# AZTEC MINERALS CORP.

## Consolidated Financial Statements

**(stated in Canadian dollars)**

**Years ended December 31, 2022 and 2021**

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF AZTEC MINERALS CORP.

### *Opinion*

We have audited the consolidated financial statements of Aztec Minerals Corp. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021 and January 1, 2021;
- the consolidated statements of comprehensive loss for the years ended December 31, 2022 and 2021;
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2022 and 2021;
- the consolidated statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021 and January 1, 2021, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to note 3 to the consolidated financial statements which indicates that the comparative information presented as at December 31, 2021 and January 1, 2021 and for the year ended December 31, 2021 have been adjusted to reflect that the Company has elected to change its method of accounting for its Mexican value added tax receivable.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of approximately $1.70 million during the year ended December 31, 2022 and, as of that date, the Company's deficit is approximately $8.98 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## *Key Audit Matters*

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

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

## *Other Information*

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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

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## *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2023

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# AZTEC MINERALS CORP.

(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

| | Notes | December 31, 2022 | December 31, 2021 (Restated-Note 3(m)) | January 1, 2021 (Restated-Note 3(m)) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | | **$ 1,471,056** | $ 1,620,241 | $ 1,919,485 |
| Receivables | 6 | **304,531** | 455,857 | 38,135 |
| Prepaids, current | | **130,561** | 210,080 | 118,892 |
| Total Current Assets | | **1,906,148** | 2,286,178 | 2,076,512 |
| **Non-Current Assets** | | | | |
| Prepaids, non-current | | **40,514** | 126,524 | - |
| Mineral property interests | 6, 8(b), 10 | **9,030,358** | 5,905,506 | 4,100,707 |
| Equipment | 7 | **2,280** | 3,176 | 3,610 |
| Total Non-Current Assets | | **9,073,152** | 6,035,206 | 4,104,317 |
| Total Assets | | **$ 10,979,300** | $ 8,321,384 | $ 6,180,829 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | 10 | **$ 324,416** | $ 219,113 | $ 147,382 |
| **Shareholders' Equity** | | | | |
| Share capital | 8(b) | **18,379,155** | 11,749,159 | 9,388,293 |
| Reserve for share-based payments | | **1,255,315** | 1,576,759 | 1,281,139 |
| Deficit | | **(8,979,586)** | (6,945,014) | (5,590,832) |
| Non-controlling interest | 6(a) | **-** | 1,721,367 | 954,847 |
| Total Shareholders' Equity | | **10,654,884** | 8,102,271 | 6,033,447 |
| Total Liabilities and Shareholders' Equity | | **$ 10,979,300** | $ 8,321,384 | $ 6,180,829 |

Nature of operations and going concern (Note 1)

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

*/s/ Simon Dyakowski*
Director

*/s/ Patricio Varas*
Director

# AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

| | Notes | Years ended December 31, 2022 | | 2021 (Restated-Note 3(m)) | |
|---|---|---|---|---|---|
| **Expenses:** | | | | | |
| Accounting and audit | | **$** | **70,957** | $ | 87,219 |
| Amortization | 7 | | **1,492** | | 1,741 |
| Employee remuneration | 10 | | **404,215** | | 414,336 |
| Legal | | | **29,777** | | 6,534 |
| Office and sundry | 9, 10 | | **76,844** | | 101,701 |
| Regulatory | | | **112,247** | | 95,766 |
| Shareholder relations | | | **612,989** | | 375,842 |
| Share-based payments | 8(c), 10 | | **424,923** | | 321,969 |
| **Operating loss** | | | **(1,733,444)** | | (1,405,108) |
| Interest income | | | **17,703** | | 1,889 |
| Foreign exchange gain (loss) | | | **18,035** | | (20,624) |
| **Net loss and comprehensive loss for the year** | | **$** | **(1,697,706)** | $ | (1,423,843) |
| **Attributable to:** | | | | | |
| Non-controlling interest | 6(a) | **$** | **41,917** | $ | (1,437) |
| Shareholders of Aztec Minerals Corp. | | | **(1,739,623)** | | (1,425,280) |
| **Basic and diluted loss per share** | | **$** | **(0.02)** | $ | (0.02) |
| **Weighted average number of common shares outstanding** | | | **77,871,923** | | 59,030,932 |

Refer to the accompanying notes to the consolidated financial statements.

# AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

| | Notes | Share Capital Number of Shares | Share Capital Amount | Reserve for Share-Based Payments | Deficit (Restated-Note 3(m)) | Non-Controlling Interest | Total (Restated-Note 3(m)) |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2021 | | 55,771,113 | $ 9,388,293 | $ 1,281,139 | $ (5,590,832) | $ 954,847 | $ 6,033,447 |
| Private placement | 8(b)(iii) | 5,250,392 | 1,436,785 | 138,332 | - | - | 1,575,117 |
| Share issue expenses | | - | (17,702) | - | - | - | (17,702) |
| Property acquisition | 8(b)(iii) | 600,000 | 201,000 | - | - | - | 201,000 |
| Exercise of stock options | | 160,000 | 29,530 | (10,330) | - | - | 19,200 |
| Exercise of warrants | | 3,200,000 | 711,400 | (83,400) | - | - | 628,000 |
| Fair value of finders fee warrants | 8(d) | - | (147) | 147 | - | - | - |
| Expiration of stock options | 8(c) | - | - | (64,498) | 64,498 | - | - |
| Expiration of warrants | | - | - | (6,600) | 6,600 | - | - |
| Share-based payments | | - | - | 321,969 | - | - | 321,969 |
| Contributions by non-controlling interest | 6(a) | - | - | - | | 765,083 | 765,083 |
| Comprehensive income (loss) for the year | | - | - | - | (1,425,280) | 1,437 | (1,423,843) |
| Balance, December 31, 2021 | | 64,981,505 | 11,749,159 | 1,576,759 | (6,945,014) | 1,721,367 | 8,102,271 |
| Private placement | 8(b)(ii) | 11,388,089 | 3,359,486 | 56,940 | - | - | 3,416,426 |
| Adjustment on acquisition of controlled subsidiary | 8(b)(ii) | 10,000,000 | 2,400,000 | - | (540,279) | (1,859,721) | - |
| Share issue expenses | | - | (71,967) | - | - | - | (71,967) |
| Exercise of warrants | | 2,480,000 | 248,000 | - | - | - | 248,000 |
| Exercise of stock options | | 1,300,000 | 694,477 | (557,977) | - | - | 136,500 |
| Expiration of stock options | 8(c) | - | - | (171,601) | 171,601 | - | - |
| Expiration of finders fee warrants | 8(d) | - | - | (73,729) | 73,729 | - | - |
| Share-based payments | | - | - | 424,923 | - | - | 424,923 |
| Contributions by non-controlling interest | 6(a) | - | - | - | | 96,437 | 96,437 |
| Comprehensive income (loss) for the year | | - | - | - | (1,739,623) | 41,917 | (1,697,706) |
| Balance, December 31, 2022 | | 90,149,594 | $ 18,379,155 | $ 1,255,315 | $ (8,979,586) | $ - | $ 10,654,884 |

Refer to the accompanying notes to the consolidated financial statements.

# AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

| | Notes | Years ended December 31, 2022 | 2021 (Restated - Note 3(m)) |
|---|---|---|---|
| **Cash provided from (used by):** | | | |
| **Operations:** | | | |
| Loss for the year | | **$ (1,697,706)** | $ (1,423,843) |
| Items not involving cash: | | | |
| Amortization | 7 | **1,492** | 1,741 |
| Share-based payments | | **424,923** | 321,969 |
| Unrealized foreign exchange (loss) gain | | **(30,772)** | (8,565) |
| | | **(1,302,063)** | (1,108,698) |
| Changes in non-cash working capital items: | | | |
| Receivables | | **314,094** | (25,339) |
| Prepaids, current | | **79,519** | (91,188) |
| Accounts payable and accrued liabilities | | **35,616** | 15,367 |
| Cash used by operating activities | | **(872,834)** | (1,209,858) |
| **Financing:** | | | |
| Issuance of common shares | 8(b) | **3,416,426** | 1,575,117 |
| Share issue expenses | | **(71,967)** | (17,702) |
| Exercise of warrants | | **248,000** | 628,000 |
| Exercise of stock options | | **136,500** | 19,200 |
| Cash provided from financing activities | | **3,728,959** | 2,204,615 |
| **Investing:** | | | |
| Mineral property interests, net of recoveries | | **(3,121,496)** | (1,816,304) |
| Prepaids, non current | | **86,010** | (126,524) |
| Non-controlling interest in joint venture | | **-** | 402,272 |
| Contributions from joint venture partner | | **-** | 239,297 |
| Equipment | | **(596)** | (1,307) |
| Cash used by investing activities | | **(3,036,082)** | (1,302,566) |
| **Foreign exchange loss (gain) on cash held in foreign currency** | | **30,772** | 8,565 |
| **Decrease in cash** | | **(149,185)** | (299,244) |
| Cash, beginning of year | | **1,620,241** | 1,919,485 |
| **Cash, end of year** | | **$ 1,471,056** | $ 1,620,241 |

Refer to the accompanying notes to the consolidated financial statements.

# AZTEC MINERALS CORP.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Stated in Canadian dollars)

| | Notes | Years ended December 31, 2022 | 2021 |
|---|---|---|---|
| **Non-cash financing and investing activities:** | | | |
| Accrual for mineral property interests | | **$ 173,473** | $ 103,786 |
| Accrual from joint venture contributions | | **96,437** | 417,383 |
| Fair values of common shares issued for: | | | |
| Acquisition of 35% in joint venture | 6(a), 8(b)(ii) | **2,400,000** | - |
| Property acquisition | 6(a) and (b), 8(b) | **-** | 201,000 |
| Exercise of warrants | | **-** | 10,330 |
| Exercise of stock options | | **557,977** | 83,400 |
| Fair value of: | | | |
| Finders fee warrants | 8(d) | **-** | 147 |
| Fair values from cancellation/expiration of: | | | |
| Stock options | 8(c) | **171,601** | 64,498 |
| Finders fee warrants | 8(d) | **73,729** | 6,600 |
| Interest paid | | - | - |
| Income taxes paid | | - | - |

Refer to the accompanying notes to the consolidated financial statements.

## 1. Nature of Operations and Going Concern

Aztec Minerals Corp. (the "Company") was incorporated on July 6, 2007 under the laws of British Columbia, Canada. The address of the Company's registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #1130 – 609 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

The Company is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred a significant net loss of approximately $1.70 million for the year ended December 31, 2022 (2021 - $1.42 million), and has a deficit of $8.98 million as at December 31, 2022 (December 31, 2021 - $6.95 million and January 1, 2021 - $5.59 million). These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

## 2. Basis of Presentation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on April 27, 2023.

(c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**2. Basis of Presentation** (continued)

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company and its subsidiaries are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the date which the fair value was determined; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates and judgments:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to the variables used in the determination of the fair values of stock options granted and finders fee warrants issued; and the valuation of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

The Company applies judgement in determining whether the Company has control of its entities by assessing the following factors: whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns.

The Company applies judgement in determining whether a voluntary change in accounting policy provides more reliable and relevant information in the consolidated financial statements.

At the end of each reporting period, the Company assesses each of its mineral property interests to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted or planned; and results of exploration and evaluation activities.

**2. Basis of Presentation** (continued)

(f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The changes do not have a significant impact on these consolidated financial statements.

(i) IFRS 17 *Insurance Contracts*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard applies to insurance contracts an entity issues and reinsurance contracts it holds.

