SONORO GOLD CORP

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

Suite 1290 – 625 Howe Street, Vancouver, BC V6C 2T6

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of activities of Sonoro Gold Corp. ("Sonoro" or the "Company") is prepared as of May 27, 2022 and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2022 ("Interim Financial Statements") and the audited consolidated financial statements for the year ended December 31, 2021, ("Annual Financial Statements") and the related notes thereto. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, which include all statements other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. These include, without limitation:

- Company's anticipated results and developments in the Company's operations in future periods;
- planned exploration and development of its mineral properties;
- planned expenditures and budgets;
- evaluation of the potential impact of future accounting changes;
- estimates concerning share-based compensation and carrying value of properties; and
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to, including among other things, the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;

- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company's operations;
- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's consolidated financial statements proving to be incorrect.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

DESCRIPTION OF BUSINESS

Sonoro was incorporated in Ontario on November 30, 1944 under the Company Act of Ontario. On January 15, 2007, the Company was issued a Certificate of Continuation by the Province of British Columbia. The Company's principal business activity is the acquisition, exploration and development of exploration and evaluation assets. The Company is a publicly–traded Company listed on the TSX Venture Exchange under the symbol "SGO".

The Company has financed its current exploration and development activities principally by the issuance of common shares. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

HIGHLIGHTS

- In August 2020, the Company closed a non-brokered private placement offering of 36,363,638 units at $0.22 per unit for proceeds of $8,000,000.
- In September 2020, the Company paid the final US$70,000 instalment for the acquisition of the Cabeza Blanca concession and secured 100% title to the concession through execution of an "Assignment of Title to Mining Concession Agreement" filed with the Public Registry of Mining.
- In August 2020, the Company commenced a drill program at the Cerro Caliche project in Sonora, Mexico for up to 50,000 meters of core and reverse circulation drilling.
- In November 2020, Sonoro contracted with McClelland Laboratories of Sparks, Nevada to conduct metallurgical testing for the Cerro Caliche project.
- In December 2020, the Cerro Caliche metallurgical testing program commenced when Sonoro delivered to McClelland Laboratories 5.5 tonnes of PQ-sized cores extracted from 10 drill holes in five distinct mineralized zones within the Cerro Caliche project.
- In December 2020, Sonoro contracted with Micon International Limited of Toronto, Ontario, to prepare an NI 43-101 updated resource report on the Cerro Caliche project.
- In December 2020, Sonoro contracted with D.E.N.M. Engineering of Mississauga, Ontario, to prepare a Preliminary Economic Assessment ("PEA") on the Cerro Caliche project.
- On April 20, 2021, the Company closed a non-brokered private placement for gross proceeds of $3,111,045.
- On October 29, 2021, Sonoro filed an independent PEA technical report on the Cerro Caliche project.
- In November 2021, the Company commenced its Phase IV drilling program at its Cerro Caliche gold project in Sonora, Mexico
- In December 2021, the Company closed a non-brokered private placement offering of 16,666,667 units at $0.18 per unit for proceeds of $3,000,000.

PROJECT UPDATE: Cerro Caliche Project

The Cerro Caliche Project is located in the Cucurpe Municipality of Sonora State in northwestern Mexico and is comprised of 15 contiguous mining concessions covering a total area of 1,350.10 hectares (ha). The concessions are held under five Option to Purchase or Assignment of Title agreements by the Company's wholly owned Mexican subsidiary Minera Mar De Plata, S.A. de C.V. (MMP).

Cerro Caliche Option Agreements

On January 23, 2018, MMP entered into an option agreement (the "Cerro Caliche Option Agreement") with a resident of Sonora, Mexico (the "Cerro Caliche Vendor"), to acquire a 100% interest (the "Cerro Caliche Option") in the Cerro Caliche Group of Concessions ("Cerro Caliche"), for total consideration of USD $2,977,000 payable in instalments over 72-months.

Under the terms of the Cerro Caliche Option Agreement, the Cerro Caliche Vendor will be entitled to a 2% net smelter returns royalty ("Cerro Caliche NSR") from the proceeds of the sale of minerals from the Cerro Caliche concessions. The Company has an option to purchase the Cerro Caliche NSR at any time for USD $1,000,000 for each one percent of the Cerro Caliche NSR.

On March 14, 2018, MMP entered into an option agreement (the "Rosario Option Agreement") with a resident of Tucson, Arizona (the "Rosario Vendor"), to acquire a 100% interest (the "Rosario Option") in the Rosario Group of Concessions ("Rosario") for total consideration of USD $1,600,000 payable in instalments over 72-months.

Under the terms of the Rosario Option Agreement, the Rosario Vendor will be entitled to a 2% net smelter returns royalty ("Rosario NSR") from the proceeds of the sale of minerals from the Rosario concession. The Company has an option to purchase the Rosario NSR at any time for USD $1,000,000 for each one percent of the Rosario NSR.

On May 29, 2018, MMP entered into an option agreement with two residents of Sonora, Mexico to acquire a 100% interest in the Tres Amigos concession for total consideration of USD $130,000 payable in instalments over 48 months.

