)
July 1, 2022	250,000 (issued)	None

On July 1, 2020, the Company entered into a mineral property option agreement with the underlying concession owner (the "Sellers") to acquire an additional 30% interest in the La Chinche property by incurring the following:

- (i) Making a cash payment of US\$42,000 on signing the agreement (paid);

- (ii) Undertaking a minimum of US\$900,000 in work on the property within 24 months (met);
- (iii) Following the above work program, preparing a NI 43-101 technical report summarizing any mineral resources on the property (the “Report”); and
- (iv) Based on the mineral resources set out in the Report, paying an additional amount to the Sellers, calculated as a minimum of US\$1,000,000 (paid in 2022) (for up to 1,500,000 tonnes of resource based on 12% Zn equivalent cut-off) plus an additional US\$250,000 for every 500,000 tonnes of resource at comparable grade contained within the property over and above 1,500,000 tonnes.

On July 14, 2022, the Company had acquired an 80% interest in the La Chinche property as it completed the final US\$1,000,000 payment to the sellers in July 2022.

On April 7, 2022, the Company reported results from its 8,000 m Phase 2 drilling program on the Guigui Project.

Phase 2 follow-up drilling was designed with two goals. The first was to take aggressive step-outs from GG21-28 to determine the extent and zoning of that mineralized skarn. Four of the five Phase 2 holes cut intrusive-hosted mineralized skarn very similar to that in GG21-28 (Table 1), significantly increasing confidence in the expanded mineralization footprint, which now covers an area of at least 0.5 km<sup>2</sup>. The second important focus was to look within the 1,200m thick historical productive limestone sequence that overlies the skarn zone for high-level mineralization potentially sourced from the mineralized skarn. Silver-bearing sulphide veins ranging from a few centimetres to 4.5 metres wide (core length) cutting massive limestone were identified in 4 of 5 holes between about 340 and 720m above the mineralized skarn zone (Table 2). These are all high-angle structures that closely resemble “feeder” or “bleeder” structures that extend to and from major replacement bodies in the historical mines and may provide important mineralization vectors moving forward. Phase 3 will focus on seeking massive sulphide replacement mineralization related to these upper-level structures while continuing to zero in on the source of the district.

Highlights from the Phase 2 Drilling Program:

- Holes drilled 650, 770, and 1089 metres from discovery Hole GG21-28 (as well as from the same pad) all **intersected varying thickness and grades of intrusive-hosted mineralized skarn. The mineralized skarn footprint now exceeds 0.5 km<sup>2</sup>** (Figure 1)
- Hole GG21-31, 650m north of Hole 28, intersected 34.5m of mineralized skarn including 2.62m of 130 g/t Ag with 0.7m of 338 g/t Ag (Table 1).
- Four holes intersected high-angle silver-bearing sulphide veins 342 to 719m above the mineralized skarn, including Hole GG21-30 which reported 2.11m of 233 g/t Ag (Table 2).

**Table 1. Mineralized Skarn Highlights in Hole GG21-31.**

Hole ID#	From (m)	To (m)	Width (m)	Ag (g/t)	Pb (%)	Zn (%)	Zone
GG21-31							
	1,304.73	1,307.35	2.62	130	0.17	0.17	Silver Zone
<i>including</i>	1,305.75	1,306.45	0.70	<b>338</b>	0.44	0.42	
<i>with</i>	1,305.75	1,305.93	0.18	<b>1,040</b>	1.47	0.45	
	1,337.65	1,340.80	3.15	54	2.17	<b>9.94</b>	Zinc-Lead Zone
<i>including</i>	1,337.65	1,339.50	1.85	<b>128</b>	3.69	<b>16.00</b>	

**Table 2. Silver-bearing Sulphide Veins in upper-level, limestone-hosted structures.**

Hole ID#	From (m)	To (m)	Width (m)	Ag (g/t)	Pb (%)	Zn (%)
GG21-30						
	643.80	645.80	2.00	106	0.12	0.24
	887.69	889.80	<b>2.11</b>	<b>233</b>	0.02	0.02
GG21-31						
	547.58	548.78	1.20	105	4.88	0.62
GG21-33						
	648.03	652.54	<b>4.51</b>	106	0.88	0.11

### Phase 2 Drilling

Phase 2 was an aggressive follow-up of Hole GG21-28, which intersected multi-stage Silver-Copper-Zinc-Lead sulphide-mineralized skarn (high-temperature alteration) overprinted on a previously unknown highly-felsic intrusive. Phase 2 consisted of 5 holes, GG21-29 to GG21-33, totaling 8,562m drilled in a 50 ha (0.5km<sup>2</sup>) area within Reyna’s 4,750 ha (47.5 km<sup>2</sup>) Guigui concession package (Figure 1). Working outwards from Hole 21-28, targets were designed to determine the extent and zoning of that mineralized skarn by integrating the results of Phase 1 with detailed surface mapping and geochemistry, airborne geophysics, and hyperspectral satellite imagery all plugged into our district exploration model based on 300 years of historical underground mining. After the completion of each hole, results were remodeled, and targets were modified accordingly. **Relative to Hole GG21-28: Hole GG21-30 was 777m east, Hole GG21-31 was 615m north, Hole GG21-32 was 1089m east, and Hole GG21-33 was drilled from the same pad (Figure 1).** Notable results from Holes GG21-30 to GG21-33 are presented in Table 3.

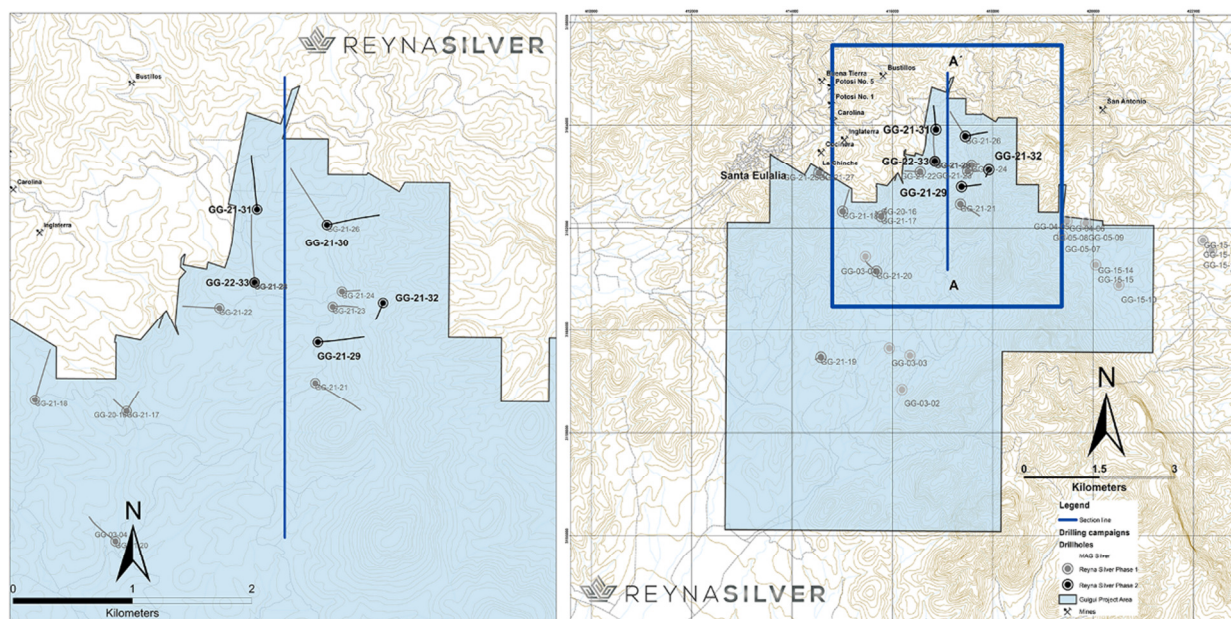


Figure 1. Map of the combined Guigui Property showing its location south of the historical district mines and locations of drill holes described in the release. The most recent Reyna Silver drill holes are black, prior Reyna Silver drill holes are in grey, and the MAG Silver drill holes are in pale grey.

### Intrusive-Hosted Mineralized Skarn

Four of the five Phase 2 holes succeeded in intersecting intrusive-hosted mineralized skarn (Table 1). The best hole was GG21-31, which cut 35.5m reporting 2.35% Zinc, 40 g/t Silver, and 0.44% Lead; including 3.15m assaying 9.9% Zinc, 54 g/t Silver, and 2.1% Lead and a separate 0.7m grading 338 g/T Silver, 0.42% Zn and 0.44% Lead. These individual high-grade zones are very similar to those of GG21-28, which significantly increases confidence in the expanded mineralization footprint, which now covers an area of at least 0.5 km<sup>2</sup>.