The main features of the new standard are as follows:

- An entity divides insurance contracts into groups that it will recognize and measure.
- Groups of insurance contracts are recognized and measured at:
  - a risk-adjusted present value of estimated future cash flows (the fulfillment cash flows); and
  - an amount representing the unearned profit in the group of contracts (the contractual service margin).
- An entity can choose to apply a simplified measurement approach (the premium allocation approach) when certain criteria are met.
- The profit from a group of insurance contracts is recognized over the period the entity provides insurance coverage and as it is released from risk. If a group of contracts is or becomes loss-making, the loss is recognized in profit or loss immediately.
- An entity presents separately insurance revenue and insurance service expenses, and insurance finance income or expenses.
- An entity discloses qualitative and quantitative information about the amounts recognized in its financial statements from insurance contracts, significant judgments and changes in judgments made in applying IFRS 17, and the nature and extent of the risks that arise from insurance contracts.

The new standard supersedes the requirements in IFRS 4 *Insurance Contracts*.

The new standard was originally effective for annual periods beginning on or after January 1, 2021, and has now been deferred by two years to annual periods beginning on or after January 1, 2023.

(ii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020. The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Aztec Minerals America Corp. (USA) and Aztec Minerals (Mexico) JV Corp. (“Aztec Mexico JV”) (Canada) which owns 100% interest in Minera Azteca Dorada S.A. de C.V (Mexico). During the year ended December 31, 2022, the Company increased its interest from 65% to 100% in Aztec Mexico JV (Notes 6(a) and 8(b)(ii)). The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Non-controlling interests in the net assets are identified separately from the Company’s deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest’s share of changes in equity or deficiency since the date of acquisition.

(b) Financial instruments:

(i) Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that: (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) is not designated as fair value through profit or loss.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets measured at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in profit or loss.

*Financial assets at fair value through other comprehensive income (loss) (“FVTOCI”)*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

**3. Significant Accounting Policies** (continued)

(b) Financial instruments: (continued)

(ii) Subsequent measurement (continued)

*Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method.

(iii) Derecognition:

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Financial liabilities:

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

(v) Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

**3. Significant Accounting Policies** (continued)

(c) Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received, respectively. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

**3. Significant Accounting Policies** (continued)

(e) Equipment:

Equipment is amortized on a double declining basis, using annual rates of 20% and 30%.

(f) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to share capital based on the fair value of the common shares with any residual value then allocated to warrants. Upon expiry, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital.

(g) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their fair value at the date of issuance.

(h) Share-based payments:

The Company has a stock option plan that is described in Note 8(c). Share-based payments to employees are measured on the grant date using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from the reserve for share-based payments to deficit.

(i) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

**3. Significant Accounting Policies** (continued)

(i) Environmental rehabilitation: (continued)

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred. The Company does not have any significant environmental rehabilitation liabilities.

(j) Loss per share:

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the effect of outstanding share options and warrants would be anti-dilutive.

(k) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(l) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

(Stated in Canadian dollars)

**3. Significant Accounting Policies** (continued)

(m) Change in accounting policy:

In fiscal 2022, the Company voluntarily changed in its accounting policy for value added tax receivable ("VAT") in Mexico. Previously the Company recorded VAT in receivables as current asset. Under its new policy, the Company recorded VAT in mineral property interests. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the cost of the Company's mineral property expenditures. The accounting policy change has been applied retrospectively. Any receipts from VAT will be recorded as recoveries which reduce the value of mineral property interests. In accordance with IAS8 – *Accounting Policies in Accounting Estimates and Errors*, the Company has applied this change retrospectively and the comparatives have been adjusted accordingly for all the periods presented, as if the policy has been applied as of January 1, 2021.