On August 10, 2018, MMP entered into an option agreement with a resident of Sonora, Mexico, to acquire a 100% interest in the El Colorado concession for total consideration of USD $100,000 payable in two instalments. In February 2019, the final instalment of USD $50,000 was paid, securing 100% title to the concession through the execution of an "Assignment of Title to Mining Concession Agreement".

On October 5, 2018, MMP entered into an option agreement with a resident of Sonora, Mexico to acquire a 100% interest in the Cabeza Blanca concession for total consideration of USD $175,000 payable in installments over two years, plus 250,000 common shares. In September 2020, the final installment of USD $70,000 was paid securing 100% title to the concession through the execution of an "Assignment of Title to Mining Concession Agreement".

Under Mexican law, mineral exploration rights are separate from surface rights and concession holders are required to negotiate with the landowner to access the land. Surface rights for the Cerro Caliche Project are controlled by the Rancho Cerro Prieto, a family-owned ranch. In June 2018, MMP entered into a seven-year surface rights agreement in consideration of annual payments of USD $48,800.

Cerro Caliche – Exploration History

The Cerro Caliche Project has been the subject of exploratory work and artisan mining since the 1800s. Despite the scarcity of records, numerous small scale prospecting pits as well as shallow shafts and tunnels are evident throughout the property with several of the workings now overgrown with thick vegetation. Following the 2018 acquisition of the Cerro Caliche concessions, the Company carried out an in-depth analysis of historical data from prior exploration programs conducted on the property between 2006 and 2011 by prior operators. In September 2018, the Company initiated a multi-phase exploration program of drilling, geological mapping, and surface rock sampling. Between October 2018 and April 2021, the Company completed 34,500 meters of drilling, confirming the presence of a broadly mineralized low-sulphidation epithermal vein structure and the presence of multiple northwest trending gold mineralized zones along trend and near surface.

August 2020: Launch Phase III Drilling Program at Cerro Caliche

In August 2020, the Company commenced its Phase III drilling program to demonstrate a material expansion of the concession's oxide gold mineralization and support a proposed Heap Leach Mining Operation (HLMO) with a conceptual operating capacity of up to 15,000 tons per day (tpd).

Drilling results confirmed a material expansion of several mineralized zones as well as the potential coalescence of at least two mineralized zones into a single body of shallow, oxide gold mineralization.

In November 2020, the Company engaged McClelland Laboratories of Sparks, Nevada to conduct independent metallurgical testing of the mineralization at Cerro Caliche. The Company delivered to McClelland over 5,500 kilograms of mineralized material from ten 85-mm diameter PQ core holes drilled at five distinct zones from central and western regions of the property. Metallurgical testing will help determine the heap leach characteristics of the oxide mineralization, provide quantified estimates of gold and silver recovery and offer recommendations for crushing sizes and associated process flow sheet development.

In March 2021, the Company announced results from 43 bottle roll tests over 96-hours at a coarse sizing of 80% - 1.7 mm feed size. Subsequent leach recoveries averaged 80.3% for gold and 27.2% for silver. Sodium cyanide consumption rates averaged 0.20 kg/t and lime addition averaged 2.1 kg/t for the bottle roll tests at varying feed grades. The leaching profile indicated a fast recovery over the 24-hours for gold, with a slower profile for silver as expected.

On August 19, 2021, the Company announced column metallurgical test results returned an average recovery rate of 74% for gold and 27% for silver. Recovery results obtained at the 80% minus 12.5 mm feed size averaged 74% over approximately 90 days and results from the 50mm feed size averaged 66% gold recovery over approximately 100 days. Column testing confirmed heap leach amenability at both feed sizes and no obvious variations in recovery related to ore zone or material type. Cyanide consumptions were low, and good pH control was maintained.

In August 2021, the Company completed a surface sampling program where assay results outlined linear structural corridors of anomalous gold, silver and base metal mineralization, as well as a 750-meter extension of two known mineralized zones. Results also revealed oxide gold mineralized "windows" with strong stockwork quartz veining and broad zones of gold and silver mineralization. Assay results from 17 samples returned grades between 2.5 and 14.3 g/t Au.

Cerro Caliche – National Instrument 43-101 PEA Technical Report Filed

An independent technical report titled "Preliminary Economic Assessment on the Cerro Caliche Project, Sonora, Mexico" dated October 29, 2021 (the "PEA") was prepared in accordance with the requirements of National Instrument 43-101 by D.E.N.M. Engineering Ltd. with an updated resource estimation completed by Micon International Ltd. The PEA was filed both on SEDAR at www.sedar.com, and on the Company's website at www.sonorogold.com.

The report considers an open-pit, Heap Leap Mining Operation (HLMO) with a capacity of 15,000 tonnes per day (tpd). Utilizing base metal prices of USD $1,750 Au oz and USD $22 Ag oz, after-tax net present value at a 5% discount (NPV_5) is estimated at USD $41.5 million and after-tax internal rate of return (IRR) is estimated at 32.4% with a 2.2-year payback.