Compositionally, texturally, and geologically the intrusive-hosted mineralized skarn found in Phase 2 drilling appears to be an extension of the mineralization discovered in Hole GG21-28- expanding the known footprint of mineralized skarn to at least 0.5 km<sup>2</sup>. A key characteristic of large CRD systems is the presence of multiple, progressively differentiated intrusive stages fed from a source intrusion. Discovery hole GG21-28, plus four of the Phase 2 holes, cut a previously unknown quartz-eye rhyolite, a highly evolved style of intrusive, probably closely linked to the source intrusion and affected by strong, multi-stage mineralization and skarn alteration caused by hydrothermal fluids emanating from it. Compositionally, the mineralized skarn continues to look very similar to the mineralized skarn and sulfide replacement mineralization exploited in the San Antonio mine 2 km east of the Hole GG21-28 area. These similarities include multi-stage epidote-dominated skarn alteration and elevated tungsten and indium values (Hole GG21-31 anomalies: Tungsten 330-550 ppm; Indium 17-68 ppm). Features like these seen in the expanded mineralized skarn footprint should help in vectoring to the source, where mineralization is expected to be larger scale and more pervasive.

**Table 3. Notable Mineralized Skarn results from Holes GG21-30 to GG21-33.**

Hole ID#	From (m)	To (m)	Width (m)	Ag (g/t)	Pb (%)	Zn (%)
GG21-30						
	1,260.25	1,260.55	0.30	22	2.88	1.67
GG21-31						
	1,304.73	1,307.35	2.62	130	0.17	0.17
<i>including</i>	1,305.75	1,306.45	0.70	338	0.44	0.42
<i>including</i>	1,305.75	1,305.93	0.18	1,040	1.47	0.45
	1,337.65	1,340.80	3.15	54	2.17	9.94
<i>including</i>	1,337.65	1,339.50	1.85	128	3.69	16.00
GG21-32						
	1,133.07	1,134.43	1.36	22	1.80	1.17
	1,238.95	1,239.57	0.62	142	10.39	1.06
GG21-33						
	1,094.54	1,095.30	0.76	18	2.68	4.87

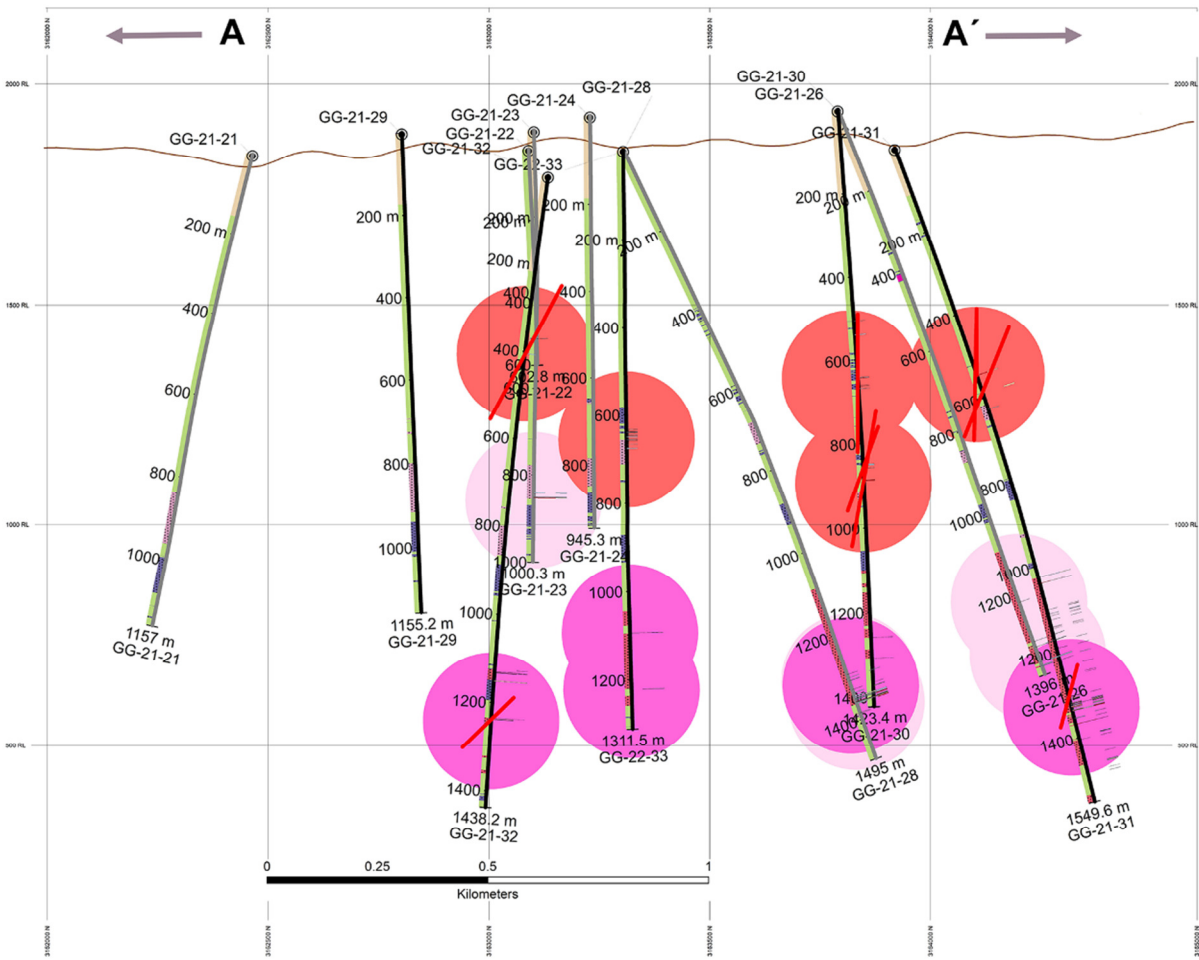
### Limestone-Hosted, Silver-Rich Sulphide Veins

The second important focus of Phase 2 drilling was to look above the mineralized skarn zone within the overlying 1,200m thick historical productive limestone sequence for mineralized structures potentially sourced from the mineralized skarn. Silver-bearing sulfide carbonate veins ranging from a few centimetres to 4.5 metres wide (core length) cutting massive limestone were identified in 4 of 5 holes between about 340m and 720m above the mineralized skarn zone drilled in Phase 2. These are all high-angle structures interpreted as “feeder” or “bleeder” structures, depending on whether they “fed” massive



sulphide mineralization or “bled” mineralizing fluids outwards from them. Similar structures were historically used by the district’s miners to lead to the chimney-manto mineralization exploited in the district’s mines and may provide important mineralization vectors moving forward.

The largest of these silver-bearing sulphide veins were cut in Holes GG21-30, GG21-31, GG21-32, and GG21-33 and lie 342m, 478m, 719m, and 435m respectively above the intrusive skarn and Hole 30 cut two such structures the better of which cut 233 g/t silver over 2.1m (Table 2). Numerous narrower examples were also found in these holes and Hole GG21-29. These high-angle veins show multiple stages of manganoan “fugitive calcite” veining bracketing silver-bearing sulphide mineralization stages. The silver values and trace metal geochemistry indicate that they are similar to the “fluid escape structures” typically found distal to massive sulphide CRD mineralization. These types of structures are classified as “feeder” or “bleeder” structures, depending on whether they “fed” massive sulphide mineralization or “bled” mineralizing fluids outwards from them.



**Legend**

**Drilling highlights**

- Sulfide-bearing Veins
- Skarn Mineralization - Phase 2
- Skarn Mineralization - Phase 1

**Ag ppm**

- 20 - 75
- 76 - 100
- 101 - 500
- 501 - 1040

**Pb %**

- 2 - 4
- 4 - 8
- 8 - 20
- > 20

**Zn %**

- 2 - 5
- 5 - 10
- 10 - 20
- > 20

**Drilling phases**

- Phase 1
- Phase 2

**Mineralized structures**

- Veins

**Lithology**

- Rhyolitic dike
- Volcanics capping
- Felsite sill
- Qz eye rhyolitic intrusive
- Diabase sill
- Limestone

Figure 2. Cross-section showing Phase 1 and 2 drill results. The red colour represents the higher-level silver-bearing sulphide veins found in Phase 2. Intrusive-hosted mineralized skarn is shown in hot pink for Phase 2 and pale pink for

Phase 1. Note that the pale pink circles appear higher than their actual positions due to projection to a common plane.

### Summary and Synthesis for Future Work

The two near end-members of the CRD spectrum emerging from Phases 1 and 2 provide critical tools for focusing ongoing exploration (See Figure 2 for how they relate to each other spatially and Figure 3 for a simplified CRD model). Phase 3 will focus on the upper-level structures potentially indicative of massive replacement mineralization while continuing to hunt for the source of the district.