Project Cash Flow Summary

Assumption / Results	Value
Total Tonnes Processed	31.5 M
Total Tonnes Waste	65.5 M
Strip Ratio	2.1
Gold Grade (g/t)	0.41
Silver Grade (g/t)	4.05
Gold Recovery	74%
Silver Recovery	27%
Gold Price (US$/oz)	$1,750

Assumption / Results	Value
Silver Price (US$/oz)	$22
Annual Gold Equivalent Production (Ounces)	45,700
Total Gold Equivalent Production (Ounces)	323,500
Net Revenue (Gold and Silver) (US $m)	$566.2M
Initial Capital Costs (US $m)	$32.2
Sustaining Capital Costs (US $m)	$4.8
LOM Operating Costs (US $m)	$396.9
Operating Cash Cost per AuEq ounce	$1,227
All in Sustaining Cost per AuEq ounce	$1,351
Mine Life	7 years
Average Process Rate (tonnes per day)	15,000
Pre-Tax NPV_5 (US $m)	$68.7
After-Tax NPV_5 (US $m)	$41.5
Pre-Tax IRR	52.7%
After-Tax IRR	32.4%
Payback Period	2.2 years

All-In-Sustaining Costs (AISC) Summary

Operating Costs USD$	LOM	$/oz AuEq
Mining	$174.7	$540
Processing	$204.9	$633
Administration	$17.3	$53
Total Cash Costs	***$396.9***	***$1,227***
Refining	$20.7	$64
Royalties	$11.7	$36
Sustaining	$4.8	$15
Closure	$2.9	$9
All-in Sustaining Costs (AISC)	**$437.0**	**$1,351**

The estimated capital costs for the Cerro Caliche Gold Project are based on an open pit and heap leach mining operation (HLMO) processing five million tonnes per year and utilizing contract mining. An initial capital expenditure is estimated at USD $32.2 million for the construction period, including 15% contingency. An additional USD $4.8 million is estimated for sustaining capital and USD $2.9 million is estimated for reclamation.

Cash costs for Cerro Caliche for the life of mine are estimated at USD $396.9 million or USD $1,227 per gold equivalent ounce and include mining, crushing and processing as well as maintenance and administration costs. All-in Sustaining Costs for the project for the life of mine are estimated at USD $437 million or USD $1,351 per gold equivalent ounce and include operating costs, sustaining capital, reclamation, taxes, royalties and refining charges.

Royalties include a 2% NSR to certain landholders and taxes include payments to the Mexican government for mining royalty and specific mining related taxes. Refining costs include shipping loaded carbon to a 3rd party processing facility as well as costs for processing the carbon and production of doré bars.

Open pit mining will be undertaken by a contractor and carried out by drill and blast conventional loading and truck haulage to the crushing facility. An estimated mining cost of USD $1.90 per tonne includes drilling, blasting, hauling waste and mineralized ore to the heap leach area.

The Processing facilities at Cerro Caliche will be comprised of a crushing circuit where mineralized material is processed through a three-stage crushing plant to produce material that is p80 of ½” (80% passing) method. The material is then conveyed and stacked in a conventional heap leach pad and irrigated with a low concentrate cyanide solution. Solution collected from the leach pad is then directed through a system of ditches to the processing ponds where it passes through a series of carbon columns. Gold and silver impregnated carbon is collected periodically from the columns and then dried and shipped to a 3rd party processing facility for stripping and doré bar production. An estimated processing cost of USD $5.70 per tonne includes crushing, leaching, assaying, carbon handling and labour.

An after-tax sensitivity analysis for Net Present Value (NPV) and Internal rate of Return (IRR) on the gold and silver price, metal recovery, operating costs and initial Capex at a +/- 10% increments are presented in the following Tables.

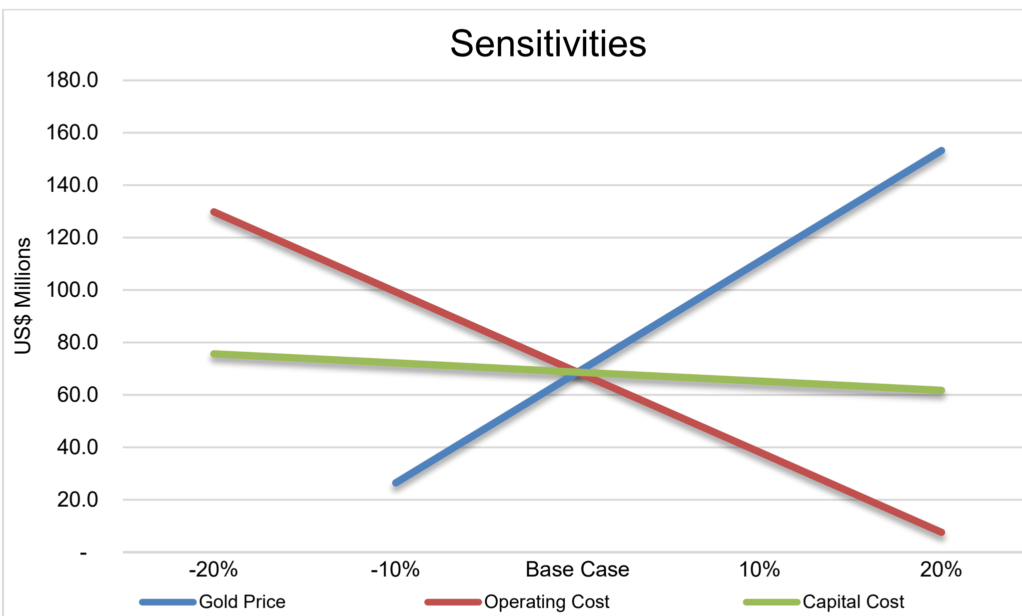
Gold and Silver Price Sensitivities – USD $1,750 Au and USD $22 Ag Base Case