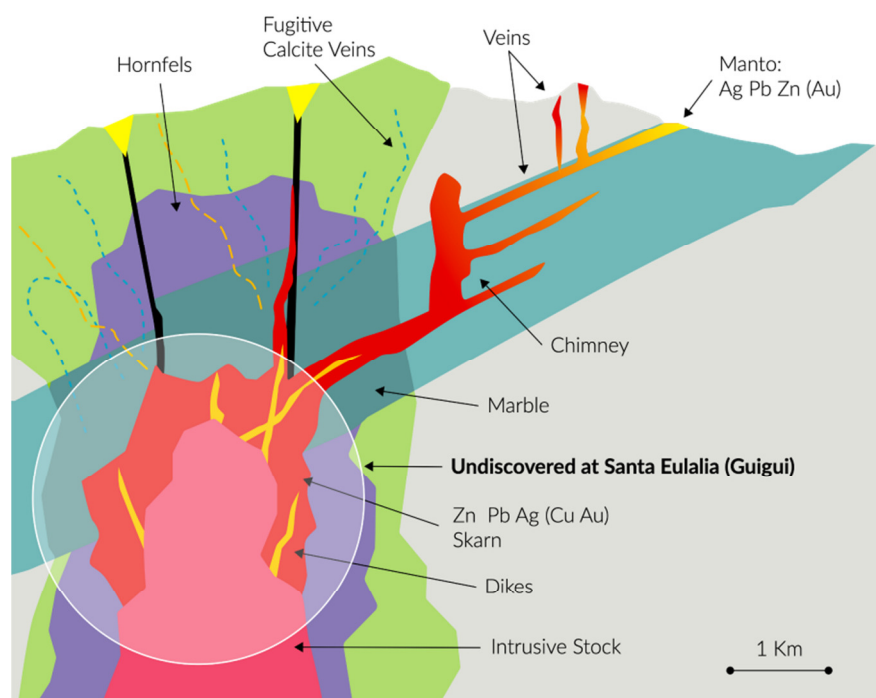


Figure 3. Simplified CRD system model. The source intrusion and related proximal mineralization shown within the highlighted area have yet to be found in the Santa Eulalia District and are the principal focus of Reyna Silver's exploration program. However, the potential for additional manto and chimney-style massive sulphide mineralization in the limestone outboard of the source zone remains high and is an equally important exploration focus.

### iii. La Reyna Property

On September 29, 2020, the Company entered into a mineral property option agreement with the underlying concession owner (the "Sellers") to acquire a 100% interest in the La Reyna property by incurring the following:

- (i) US\$30,000 - on signing (paid);
- (ii) US\$45,000 - six months from signing (paid);
- (iii) US\$75,000 - 12 months from signing (paid);
- (iv) US\$75,000 - 18 months from signing (paid);
- (v) US\$120,000 - 24 months from signing; (the option agreement is not up to date as the Company did not make this option payment. The Company is currently negotiating with the owner to either amend the option agreement or enter into a new option agreement.)
- (vi) US\$120,000 - 30 months from signing;
- (vii) US\$150,000 - 36 months from signing;
- (viii) US\$685,000 - 48 months from signing.

The La Reyna Property is subject to a 2.5% royalty of which the Company can pay US\$500,000 for each 0.5%.

iv. Matilde Property

The Company acquired the Matilde property for \$7,476 by staking in 2018. The Matilde property is located in Sonora Mexico and consists of 1,369 hectares.

v. El Durazno Property

The Company acquired the El Durazno property for \$9,601 by staking in 2019. The El Durazno property is located in Sonora Mexico and consists of 24,630 hectares.

On July 19, 2021, the Company signed an option agreement with Reyna Gold Corp (“Reyna Gold”), a company with directors in common. The Company agreed to grant to Reyna Gold the exclusive option to acquire up to a 51% interest in the El Durazno Property. Pursuant to the agreement:

- Reyna Gold must pay the sum of \$20,000 within 10 days of execution of this agreement (received); and
- Incur at least \$500,000 of Expenditures on the El Durazno property before July 19, 2025.

**3(b) USA**

i. Medicine Springs Property (Nevada)

On September 24, 2020, the Company entered into a property option agreement with Northern Lights Resources Corp. (“Northern Lights”), subject to the completion of due diligence, to acquire an 80% interest in the Medicine Springs Property, located in Elko county, Nevada.

- (i) To acquire the 75% interest in the Medicine Springs Property, the Company must assume and satisfy certain of Northern Lights’ obligations under the underlying option agreement as to payment of US\$875,000 of cash consideration and incurring of at least US\$2,439,065 of Expenditures on the property (collectively the “Option Price”), on or before December 31, 2023, of which US\$689,065 of these expenditures must be incurred by December 31, 2022. (provided that all cash payments and Expenditures required to be paid or undertaken in phases 1, 2 and 3 under the underlying option agreement are to so paid or undertaken by December 31, 2021). (As of December 31, 2022, \$128,450 (US\$100,000) cash consideration was paid.) (The Acquisition Agreement eliminated this obligation – see below.)
- (ii) Northern Lights further grants to the Company the option to acquire an additional 5% interest in the property for US\$1,000,000. (The Acquisition Agreement eliminated this obligation – see below.)

NSR ranging from 0.5% to 2% is payable to the underlying owners of certain claims. (The Acquisition Agreement eliminated this obligation – see below.)

On December 14, 2022, the Company entered into an Acquisition Agreement with Northern Lights to acquire a 100% interest in the Medicine Springs Property. Pursuant to the Acquisition Agreement, Northern Lights agreed to sell its option to the Company in consideration for the Company:

- (i) Assuming all of Northern Lights’ obligations under the underlying option agreement with the property owner;
- (ii) Paying Northern Lights US\$100,000 in cash (paid US\$25,000; subsequently paid US\$75,000);
- (iii) Issuing 6,000,000 common shares of the Company to Northern Lights (the “Consideration Shares”) (issued); and

- (iv) Granting Northern Lights 1.0% Net Smelter Returns royalty (“NSR”) on mining production received by the Company on the Medicine Springs Property (the “NLR Royalty”).

The Acquisition Agreement provides the Company at any time the option to buy back one-half of the NLR Royalty by paying Northern Lights \$2,500,000.

The Consideration Shares will be subject to contractual resale restrictions over a 24-month period with an initial 6-month lock up and release 25% every 6 months after that.

In connection with the Acquisition Agreement, the Company will pay a finder’s fee in 300,000 common shares (issued) and US\$5,000 in cash.

Medicine Springs hosts Carbonate Replacement Deposit (CRD) mineralization exposed at a very high level marked by well-developed multi-stage NE-SW trending jasperoid-barite veins. On January 10, 2022, the Company reported results from its 2021 district-wide selective jasperoid-based sampling program at Medicine Springs. The sampling program aimed to determine if the jasperoids signaled a distal expression of a deeper mineralizing system. Systematic sampling (657 samples) of these veins throughout a 6 by 6 km area returned very strong results for Silver (37 samples returned over 66 g/t), Lead and Zinc, with modest Copper along a prominent NE-SW-trending structural network (See Table 1 and Figure 1). The best results were concentrated in an area about 3 x 4 km, which extends over 2 km to the east and south of the area of historical prospecting and exploration drilling. The results appeared to reflect a classic Copper-Zinc-Lead-Silver zoning pattern (Figure 1) potentially related to the system’s intrusive source and outline the NE-SW trending structures that channeled mineralizing fluids. Definition of targets to permit for drilling was based on these results combined with a reinterpretation of existing geological and geophysical data, a Lidar-like survey, and additional detailed mapping and sampling.

Element	Range	Area (km)
Ag	37>66 (2 oz) high of 1200	2 x 4
Pb	51> 1% Pb, to 20% 18 > 4%	3 x 5
Zn	148 > 500 ppm, 24> 1%, 2>10%	2 x 2.5
Cu	20>100 ppm, 10> 200 Max 845	2 x 2.5 NE
Mn	202 > 500 ppm	ubiquitous

Table 1: Geochemical ranges from Jasperoids within the overall Medicine Springs Project area.