Sensitivity	**$1,700 Au $20 Ag**	**$1,750 Au $22 Ag**	**$1,800 Au $24 Ag**	**$1,900 Au $26 Ag**	**$2,000 Au $28 Ag**
After-Tax NPV_5	$32.6	$41.5	$50.4	$67.1	$83.9
Pre-Tax NPV_5	$55.0	$68.7	$82.5	$108.3	$134.1
After-Tax IRR	26.8%	32.4%	37.9%	48.1%	58.0%
Pre-Tax IRR	43.9%	52.7%	61.3%	77.1%	92.4%
After-Tax Payback	2.6	2.2	1.9	1.5	1.2

Capital and Operating Cost Sensitivities

Sensitivity	**-20%**	**-10%**	**Base Case**	**10%**	**20%**
Operating Costs – Pre-tax NPV (US$ million)	$129.8	$99.3	$68.7	$38.1	$7.6
Operating Costs – IRR	93.1%	73.2%	52.7%	31.7%	10.2%
Capital Costs – Pre-tax NPV (US$ million)	$75.7	$72.2	$68.7	$65.2	$61.7
Capital Costs – IRR	67.8%	59.6%	52.7%	47.0%	42.1%

Capital and Operating Cost Sensitivities



As part of the PEA, an updated Mineral Resource Estimate was completed to incorporate geological data from the Company's 2020 and 2021 drilling campaign. For the purposes of mineral resource estimation, only the data contained within the final wireframes was used. The effective number of drill holes and samples used were 419 drill holes, totaling 40,024 meters of sampling. The resource estimate is based on Sonoro's geological interpretation of the deposit that established six geological domains. The geological domains account for the two primary trends of Vein-Breccia structures which are surrounded by stockwork mineralization.

These domains were analyzed for grade capping, variography and interpolated using ordinary kriging methods. Once the block model was completed it was classified into the Measured, Indicated and Inferred categories followed by a Lerchs-Grossman open pit optimization which resulted in the Mineral Resource Statement presented in the table below:

Mineral Resource Estimate[1-5]

Mining Method	Category	Tonnes	Average Grades			Metal Content		
			Au-Eq	Au	Ag	Au-Eq	Au	Ag
		kt	g/t	g/t	g/t	(000s Oz)	(000s Oz)	(000s Oz)
Open Pit	Measured	12,844	0.39	0.37	3.79	163	155	1,566
	Indicated	13,851	0.45	0.44	3.1	201	194	1,378
	M+I	**26,695**	**0.42**	**0.41**	**3.43**	**364**	**349**	**2,944**
	Inferred	5,463	0.44	0.40	7.34	77	71	1,289

1. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
2. The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
3. The Mineral Resources in this news release were estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), Definition Standards for Mineral Resources and Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on May 14, 2014.
4. The pit constrained AuEq cut-off grade of 0.207 g/t Au was derived from USD $ 1,800/oz Au price, USD $ 25.00/oz Ag price, 74.0% Au and 27.2% Ag process recoveries, USD $1.90 mining, USD $6.47/tonne process and USD $0.49 G&A costs and 50-degree pit slopes.
5. The effective date of the mineral resource estimate is August 24, 2021 and the estimate is only for the oxide portion of the mineralization on the Cerro Caliche Project.

Recommendations

The authors of the PEA recommended the following next steps to advance the Cerro Caliche project:

1. 10,000- meter drilling program proposed by Sonoro to assist in fully defining the mineralized areas within southern and northeastern extensional areas.
2. Improve the database and data management system to increase the data integrity, flow, use and management of all information related to the Project.
3. Conduct further optimization work to assist in potentially reducing costs and increasing efficiencies of mining related to the Project
4. Conduct further studies and optimizations to reduce the initial capital costs, including sourcing used equipment, leasing or renting options for the crushing circuit or investigate the third-party contractor for the crushing operations.

November 2021: **Launch Phase IV Drilling Program at Cerro Caliche**

In November 2021, the Company resumed drilling with the objective of increasing the estimated size and grade of the project's oxide gold mineralization as well as to extend the estimated life of the proposed heap leach mining operation as outlined in the PEA. The drilling campaign will also investigate higher-grade targets as confirmation of extensive, higher-grade mineralization could potentially improve the overall economics of the project.

Updated PEA Results

On May 9, 2022, the Company announced the results of an updated PEA highlighting several opportunities to potentially increase the project's previously reported economic parameters, as well as potentially lower several identified risks.

The updated PEA has been prepared in accordance with the requirements of National Instrument 43-101 ("NI 43-101") by D.E.N.M. Engineering Ltd. of Burlington, Ontario ("D.E.N.M."), with confirmation of the applicable resource estimates completed by Micon International Limited of Toronto, Ontario ("Micon"). The full PEA will be filed on SEDAR at www.sedar.com and Sonoro's website www.sonorogold.com within 45 days of the announcement.