### Medicine Springs Jasperoids

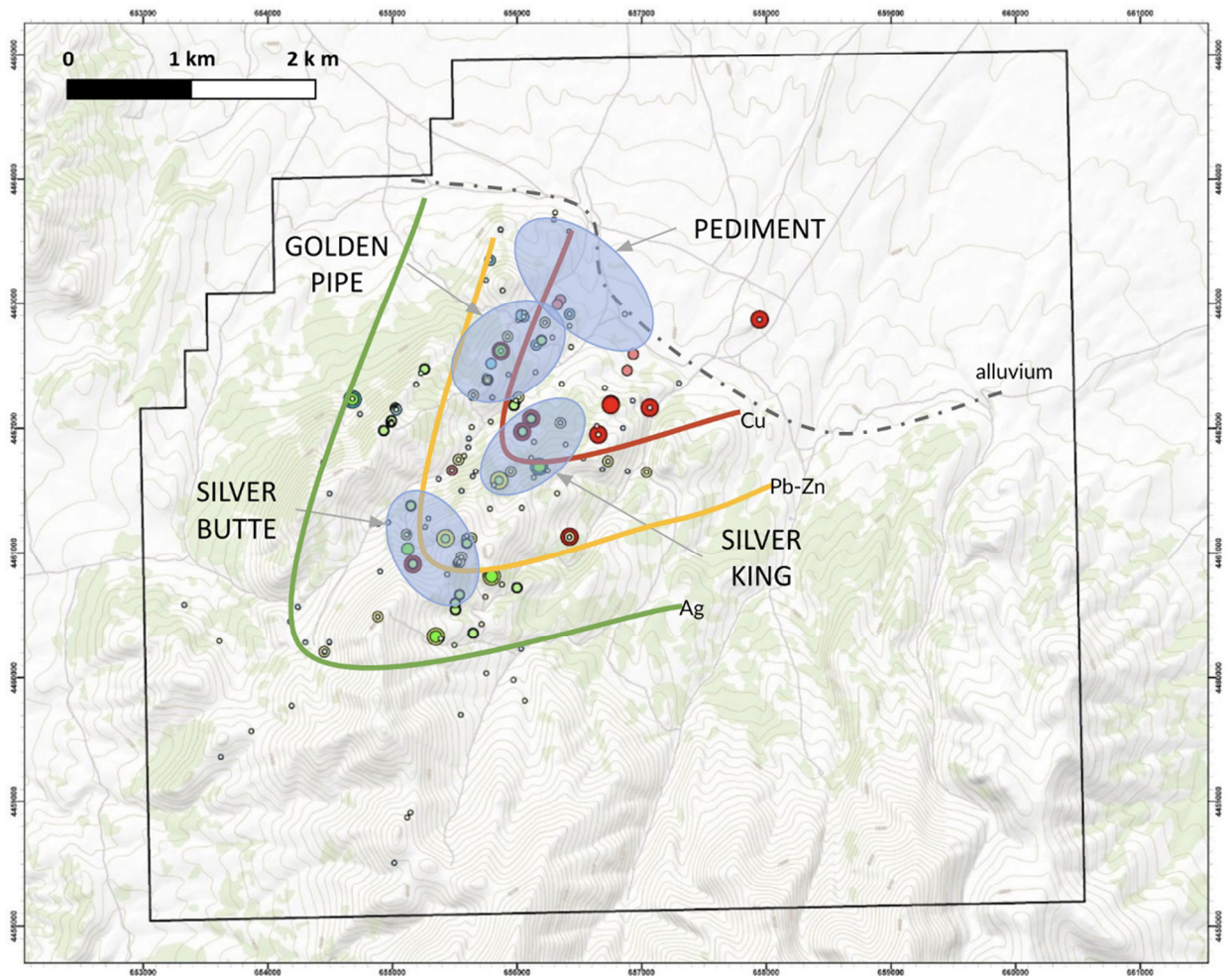
Jasperoids (pervasively silica-replaced limestone) are a high-level and distal alteration style typical of many CRD systems. They tend to be geochemically zoned with respect to the intrusive source and major mineralization fluid channelways, making them a useful sampling basis for determining system-wide zoning. At Medicine Springs, well-developed and laterally continuous jasperoid veins and pods were recognized along multiple parallel NE-SW trending structures within an area of about 6 x 6 km. These veins extend well beyond the areas of historical small-scale mining and very shallow drilling, so Reyna sampled them systematically to determine if a mineralization center or centers could be defined.

The sampling showed that many of the jasperoid veins are multi-stage, with episodes of structural movement separating passage of repeated pulses of mineralizing and altering fluids. The individual jasperoid stages were sampled separately, and certain stages were found to have stronger geochemical signatures than others. The sampling shows very strong results for Silver, Lead and Zinc, with lesser Copper concentrated in an area about 2 x 4 km aligned with several parallel NE-SW-trending structural zones. The samplers also documented that the number of stages shown by individual jasperoid veins is zoned with respect to these structural zones. The highest number of stages corresponds to the zones of

strongest geochemical results. Importantly, the strongly anomalous area extends over 2 km to the east and south of the area of historical prospecting and exploration drilling and leads right up to the limit of the outcrop.

The geochemical results reveal a broad classic zoning pattern from northeast to southwest of Copper to Zinc to Lead to Silver to Manganese. Pathfinder elements (As, Sb, Hg, Se, Te, V, W) are also strong throughout the anomalous zone, and work is underway to determine their relationship to possible “hot spots”. Tungsten (W) is high locally and may be indicative of proximity to major fluid channelways. The most robust consistent copper values cluster near the northeastern limit of outcrop, suggesting the system may continue under alluvium for some distance.

Combining these initial jasperoid results and a Lidar-like survey with existing geophysics, geological mapping and soil sampling alongside follow-up additional sampling should refine the zoning patterns and help define drilling targets in the principal area of interest.



Legend		Silver ppm	Lead ppm	Zinc ppm	Copper ppm	☆ 0.13 ppm Au	□ Medicine Springs Claim Boundary
○	27 - 100	○	1020 - 10000	○	○	☆	□
●	101 - 400	○	10001 - 100000	○	○		
●	401 - 1200	●	100001 - 277000	●	●		
				●	●		
				●	●		

Figure 1. Composite map showing the highest jasperoid geochemical results for Silver, Lead, Zinc, and Copper within the overall Medicine Springs Project area. Drill targets for the Silver Butte, Silver King, Golden Pipe and Pediment areas highlighted in blue ellipses underlain by Ag, Pb, Zn and Cu jasperoid anomalies (see below).

## 2022 Exploration Program

On May 26, 2022, the Company announced the commencement of its 2022 exploration program on the Medicine Springs Project which includes:

- Refining drilling targets based on on-going reevaluation of historical geological, geochemical, and geophysical data provided by Northern Lights and combining them with Reyna's Selective Jasperoid Sampling survey completed in January, which returned strong results for Silver, Lead, Zinc, and Copper, including over 1,000 g/t silver in two samples (see press release dated Jan. 10, 2022 and below);
- Conducting additional field studies to fine-tune drill targets including in-fill Jasperoid sampling in the most anomalous areas;
- Permitting the upcoming campaign through the Bureau of Land Management (BLM) Notice of Intent (NOI) process;
- Organizing camp and drilling support logistics; and
- Undertaking a fully budgeted 5,000-7,000 m of drilling in H2, 2022.

## Targets

Drilling targets for the Phase 1 drilling campaign reflect a combination of Reyna's detailed structural, geochemical, geophysical, and historical studies of the area. Initial holes will serve to answer several questions about the system's framework including: thickness and character of the favorable stratigraphy; nature of the structural controls at depth; depth at which sulfide mineralization appears; and amount and style of mineralization. Most of the holes are oriented to cut multiple structures thereby making the best use of drill meters. The priority pads are laid out to test structures of interest associated with the Golden Pipe Mine area, Silver King and Silver Buttes historic prospects, and areas under the pediment along strike to the northeast of the Golden Pipe mine (Figure 1). Note that the Silver King and Silver Butte zones have never been drilled and there is only one historic hole into the pediment zone. All of the historical Golden Pipe drilling is shallow (<125m).

On September 8, 2022, the Company announced that it received drilling permits and began mobilizing for its fully budgeted initial 4,000m Phase 1 drilling program on Medicine Springs Project. At the time of this writing the drilling program was in progress. Results will be released once the program is complete and assays are received.

On December 14, 2022, the Company announced a weather-related pause in the Phase 1 Drilling Program on its Medicine Springs project. The company completed 1,850 meters in a total of four widely-spaced holes designed to determine broad system parameters. The holes completed include the first ever drilled into the Silver Butte and Silver King areas in the high, southwestern part of the property. Samples have been sent to the lab, and we look forward to releasing results for the entire drilling to date as soon as they are available.

Medicine Springs exhibits many of the key features associated with large, high-grade Carbonate Replacement Deposits ("CRDs") and the Phase 1 Drilling program was designed to test certain key features of the project's overall framework to verify project potential. These features include:

- Stratigraphy - determining the extent of potentially favorable carbonate host rocks.
- Structure - determining the expression of the well-zoned, mineralized jasperoids at depth (See [Press Release](#) from January 10, 2022).
- Oxidation Depth - identifying the depth of oxidation and transition to sulphides.
- Geophysics - ground-truthing geophysical anomalies at depth.

- Broad-scale zoning and potential vectors towards the mineralizing fluid source.