Based on the same mineral resource estimate contained in the Company's initial PEA, the updated report contemplates an optimized mine plan for an open pit, heap leach mining operation with an initial two-year production rate of 8,000 metric tonnes per day ("mtpd") and an increase to 15,000 mtpd for the remaining life of mine ("LOM").

The optimized mine plan increased total tonnes processed to 32.2 million tonnes and total waste to 66.8 million tonnes. Optimization also increased the average gold grade to 0.43 g/t Au for the LOM, as well as the average gold equivalent to 0.58 g/t AuEq during the first three years of production. Total recovered gold equivalent increased to 344,674 ounces.

Utilizing base metal prices of USD $1,750 Au oz and USD $22 Ag oz, after-tax net present value at a 5% discount (NPV_5) is estimated at USD $53.5 million and after-tax internal rate of return (IRR) is estimated at 45.6% with a 2.2-year payback.

Key Economic Parameters

Assumption / Results	Initial PEA Value	Updated PEA Value	Difference %
Pre-Tax $NPV_{(5)}$ (USD)	$68.7m	$84.4m	22.9%
Pre-Tax IRR	52.7%	74.9%	42.1%
After- Tax $NPV_{(5)}$ (USD)	$41.5m	$53.5m	29.0%
After- Tax IRR	32.4%	45.6%	40.4%
Revenues (USD)	$566.2m	$603.2m	6.5%
Net Revenues (USD)	$67.2m	$81.3m	21.0%
Total Tonnes Processed	31.5mt	32.2mt	2.1%
Total Tonnes Waste	65.5mt	66.8mt	2.0%
Mine Life	7-Years	7-Years	No Change
Strip Ratio	2.08	2.08	No Change
Gold Recovery	74%	74%	No Change
Silver Recovery	27%	27%	No Change
Gold Price (USD $/Au oz)	$1,750	$1,750	No Change
Silver Price (USD $/Ag oz)	$22	$22	No Change
Gold Grade (g/t Au)	0.41	0.43	4.7%
Gold Equivalent Grade (g/t Au Eq) (Yrs. 1-3)	0.51	0.58	13.7%
Silver Grade (g/t Au)	4.05	4.01	-1.0%
Total Gold Equivalent Recovered (oz)	323,550	344,674	6.5%
Initial CAPEX Costs (USD)	$32.2m	$26.0m	-19.1%
Sustaining Capital Costs (USD)	$4.9m	$7.4m	52.1%
LOM Operating Costs (USD)	$396.9m	$415.4m	4.8%
Cash Cost (USD $/ AuEq oz)	$1,227	$1,206	-1.6%
AISC (USD $/ AuEq oz)	$1,351	$1,333	-1.3%

Economic Summary Comparison (USD)

Economic Summary	**Initial PEA**		**Updated PEA**	
	Pre-Tax	**After Tax**	**Pre-Tax**	**After Tax**
NPV_5	$68.7m	$41.5m	$84.4m	$53.5m
IRR	52.7%	32.4%	74.9%	45.6%

Updated Gold & Silver Price Sensitivity Analysis (USD)

Sensitivity	**$1,700/oz Au $20/oz Ag**	**$1,750/oz Au $22/oz Ag**	**$1,800/oz Au $24/oz Ag**	**$1,900/oz Au $26/oz Ag**	**$2,000/oz Au $28/oz Ag**
Pre-Tax NPV_5	$70.4m	$84.4m	$98.4m	$124.9m	$151.4m
Pre-Tax IRR	65.4%	74.9%	84.1%	101%	117.3%
After-Tax NPV_5	$44.4m	$53.5m	$62.6m	$79.8m	$96.9m
After-Tax IRR	39.4%	45.6%	51.5%	62.3%	72.7%
Payback	2.5 Years	2.2 Year	2.1 Years	1.8 Years	1.6 Years

Updated Operating & Capital Sensitivity Analysis (USD)

Sensitivity	**-20%**	**-10%**	**Base Case**	**10%**	**20%**
Operating Costs – Pre-tax NPV	$147.3m	$115.8m	$84.4m	$53.0m	$21.6m
Operating Costs – IRR	113.1%	94.6%	74.9%	53.2%	27.4%
Capital Costs – Pre-tax NPV	$94.5m	$89.7m	$84.4m	$78.6m	$72.3m
Capital Costs – IRR	124.0%	95.4%	74.9%	59.7%	48.1%

Mineral Resource Estimate

The updated PEA utilizes the same geological data as the initial PEA and is based on the Company's September 2018 to April 2021 drilling campaigns. As previously announced, the PEA estimates Measured and Indicated Mineral Resources of 349,000 ounces of gold at a 0.41 g/t Au grade and Inferred Mineral Resources of 71,000 ounces of gold at 0.40 g/t Au grade. The original report also notes a range of the potential mineralization that may conceptually exist outside of the resource pit shells believed to be from 19,250,000 to 34,370,000 tonnes containing 204,000 to 365,000 ounces of gold, as well as 1,683,000 to 3,005,000 ounces of silver.

Over 7,000 meters of additional drilling being completed at Cerro Caliche was not included in current mineral resource estimate. Final assay results from the Phase IV drilling program are still pending with the new geological data to be included in a further updated resource estimate along with the potential economic impact on the proposed mining operation.

Quality Assurance/Quality Control ("QA/QC") Measures and Analytical Procedures

PQ drill cores for metallurgical testing were drilled to normal industry standards, with the cores sequentially placed in 4-row plastic core boxes, then kept in secure storage and packed onto wooden pallets prior to shipping to McClelland Laboratories by DHL.

No QA/QC issues were noted with the results received from the laboratory. McClelland Laboratories, Inc. maintains accreditation with ISO/IEC Standard 17025:2017, for fields of testing that include the fire assay and solution analyses used for the current metallurgical testing program.

Drill samples are collected with an airstream cyclone and passed into a splitter that divides each sample into quarters. The quartered samples are then bagged and sealed with identification. The sample group has blanks, standards and duplicates inserted into the sample stream. The samples are then directed to either ALS-Chemex or Bureau Veritas for assaying.

Assaying by ALS-Chemex

ALS-Chemex collects the samples and transports them directly to the preparation laboratory in Hermosillo, Sonora. At the laboratory, part of each sample is reduced through crushing, splitting and pulverization from which 200 grams is sent to the ALS-Chemex assay laboratory in Vancouver. Thirty grams undergoes fire assay for gold with the resulting concentrated button of material produced is dissolved in acids, and the gold is determined by atomic absorption. Another quantity of the sample is dissolved in four acids for an ICP multi- element analysis.

Assaying by Bureau Veritas

Bureau Veritas (BV) collects the samples from the drill site and transports them directly to the preparation laboratory in Hermosillo, Sonora. At the prep. laboratory, a split part of each sample (about 500 grams) is reduced through crushing, splitting and pulverization. Thirty grams of each pulverized sample is split apart in the Hermosillo laboratory and undergoes a fire assay for gold content by reducing the fire assay to a concentrated button of material that is dissolved in acids and the gold content determined by atomic absorption. About another 200 grams of each sample are sent by BV to their Vancouver, Canada laboratory and dissolved in aqua regia for multi-element ICP analysis, including silver.

No QA/QC issues were noted with the results received from either laboratory.

Geologic Description

Cerro Caliche is located 45 kilometers east southeast of Magdalena de Kino in the Cucurpe-Sonora Mega-district of Sonora, Mexico. Multiple historic underground mines were developed in the concession including Cabeza Blanca, Los Cuervos, Japoneses, Las Abejas, Boluditos, El Colorado, Veta de Oro and Espanola. Mineralization types of the Cucurpe-Sonora Mega-district include variants of epithermal low sulfidation veins and related mineralized dikes and associated volcanic domes. Local altered felsic dikes cut the mineralized meta-sedimentary rock units and may be associated with mineralization both in the dikes and meta- sedimentary rocks. The Cucurpe-Sonora Mega-district has historically been regarded as vein dominated, but recently, open pit mining operations have been developed on disseminated and stockwork style gold mineralization.

Host rocks include Jurassic-Cretaceous meta-sedimentary rock units including argillite, shale, quartzite, limestone, quartz pebble conglomerate and andesite. Younger intrusive rock consisting of medium coarse-grained granodiorite-granite is present in the westerly parts of the concessions near the historic Cabeza Blanca mine. It is apparent that veining cuts and pervasively alters the intrusive stock. Rhyolite occurs in irregular bodies distributed in higher elevations in the northerly part of the concession, including the Rincon area, where it occurs as flows, sills, dikes and rhyolite domes. Part of the rhyolite is mineralized and appears to be related to epithermal gold mineralization throughout the property.

PROJECT UPDATE: San Marcial Project

The San Marcial Project is located in the Santa Ana Municipality of Sonora State in northwestern Mexico and is comprised of four contiguous mining concessions covering a total area of 1,015.80 hectares. Three concessions are owned by the Company’s wholly owned Mexican subsidiary Minera Breco, S.A. de C.V. (“Breco”) with the fourth concession held under an Assignment of Mineral Concession Agreement by Breco.

The project is situated at the southern end of the prolific Sonora-Mojave Megashear, a regional scale structural system measuring approximately 50 kilometers in width and 500 kilometers in length. Historic gold production in the Megashear exceeds 10 million ounces with an estimated 25 million ounces remaining in resources and reserves. Mines within this trend include Equinox Gold’s open-pit heap leach Mesquite gold mine, located approximately 84 kilometers northwest of Yuma, Arizona and several in northwestern Sonora such as Fresnillo’s La Herradura gold mine, Gold’s El Chanate gold mine and Magna Gold’s San Francisco gold mine.

Gold mineralization in the San Marcial concession is hosted in Jurassic sedimentary rocks consisting of quartzite, shale and limestone, in addition to younger porphyritic intrusive rocks. Previous work on the property and in the immediate area date back to the late 1980s when Cominco Ltd. conducted exploration activities including four RC drills holes, although drilling results are unavailable. Other smaller exploration programs were conducted by Barrick, Campbell Resources and Queenstake in the mid-1990s.