### Anomalous Ag, Cu, Pb, Zn Distribution – Medicine Springs Project, Elko County, Nevada

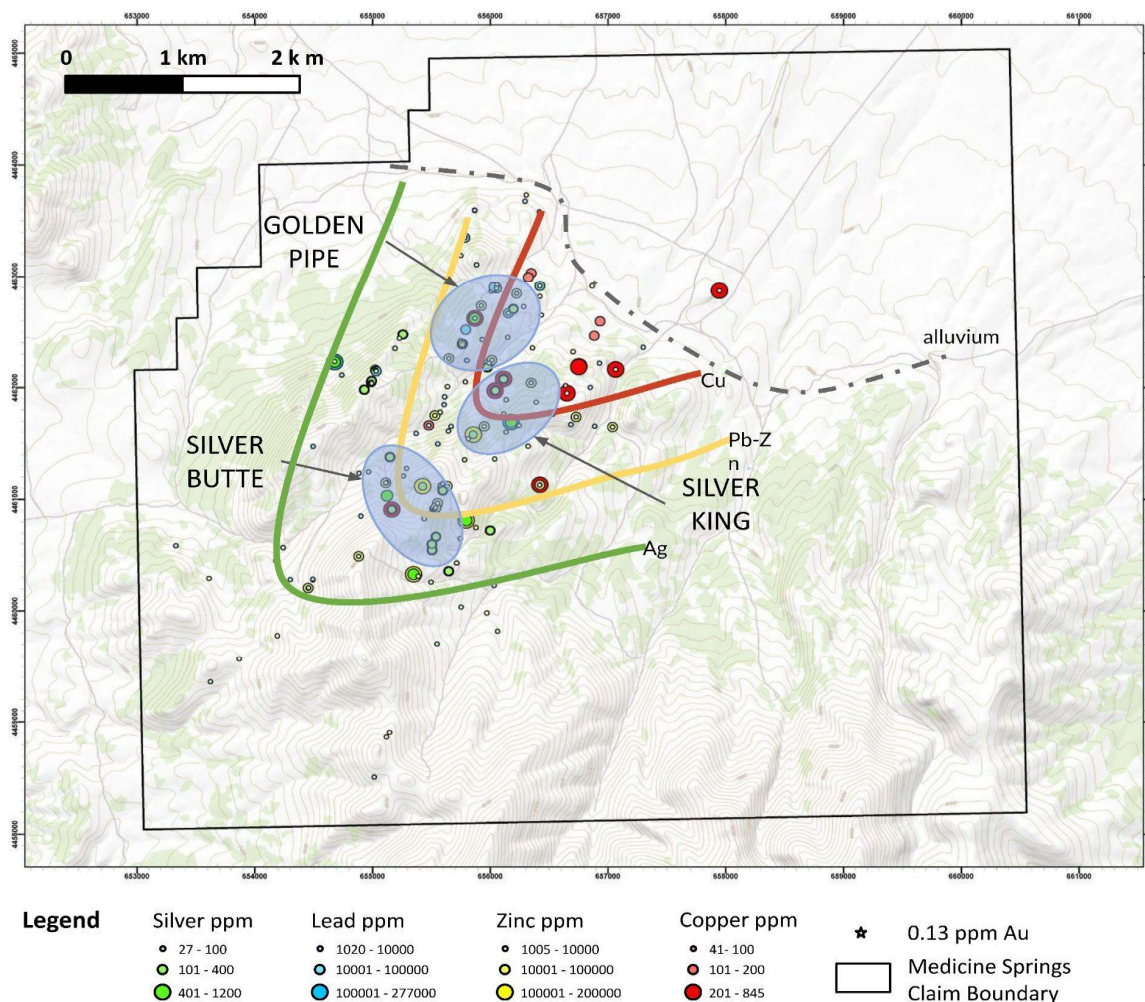


Figure 2: Drill Target areas - Golden Pipe, Silver Butte and Silver King - highlighted in blue within the 4,831 ha Medicine Springs Project with the anomalous results from the Jasperoid Selective Sampling Survey (See [Press Release](#) from January 10, 2022).

On January 17, 2023, the Company reported high-grade silver results from the initial-hole, 1850m, Phase 1 reconnaissance drilling program at its Medicine Springs project. This is the first time Medicine Springs has been drilled under a modern district-scale/ore-systems approach, so the Company spaced their holes widely at the Golden Pipe, Silver Butte, and Silver King Target areas to determine broad system parameters (Figure 1).

- Holes drilled to depth cut **400-750m of high potential carbonate host rocks** (Fig. 3).
- **The first hole (MS22-001)** cut the best mineralization, which reported **2.4m (drilling thickness) grading 1,021 grams/tonne (31 oz/T) Silver**.
- Hole MS22-002, drilled **1.75 km** to the southwest in the previously undrilled Silver Butte area, cut 7.4m (drilling thickness) averaging 186 g/t Ag plus 3.7% Pb and 1.0% Zn, including **4.7m of 274 g/t Ag plus 5.6% Pb and 1.5% Zn** (Table 1).

Table 1. Highlight Table from the initial Phase 1 Drilling.

Hole	From (m)	To (m)	Length* (m)	Ag (g/t)	Pb (%)	Zn (%)
<b>MS22-001</b>	190.5	192.92	<b>2.4</b>	<b>1,021</b>	0.04	0.04
<b>MS22-002</b>	73.91	81.38	<b>7.4</b>	186	3.7	1.0
<i>including</i>	75.29	80.01	4.7	<b>274</b>	<b>5.6</b>	1.5

\*Core length in hole, true thickness not yet determinable.

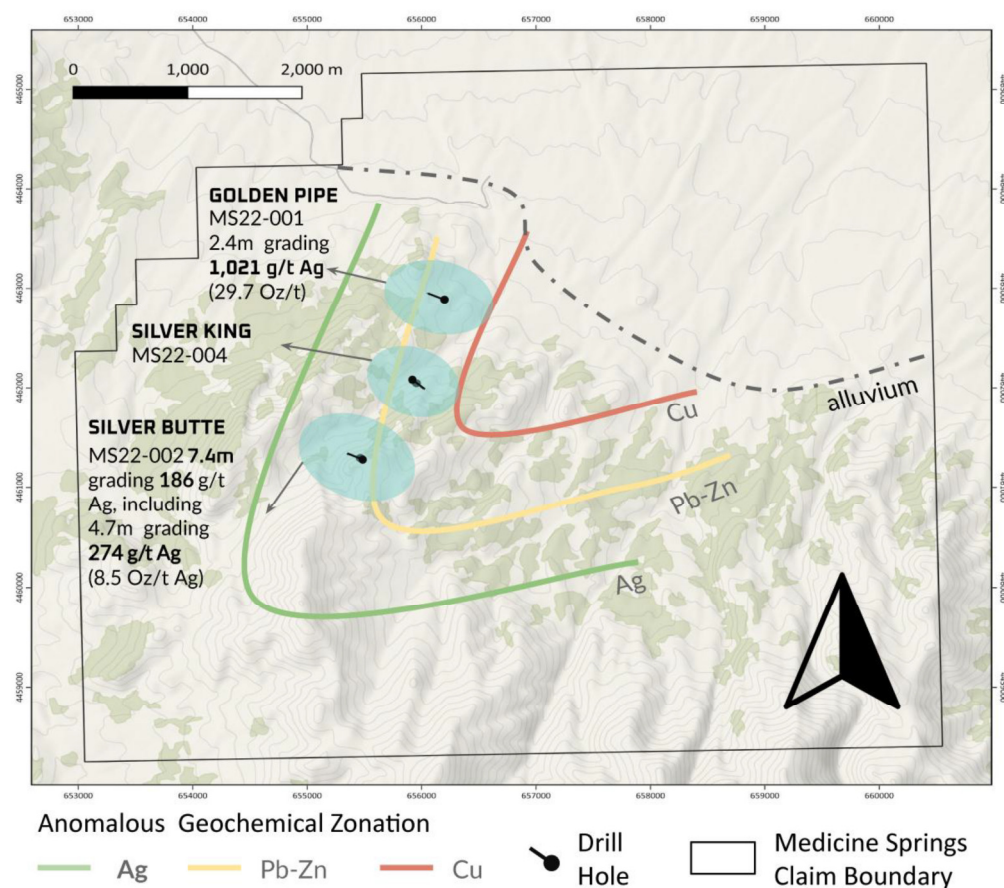


Figure 1. Map of Medicine Springs Project with drill hole location and projections in black. The distance from MS22-001 to MS22-002 is 1.75km, and about 900m to MS22-004. Target areas -Golden Pipe, Silver King, and Silver Butte- are denoted in blue. Anomalous Geochemical Zones identified during the Jasperoid Selective Sampling Survey are in green for Ag, yellow for Pb-Zn, and red for Cu (See [Press Release from January 10, 2022](#)).

## ABOUT MEDICINE SPRINGS

Medicine Springs exhibits many of the key features associated with large, high-grade Carbonate Replacement Deposits (“CRDs”)(See [Press Release from January 10, 2022](#)) (See Figure. 2). Phase 1 Drilling program was designed to test certain key features of the project’s overall framework to verify project potential. These included:

- Stratigraphy - determining the thickness of potentially favorable carbonate host rocks (Figure. 3)
- Structure - testing the structures that control the well-zoned, mineralized jasperoids to depth.
- Zoning - determining broad-scale zoning and vectors towards the source of mineralizing fluids.
- Oxidation - identifying the depth of oxidation and transition to sulphides.



➤ Geophysics - ground-truthing geophysical anomalies with 3D geological data.