In 2015, the Company initiated exploration at San Marcial with a Phase One exploration program consisting mainly of a wide spaced soil geochemical survey to delineate anomalous zones in this structurally complex region. Soil lines were established on north-south lines 200 meters apart and samples taken at 50 meter intervals over three lines. Seven specific mineralized structural zones were identified and crossed in the soil sampling, including the old mine prospect areas in the San Marcial and Soledad zones. Underground workings in these two areas have characterization rock chip sample values ranging from 0.3 to over 4 g/t gold and 7 to over 50 g/t silver; lead values from 700 ppm to over 2 percent; with additional anomalous values of arsenic and mercury.

The Company proposes to conduct a reverse circulation drill program at San Marcial in due course. The timing for the start of the drill program will be dependent on the availability of the Company's technical team which is currently focused on conducting a drilling program at the nearby Cerro Caliche project.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a global pandemic. This has impacted the global economy with restrictions on travel and mobility being imposed by numerous countries to help reduce new infections. These countries include locations where the Company operates. The Company is committed to providing safe and healthy work environments for its employees, contractors and the communities in which it operates. The Company initiated an exploration program in August 2020 on its Cerro Caliche project in Sonoro State, Mexico. The Company has developed a comprehensive mobilization protocol for the continuation of field activities and is observing social distancing and other protective measures in accordance with such protocols.

RESULTS OF OPERATIONS

Three months ended March 31, 2022, compared to the three months ended March 31, 2021.

The Company recorded a net loss and comprehensive loss of $1,228,318 ($0.01 loss per common share) for the three months ended March 31, 2022 (the "Current Quarter") compared to a net loss and comprehensive loss of $1,989,344 ($0.02 loss per common share) during the three months ended March 31, 2021 (the "Comparative Quarter"). Significant differences in operating expenses for the Current Quarter versus the Comparative Quarter were:

- Exploration expenditures were $688,896 in the Current Quarter compared to $1,297,054 in the Comparative Quarter. The Company incurred exploration expenditures in the Current Quarter from the residual activities in its ongoing drilling program, at the Company's Cerro Caliche gold project.
- Share-based payments, a non-cash expense was $nil in the Current Quarter compared to $82,900 in the Comparative Quarter due to absence of options vesting in the Current Quarter.
- During the Current Quarter, the consulting fees increased to $211,799 (Comparative Quarter - $185,204) due to additional personnel engagement.
- The Company incurred a foreign exchange loss of $2,241 in the Current Quarter compared to a loss of $52,420 in the Comparative Quarter due to lower value transactions in USD.
- The Company incurred interest expense of $5,765 in the Current Quarter compared to $6,000 in the Comparative Quarter relating to the loan advances and the interest expense relating to the lease liability.

SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited condensed interim consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), for the last eight quarters.

	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
Total revenues (interest and other income)	$ 699	$ 647	$ 209	$ 1,109
Loss for the quarter	($1,228,318)	($1,147,606)	($822,745)	($1,914,287)
Loss for the quarter per share	($0.01)	($0.01)	($0.01)	($0.02)

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Total revenues (interest income)	$ 963	$ 15	$ -	$ -
Loss for the quarter	($1,989,344)	($1,720,948)	($2,669,664)	($475,742)
Loss for the quarter per share	($0.02)	($0.02)	($0.04)	($0.01)

The Company only earns interest from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022, the Company had working capital deficit of $610,147 (working capital at December 31, 2021 – $1,443,600). The Company has reclassified the Value Added Tax ("VAT") receivables in the amount of $1,522,499 (December 31, 2021 - $1,396,476) as non-current. The VAT receivables are generated on the purchase of supplies and services and are receivable from the Mexican government. The Company classifies VAT receivables as non-current as it does not expect collection of amounts to occur within the next year. The recovery of VAT involves a complex application process and the timing of collection of VAT receivables is uncertain. Accordingly, this recasting of the VAT receivable has had an adverse effect on the Company's working capital.

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

The Company currently has no income from operations and relies on financing through the issuance of additional shares of its common stock. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the projects.

SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At the date of this MD&A, there were 119,260,260 common shares issued and outstanding and stock options and share purchase warrants to purchase an aggregate of 82,877,941 common shares expiring at various dates between July 2022 and December 2023, exercisable at various prices between $0.12 and $0.30 per share.

A total of 9,850,000 of the options are in the money and the rest of the options and warrants are out of the money but if all those were exercised, the maximum number of shares potentially issuable is therefore 82,877,941.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management

Key management comprises directors and executive officers. Compensation awarded to key management is as follows:

	For the three months ended March 31,	
	2022	**2021**
Consulting fees	$ 142,257	$ 136,900
Share-based payments	-	7,750
	$ 142,257	$ 144,650

The Company incurred no post-employment benefits, no long-term benefits and no termination benefits.

At March 31, 2022, $51,647 (December 31, 2021 - $47,658) is owing to related parties without interest and is payable on demand.