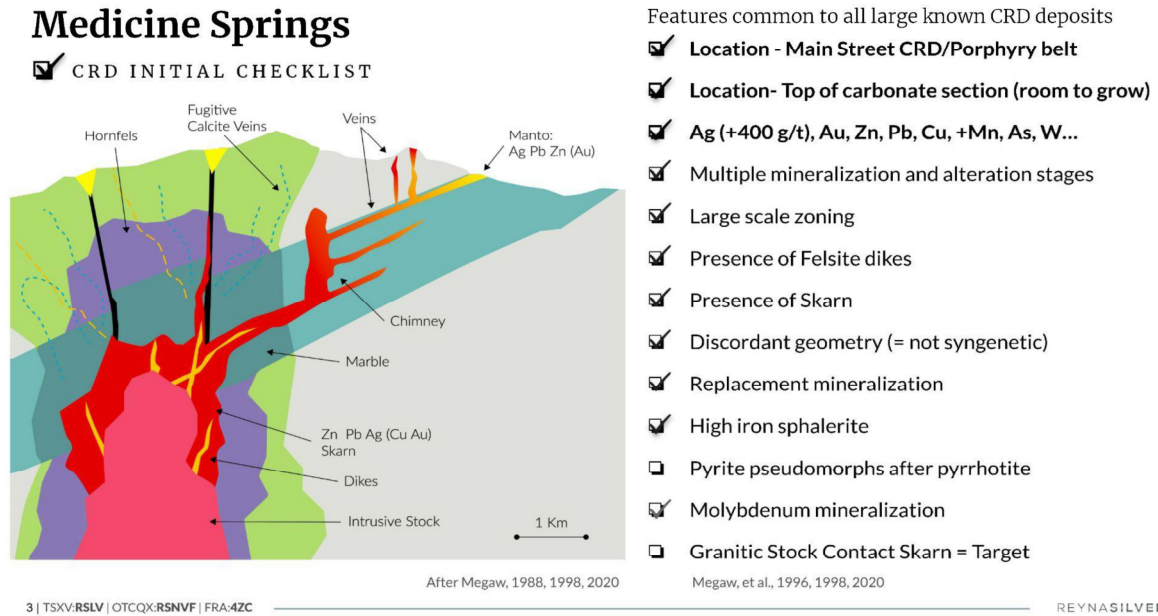


Figure 2. The Medicine Springs project exhibits 11 of 13 key features on the “CRD Checklist”. High-iron sphalerite was identified for the first time in drill core, bringing the total to 11. These indicate a long-lived, multistage, replacement mineralization system.

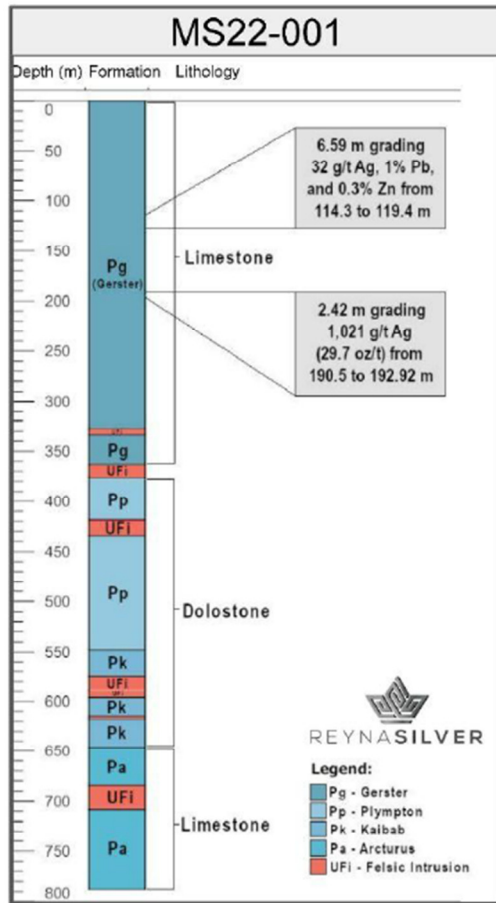


Figure 3. Drill hole section of Hole MS22-001. A thick section of Carbonate rocks, one of the key ingredients of a Carbonate Replacement Deposit, dominated the 787.9m hole. Multiple, felsic intrusions of differing compositions were also identified in the hole, an indication of a multi-phase system and another key feature of CRDs (See Fig. 2).

The rock formations are part of the Permian Park City Group. The Gerster and Arcturus Formations are predominantly limestone. The Plympton and Kaibab Formations are dominated by dolostone.

Table 2. Detailed Major Intercepts

Hole number	From (m)	To (m)	Length (m)	Ag (g/t)	Pb (%)	Zn (%)
MS22-001	114.30	119.46	<b>6.59</b>	32	1.0	0.3
<i>including</i>	114.30	115.21	0.91	52	1.0	0.1
<i>including</i>	116.23	117.81	1.58	71	1.0	0.8
<i>including</i>	117.96	118.57	0.61	38	0.6	0.6
MS22-001	190.50	192.92	<b>2.42</b>	<b>1,021</b>	0	0
<i>including</i>	190.50	191.87	1.37	<b>1,140</b>	0	0
<i>including</i>	191.87	192.92	1.05	<b>866</b>	0	0
MS22-002	73.91	81.38	<b>7.47</b>	<b>186</b>	<b>3.7</b>	<b>1</b>
<i>including</i>	75.29	77.72	2.43	<b>241</b>	<b>5.1</b>	<b>1.7</b>
<i>including</i>	77.72	80.01	2.29	<b>310</b>	<b>6.1</b>	<b>1.3</b>
MS22-004	19.12	20.82	1.70	53	1.7	0
<i>including</i>	19.12	20.00	0.88	42	1.4	0
<i>including</i>	20.00	20.82	0.82	64	2.1	0

	Mexico				Canada	USA	Total
	Batopilas	Guigui	La Reyna	Others	Trudeau	Medicine Springs	
<b>Exploration and evaluation assets</b>							
<b>Acquisition costs</b>							
<b>As of January 1, 2022</b>	\$ 597,262	\$ 6,392,511	\$ 192,168	\$ 17,077	\$ -	\$ 162,281	\$ 7,361,299
Addition during the year	-	1,849,762	107,546	-	-	2,220,882	4,178,190
Foreign currency translation	-	-	22,903	-	-	-	22,903
<b>As of December 31, 2022</b>	<b>\$ 597,262</b>	<b>\$ 8,242,273</b>	<b>\$ 322,617</b>	<b>\$ 17,077</b>	<b>\$ -</b>	<b>\$ 2,383,163</b>	<b>\$ 11,562,392</b>
<b>Mineral exploration expenses for the year ended December 31, 2022</b>							
Consulting and reporting	\$ 5,931	\$ 7,249	\$ -	\$ -	\$ -	\$ -	\$ 13,180
Mineral taxes	28,591	117,425	7,414	-	-	131,990	285,420
Depreciation	-	-	-	-	-	1,556	1,556
Drilling	299,068	368,033	284	-	-	1,936,421	2,603,806
Geochemistry	29,012	35,459	-	-	-	25,711	90,182
Geology and exploration	661,888	781,361	22,084	-	-	171,021	1,636,354
Geophysics	132,146	177,278	-	-	-	23,642	333,066
Other property related expenses	31,261	54,683	-	-	-	229,793	315,737
Permitting	-	-	-	-	-	23,814	23,814
Reclamation	2,109	2,578	-	-	-	-	4,687
Surface access	51,768	126,185	-	-	-	-	177,953
Trenching	-	-	-	-	-	249,770	249,770
	<b>\$ 1,241,774</b>	<b>\$ 1,670,251</b>	<b>\$ 29,782</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,793,718</b>	<b>\$ 5,735,525</b>
<b>Cumulative mineral exploration expenses up to December 31, 2022</b>							
Consulting and reporting	\$ 19,872	\$ 297,137	\$ -	\$ -	\$ 4,500	\$ -	\$ 321,509
Claim staking	-	-	-	-	-	46,282	46,282
Mineral taxes	125,827	524,289	60,637	-	-	437,353	1,148,106
Depreciation	-	-	-	-	-	1,556	1,556
Drilling	848,110	1,868,682	284	-	-	1,936,421	4,653,497
Geochemistry	29,012	35,459	-	-	-	25,711	90,182
Geology and exploration	1,682,862	4,636,275	95,075	-	-	351,992	6,766,204
Geophysics	145,064	227,106	-	-	-	23,642	395,812
Other property related expenses	212,985	810,049	-	-	-	285,240	1,308,274
Permitting	-	-	-	-	-	29,031	29,031
Reclamation	2,109	2,578	-	-	-	-	4,687
Surface access	51,768	126,185	-	-	-	-	177,953
Trenching	-	-	-	-	-	249,770	249,770
Reimbursements from optionee	-	-	-	(20,000)	-	-	(20,000)
	<b>\$ 3,117,609</b>	<b>\$ 8,527,760</b>	<b>\$ 155,996</b>	<b>\$ (20,000)</b>	<b>\$ 4,500</b>	<b>\$ 3,386,998</b>	<b>\$ 15,172,863</b>

#### **4. Risks and Uncertainties**

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

##### *Inherent risks within the mining industry*

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

##### *Prices for silver and other commodities*

Metals prices are subject to volatile price fluctuations and have a direct impact on the commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future silver or other metal sales. The Company closely monitors silver prices as well as other metal prices to determine the appropriate course of action to be taken by the Company.

##### *Foreign currency risks*

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while foreign operations are predominately conducted in Mexican pesos and US dollars. Fluctuations in the exchange rates between the Canadian dollar, US dollar and Mexican pesos may impact the Company's financial condition.