During the three months ended March 31, 2022, the Company issued promissory notes to related parties in the amount of $50,000 with 10% interest (December 31, 2021 - $700,000 with 10% interest, of which $400,000 had an additional 7% one-time fee payable). The Company repaid $nil (December 31, 2021 - $550,000) of the promissory notes and paid/accrued $3,952 of interest (December 31, 2021 - $42,465). As at March 31, 2022, the balance owing was $202,915 (December 31, 2021 - $152,885), payable on demand.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as of the date of this report.

PROPOSED TRANSACTIONS

Other than the previous disclosure, the Company has no proposed transactions.

CONTRACTUAL OBLIGATIONS

For the Company's option agreements to remain in good standing, the Company has the following commitments:

Cerro Caliche Option Agreements

Cerro Caliche group of concessions:

July 23, 2022	US$300,000
January 23, 2023	US$300,000
July 23, 2023	US$400,000
January 23, 2024	US$450,000

Rosario group of concessions:

March 14, 2023	US$375,000
March 14, 2024	US$550,000

In June 2018, the Company entered into a surface access agreement with the owners of El Cerro Prieto Ranch, which has ownership of the surface rights to the Cerro Caliche concession. In Mexico, mineral concessions do not grant the rights over the surface where they are located, and the concession holder must negotiate directly for the use of land with the owners of the surface rights.

Under the Sonoro agreement with El Cerro Prieto Ranch, the Company has access to the land for mineral exploration and development for a period of seven years at an annual fee of US$48,000.

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and has not commenced commercial operations and has no assets other than cash and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

Precious and Base Metal Price Fluctuations

The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company’s operations and profitability.

Fluctuations in the Price of Consumed Commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

Foreign Exchange Rate Fluctuations

Operations may be subject to foreign currency exchange fluctuations. The Company to-date has raised its funds through equity issuances which are priced in Canadian dollars. The Company’s properties are located in Mexico and as a result exploration expenditures will be denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks

Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the normal course of exploration activities.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability of acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Business Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Environmental Factors

The Company's mineral properties are located in Sonora, Mexico and are subject to the environmental regulations of the jurisdictions in which it operates. Under Mexican law, mining construction and operation activities require an Environmental Impact Statement (MIA) as well as a Land Use Change (CUS) permit obtained from the Secretary of the Environment, Natural Resources and Fisheries (SEMARNAT) which is the primary regulatory authority for environmental matters related to the Mexican mining sector. In 2020 and 2021, the Company undertook multiple environmental baseline studies on its Cerro Caliche project to confirm the site's conservation status and assess the Project's potential environmental impact. Socio-economic baseline studies were also completed on the nearby communities to assess the project's potential impact and contribution to future social and economic development.

Environmental legislation within Mexico may continue to evolve in a manner that will require stricter standards and enforcement as well as more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties and are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may

be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Assurance on the Consolidated Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the year ended December 31, 2021. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its yearly financial reports.

Potential dilution of present and prospective shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as fair value through profit and loss; receivables (excluding input tax credits receivable) as loans and receivables, and accounts payable and accrued liabilities and due to related parties, as other financial liabilities.

Fair value

The carrying values of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these financial instruments. Cash and cash equivalents are measured at their market value in accordance with Level 1 of the fair value hierarchy.

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables. The risk arises from the non-performance of counterparties of contracted financial obligations. Credit risk is mitigated as cash and cash equivalents have been placed on deposit with major Canadian and Mexican financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and maximum exposure thereto is as follows:

	March 31, 2021	December 31, 2021
Cash and cash equivalents held at major Canadian financial institutions	$ 45,555	$ 1,735,713
Cash held at major Mexican financial institutions	13,427	25,393
Total cash and cash equivalents	$ 58,982	$ 1,761,106

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company had working capital deficit at March 31, 2022 in the amount of $610,147 (working capital on December 31, 2021 – $1,443,600).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

a) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2022 and December 31, 2021.

b) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is exposed to foreign currency risk with respect to cash and cash equivalents and accounts payable and accrued liabilities as a portion of these amounts are denominated in US dollars and Mexican pesos. The Company has not entered into any foreign currency contracts to mitigate this risk.

As at March 31, 2022 and December 31, 2021, the Company's significant exposure to foreign currency risk, based on the consolidated statement of financial position carrying values, were to the Mexican peso and the US dollar, as follows:

	March 31, 2022	
	MXN	USD
Cash	$ 213,081	$ 3,318
VAT receivable	24,028,520	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,900,756)	(234,010)
Loans	(46,468)	-
Total	22,312,036	(230,692)
Canadian dollar equivalent	$ 1,399,857	$ (288,272)

	December 31, 2021	
	MXN	USD
Cash	$ 182,680	$ 19,346
VAT receivable	22,473,104	-
Prepaid expenses	17,660	-
Accounts payable and accrued liabilities	(1,876,552)	-
Loans	(46,468)	-
Total	20,750,454	19,346
Canadian dollar equivalent	$ 1,288,396	$ 24,527

The sensitivity analysis of the Company's exposure to foreign currency risk suggests that a 10% change in foreign exchange rates between the Mexican peso, US dollar and Canadian dollar would impact net income (loss) for the three months ended March 31, 2022 by approximately $127,000 (December 31, 2021 - $141,000).

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.