##### *Risks Associated with Foreign Operations*

The Company's investments in foreign countries such as Mexico and USA carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating silver and other commodities in Mexico and USA, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.



Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries. Access to mineral properties also involves certain inherent risks due to the change in local ranchers and land owners.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

The exploration of mineral resources in Mexico and USA is subject to a comprehensive review, approval and permitting process that involves various federal, state and local agencies. There can be no assurance given that the required approvals and permits for a mining project, if technically and economically warranted, on the Company's claims can be obtained in a timely or cost-effective manner. The Mexican or US government may enact a law requiring royalties on minerals produced from federal lands, including unpatented claims.

#### *Competition*

The Company competes with larger and better-financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased demand for equipment and services. There can be no assurance that the Company can obtain required equipment and services in a timely or cost-effective manner.

#### *Financing*

All of the Company's short- to medium-term operating and exploration cash flow have been derived from external financing. Should changes in equity-market conditions prevent the Company from obtaining additional external financing in the future, the Company will review its exploration-property holdings and programs to prioritize project expenditures based on funding availability.

#### *COVID 19 and Global Health Crisis*

The COVID-19 global pandemic and any future emergence and spread of similar viruses could have an adverse impact on global economic conditions which may adversely impact the Company's operations. The Company continues to monitor the situation and the impact the virus may have on its properties. Should the virus spread, travel bans remain in place or should one of the Company's team members or consultants become infected, the Company's ability to advance its properties may be impacted. Similarly, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet obligations may be impacted as a result of COVID-19 and efforts to contain the virus.

#### *Climate Change*

Climate change is an international concern and as a result poses risk of both climate changes and government policy in which governments are introducing climate change legislation and treaties at all levels of government that could result in increased costs, and therefore, decreased profitability. Climate change regulations may become more onerous over time as governments implement policies to further reduce carbon emissions, including the implementation of taxation regimes based on aggregate carbon emissions. Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. However, the cost of compliance with environmental regulation and changes in environmental regulation have the potential to result in increased cost of operations,

reducing the profitability of the Company's operations or the potential economic value of its development projects.

In addition, our operations could be exposed to a number of physical risks from climate change, such as changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures, increased snowpack and extreme weather events. While the Company has not experienced these events at this point, such events or conditions such as flooding or inadequate water supplies could disrupt mining and transport operations, mineral processing, and rehabilitation efforts, could create resource shortages and could damage our properties or equipment and increase health and safety risks on site. Such events or conditions could have other adverse effects on our workforce and on the communities around our properties.

### *Cybersecurity Threats*

The Company relies on secure and adequate operations of information technology systems in the conduct of its operations. Access to and security of the information technology systems are critical to the Company's operations and exploration. To the Company's knowledge, it has not experienced any material losses relating to disruptions to its information technology systems. The Company has implemented ongoing policies, controls, and practices to manage and safeguard the Company and its stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, the Company may not have the resources or technical sophistication to anticipate, prevent, or recover from cyber-attacks and cannot assure that its information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Disruptions to information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and non-compliance by third-party service providers and inadequate levels of cybersecurity expertise and safeguards of third-party information technology service providers, may adversely affect the operations of the Company as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third-party data, material adverse effect on its financial performance, compliance with its contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

## **5. Impairment of Long-lived Assets**

The Company completed an impairment analysis as at December 31, 2022, which considered the indicators of impairment in accordance with IAS 36, "Impairment of Assets". Management concluded that no further impairment charges were required because:

- there have been no significant changes in the legal factors or climate that affects the value of the properties;
- all property rights remain in good standing;
- there have been no significant changes in the projections for the properties;
- exploration results are generally positive; and
- the Company intends to continue its exploration and development plans on its properties.

## **6. Material Financial and Operations Information**

### **6(a) Selected Annual Financial Information**

The following selected annual financial information has been derived from the last three audited financial statements of the Company, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian dollars.

	2022	2021	2020
Total revenues	\$ -	\$ -	\$ -
Loss before other items	\$ 8,592,846	\$ 11,150,250	\$ 5,676,345
Loss for the year	\$ 8,569,146	\$ 11,857,689	\$ 5,661,976
Basic and diluted loss per share	\$ 0.08	\$ 0.12	\$ 0.09
Total assets	\$ 16,048,853	\$ 16,530,510	\$ 16,569,897
Total long-term financial liabilities	\$ -	\$ -	\$ -
Cash dividend declared - per share	N/A	N/A	N/A

### 6(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Three months ended			
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before other items	\$ 1,479,127	\$ 2,592,569	\$ 2,894,889	\$ 4,183,665
Net loss	\$ 1,474,268	\$ 3,304,889	\$ 2,894,870	\$ 4,183,662
Loss per share	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.04

	Three months ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before other items	\$ 1,628,164	\$ 1,468,676	\$ 2,173,926	\$ 3,322,080
Net loss	\$ 1,628,164	\$ 1,418,235	\$ 2,209,239	\$ 3,313,508
Loss per share	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.03

### 6(c) Review of Operations and Financial Results

#### For the three months ended December 31, 2022 compared with the three months ended December 31, 2021:

The Company's exploration expenses amounted to \$2,584,149 (2021 - \$2,714,059), a decrease of \$129,910.

Excluding the share-based payment of \$Nil (2021 - \$730,698) and foreign exchange loss of \$11,699 (2021 - \$17,295), the Company's administrative expenses amounted to \$726,232 (2021 - \$721,613), a slight increase of \$4,619 mainly due to: (a) consulting fees of \$48,310 (2021 - \$72,107); (b) office of \$33,202 (2021 - \$123,210); while being offset by the increase in (c) marketing and shareholders communication of \$438,219 (2021 - \$324,256) where the Company has been promoting awareness of the Company's exploration activities.

The other major item for the three months ended December 31, 2022, compared with December 31, 2021, was:

- Gain on sale of marketable securities of \$50,000 (2021 - \$Nil).

During the three months ended December 31, 2022, the Company recorded a net loss of \$3,313,508 (loss per share - \$0.03) compared to a loss of \$4,183,662 (loss per share - \$0.04) for the three months ended December 31, 2021.



**For the year ended December 31, 2022 compared with the year ended December 31, 2021:**

The Company's exploration expenses amounted to \$5,735,525 (2021 - \$7,781,181), a decrease of \$2,045,656. The Company received \$Nil (2021 - \$20,000) from an optionee for the El Durazno property.

Excluding the share-based payment of \$1,739 (2021 - \$1,130,707) and foreign exchange loss of \$2,502 (2021 - \$87,770), the Company's administrative expenses amounted to \$2,853,080 (2021 - \$2,170,592), an increase of \$682,488 mainly due to: (a) management and director fees of \$780,999 (2021 - \$480,000); (b) marketing and shareholders communication of \$1,328,325 (2021 - \$885,717); while being offset by the decreases in (c) consulting fees of \$191,792 (2021 - \$280,533) and (d) office of \$193,382 (2021 - \$227,671) where the Company has been promoting awareness of the Company's exploration activities.

The other major items for the year ended December 31, 2022, compared with December 31, 2021, were:

- Gain on sale of marketable securities of \$50,000 (2021 - \$Nil);
- Property investigation costs of \$26,300 (2021 - \$Nil); and
- Write-down of investment of \$Nil (2021 - \$713,596).

During the year ended December 31, 2022, the Company recorded a net loss of \$8,569,146 (loss per share - \$0.08) compared to a loss of \$11,857,689 (loss per share - \$0.12) for the year ended December 31, 2021.

**6(d) Liquidity and Capital Resources**

As at December 31, 2022, the Company had a working capital of \$1,809,623 (December 31, 2021 - \$7,490,124). With respect to working capital, \$2,024,660 was held in cash and cash equivalents (December 31, 2021 - \$7,701,491). The decrease in cash and cash equivalents was mainly due to (a) operating expenses including exploration expenses totaling \$9,080,160; (b) exploration and evaluation assets expenditures of \$1,584,018; (c) exploration deposit of \$30,525; (d) purchase of equipment of \$68,019; while being offset by (e) net proceeds of \$4,935,891 from the issuance of shares and (f) proceeds from sale of marketable securities of \$150,000.

The Company completed a non-brokered private placement subsequent to December 31, 2022 (see "Summary and Outlook" section).

During the year ended December 31, 2022, the Company issued 155,843 common shares toward partial annual compensation to five directors and officers of the Company. The share compensation was based on a 30-day volume weighted average price on closing of December 17, 2021 of \$0.77 per share.

Management estimates that the current cash position and future cash flows from the exercise of warrants, finder's warrants and options will be sufficient for the Company to carry out its anticipated exploration and operating plans through fiscal 2023.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

**6(e) Disclosure of Outstanding Share Data**

Common Shares

Authorized: unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series.



	<b>Issued and Outstanding</b>	
	<b>December 31, 2022</b>	<b>April 14, 2023</b>
Common shares	123,405,950	150,111,670

Stock option transactions and the number of stock options, including the compensation options and advisor options, for the year ended December 31, 2022 are summarized as follows:

Expiry date	Exercise price	December 31, 2021	Granted	Exercised	Expired / Cancelled	December 31, 2022	
June 3, 2022	\$ 0.20	375,000	-	(375,000)	-	-	
June 3, 2022	\$ 0.45	89,685	-	-	(89,685)	-	
March 30, 2024	\$ 1.00	130,000	-	-	-	130,000	
October 13, 2025	\$ 1.13	1,600,000	-	-	-	1,600,000	
January 12, 2026	\$ 1.03	502,400	-	-	(5,000)	497,400	
December 16, 2026	\$ 0.71	1,600,000	-	-	-	1,600,000	
September 13, 2029	\$ 0.57	187,500	-	-	-	187,500	
Options outstanding		4,484,585	-	(375,000)	(94,685)	4,014,900	
Options exercisable		4,409,585	-	-	-	4,014,900	
Weighted average exercise price	\$	0.85	\$	-	\$ 0.20	\$ 0.48	\$ 0.92

The continuity of warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022
June 3, 2022	\$ 0.45	9,931,753	-	(923,000)	(9,008,753)	-
January 1, 2022	(a) \$ 0.75	2,755,000	-	-	(2,755,000)	-
July 1, 2022	(a) \$ 1.00	3,500,000	-	-	(3,500,000)	-
August 19, 2022	\$ 0.90	5,562,500	-	-	(5,562,500)	-
June 22, 2023	\$ 1.25	3,649,067	-	-	-	3,649,067
January 1, 2023	(a)(b) \$ 1.25	-	4,000,000	-	-	4,000,000
June 24, 2024	\$ 0.50	-	6,944,443	-	-	6,944,443
Warrants outstanding		25,398,320	10,944,443	(923,000)	(20,826,253)	14,593,510
Weighted average exercise price	\$	0.77	\$ 0.77	\$ 0.45	\$ 0.70	\$ 0.89

(a) These warrants were granted pursuant to the mineral property option agreement.

(b) Subsequent to December 31, 2022, 4,000,000 warrants expired unexercised.

The continuity of finder's warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	December 31, 2022
June 3, 2022	\$ 0.45	854,145	-	-	(854,145)	-
August 19, 2022	(a) \$ 0.62	734,204	-	-	(734,204)	-
June 22, 2023	(b) \$ 0.83	446,978	-	-	-	446,978
June 24, 2024	(c) \$ 0.36	-	624,999	-	-	624,999
June 24, 2024	\$ 0.50	-	284,105	-	-	284,105
Finders warrants outstanding		2,035,327	909,104	-	(1,588,349)	1,356,082
Weighted average exercise price	\$	0.59	\$ 0.40	\$ -	\$ 0.53	\$ 0.54

- (a) Each compensation warrant is exercised into one common share and one-half of a warrant, where each full warrant is then exercisable into one common share at \$0.90 for a period of 2 years.
- (b) Each compensation warrant is exercised into one common share and one-half of a warrant, where each full warrant is then exercisable into one common share at \$1.25 for a period of 2 years.
- (c) Each compensation warrant is exercised into one common share and one-half of a warrant, where each full warrant is then exercisable into one common share at \$0.50 for a period of 2 years.

The remaining outstanding stock options finder's warrants and warrants, if all exercised, would increase the Company's cash by \$23,553,909. However, if the strike prices of the options, finder's warrants and warrants are greater than the fair market price, this may influence whether options, finder's warrants and warrants that expire in the near future will be exercised.

As at the date of this MD&A, there were 150,111,670 common shares issued and outstanding and 197,024,255 common shares outstanding on a diluted basis.

#### 6(f) Commitment

The Company is committed to issue a total of 1,245,824 common shares to its directors, officers and consultants for consulting and geological consulting services.

On December 16, 2022, the Company entered into a Collaborative Research Agreement with the University of British Columbia pursuant to which the Company is required to make the payments as follows:

- \$31,000 on the Effective date of the agreement (paid subsequent to December 31, 2022);
- \$31,000 on the first anniversary of the Effective date; and
- \$31,000 on the second anniversary of the Effective date.

#### 6(g) Off-Balance Sheet Arrangements

None.

#### 6(h) Transactions with Related Parties

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

For the year ended December 31, 2022

	Cash payments	Shares issued	Share-based payments	Total
Jorge Ramiro Monroy <sup>(1)</sup> Chief Executive Officer, Director	\$ 415,000	\$ 10,500	\$ -	\$ 425,500
Michael Wood <sup>(2)</sup> Chief Financial Officer, Director	\$ 186,000	\$ 10,499	\$ -	\$ 196,499
Peter Jones <sup>(3)</sup> Director	\$ 25,000	\$ 33,000	\$ -	\$ 58,000
Alex Langer <sup>(4)</sup> Director	\$ 20,000	\$ 33,000	\$ -	\$ 53,000
Evaristo Trevino <sup>(5)</sup> Director	\$ 15,000	\$ 33,000	\$ -	\$ 48,000
TOTAL:	\$ 661,000	\$ 119,999	\$ -	\$ 780,999

- (1) Jorge Ramiro Monroy's cash payments as the Chief Executive Officer were paid through Emerging Markets Capital Limited while the shares were issued to Mr. Monroy himself.
- (2) Michael Wood became the director of the Company effective June 3, 2020 and the Chief Financial Officer effective July 6, 2020. Mr. Wood's cash payments as the Chief Financial Officer were paid through Reyna Silver Hong Kong Limited and Athena Jade Limited while the shares were issued to Mr. Wood himself.
- (3) Peter Jones became the director of the Company effective June 3, 2020.
- (4) Alex Langer's director fee was paid to his company Andros Capital Corp.
- (5) Evaristo Trevino became the director of the Company effective September 21, 2020.

Related party transactions and balances:

Amounts in due to related parties:	Services for:	For the years ended December 31		As at December 31,	As at December 31,
		2022	2021	2022	2021
Emerging Capital Markets <sup>(1)</sup>	Management fee and reimbursements	\$ 445,153 <sup>(6)</sup>	\$ 300,000	\$ 8,835	\$ -
Reyna Silver Hong Kong Limited <sup>(2)</sup>	Management fee	-	60,000	-	-
Athena Jade Limited <sup>(3)</sup>	Management fee	186,000	60,000	-	-
Andros Capital Corp. <sup>(4)</sup>	Management fee and consulting fee	20,000	20,000	-	-
Cassiar Gold Corp. <sup>(5)</sup>	Rent	10,647	-	-	-
Total		\$ 661,800	\$ 440,000	\$ 8,835	\$ -

- (1) Jorge Ramiro Monroy is the managing director of this private company.
- (2) Michael Wood and Jorge Ramiro Monroy are the sole directors of this private company.
- (3) Michael Wood is the sole director of this private company.
- (4) Alex Langer is the owner of this private company.
- (5) Michael Wood is a director of this company.
- (6) Included in this amount is \$30,153 related to expense reimbursements.

## 6(i) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables (excluding sales tax), marketable securities, trade and other payables and due to related parties that approximate their carrying values.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian and Mexican financial institutions. Management believes that credit risk related to these amounts is low.

### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

### Interest Rate Risk

Interest rate risk is the risk that any investment income or investment value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

### Foreign Exchange Risk

The Company's property interests in Mexico and USA make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and the Mexican pesos as well as between the Canadian dollar and the US dollar. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary assets of approximately 27,981,000 Mexican pesos and net monetary liabilities of 33,000 US dollars. A 1% change in the absolute rate of exchange in Mexican pesos and US dollars would affect its net loss by approximately \$19,000.

### Commodity Risk

Commodity risk is the risk on financial performance due to fluctuations in the prices of commodities. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

### Management of industry risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

## 6(j) Management of Capital Risk

The Company manages its cash and cash equivalents, common shares, warrants, finder's warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard



its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its exploration or operations in the near term.

## **7. Events after the Reporting Period**

None other than disclosed already in other sections.

## **8. Policies and Controls**

### **8(a) Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### **Critical judgments**

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its subsidiaries in Mexico is the Mexican peso and the functional currency of its subsidiary in USA is the US dollar. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable;
- The determination of the value of the common shares issued pursuant to the acquisition of the

- exploration and evaluation assets; and
- The determination that the Company will continue as a going concern for the next year.

## **9. Internal Control Over Financial Reporting**

### Changes in Internal Control over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

### Disclosure Controls and Procedures

The Company’s CEO and CFO are responsible for establishing and maintaining the Company’s disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company’s disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

## **10. Information on the Officers and Board of Directors**

### **Directors:**

*Peter Jones, Chairman*

*Jorge Ramiro Monroy*

*Michael Wood*

*Alexander Langer*

*Evaristo Trevino Berlanga*

*Carmen Amezquita*

### **Audit Committee members:**

*Evaristo Trevino Berlanga, Peter Jones and Alexander Langer*

### **Management:**

*Jorge Ramiro Monroy – Chief Executive Officer*

*Michael Wood – Chief Financial Officer*

*Ariel G. Navarro Herrera, MSc. – Vice President of Exploration*