The impacts to the Company's consolidated statements of financial position as at December 31, 2021 and January 1, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| | December 31, 2021 | | |
| Receivables | $ 527,818 | $ (71,961) | $ 455,857 |
| **Total current assets** | **2,358,139** | **(71,961)** | **2,286,178** |
| Mineral property interests | 5,738,545 | 166,961 | 5,905,506 |
| **Total non-current assets** | **5,868,245** | **166,961** | **6,035,206** |
| **Total assets** | **8,226,384** | **95,000** | **8,321,384** |
| Deficit | (7,040,014) | 95,000 | (6,945,014) |
| **Total shareholders' equity** | **8,007,271** | **95,000** | **8,102,271** |
| **Total liabilities and shareholders' equity** | **8,226,384** | **95,000** | **8,321,384** |
| | January 1, 2021 | | |
| Receivables | $ 92,307 | $ (54,172) | $ 38,135 |
| **Total current assets** | **2,130,684** | **(54,172)** | **2,076,512** |
| Mineral property interests | 3,976,535 | 124,172 | 4,100,707 |
| **Total non-current assets** | **3,980,145** | **124,172** | **4,104,317** |
| **Total assets** | **6,110,829** | **70,000** | **6,180,829** |
| Deficit | (5,660,832) | 70,000 | (5,590,832) |
| **Total shareholders' equity** | **5,963,447** | **70,000** | **6,033,447** |
| **Total liabilities and shareholders' equity** | **6,110,829** | **70,000** | **6,180,829** |

(Stated in Canadian dollars)

**3. Significant Accounting Policies** (continued)

(m) Change in accounting policy: (continued)

The impacts to the Company's consolidated statement of comprehensive loss for the year ended December 31, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| Write-down of value added tax | $ (25,000) | $ 25,000 | $ - |
| **Net loss and comprehensive loss for the year** | (1,448,843) | 25,000 | (1,423,843) |
| **Attributable to:** | | | |
| Non controlling interest | (1,437) | - | (1,437) |
| Shareholders of Aztec Minerals Corp. | (1,450,280) | 25,000 | (1,425,280) |

The impacts to the Company's consolidated statement of cash flows for the year ended December 31, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| **Operations:** | | | |
| Loss for the year | $ (1,448,843) | $ 25,000 | $ (1,423,843) |
| Write-down of value added tax | 25,000 | (25,000) | - |
| Receivables | (43,128) | 17,789 | (25,339) |
| **Cash used by operating activities** | **(1,227,647)** | **17,789** | **(1,209,858)** |
| **Investing:** | | | |
| Mineral property interests, net of recoveries | (1,798,515) | (17,789) | (1,816,304) |
| **Cash used by investing activities** | **(1,284,777)** | **(17,789)** | **(1,302,566)** |
| **Cash, end of year** | **1,620,241** | **-** | **1,620,241** |

(Stated in Canadian dollars)

### 3. Significant Accounting Policies (continued)

(m) Change in accounting policy: (continued)

The impacts to the Company's consolidated statements of changes in shareholder's equity as at December 31, 2021 and January 1, 2021 are as follows

| | Accumulated Deficit | | |
|---|---|---|---|
| | **As Previously Reported** | **Effect of Change in Accounting Policy** | **As Restated** |
| Balance as at January 1, 2021 | $ (5,660,832) | $ 70,000 | $ (5,590,832) |
| Comprehensive income (loss) for the year | (1,448,843) | 25,000 | (1,423,843) |
| Balance as at December 31, 2021 | (7,040,014) | 95,000 | (6,945,014) |

| | Total Shareholders' Equity | | |
|---|---|---|---|
| | **As Previously Reported** | **Effect of Change in Accounting Policy** | **As Restated** |
| Balance as at January 1, 2021 | $ 5,963,447 | $ 70,000 | $ 6,033,447 |
| Comprehensive income (loss) for the year | (1,448,843) | 25,000 | (1,423,843) |
| Balance as at December 31, 2021 | 8,007,271 | 95,000 | 8,102,271 |

### 4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company invests its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2022.

**4. Management of Capital** (continued)

Although the Company has raised funds in the past from the issuance of share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at December 31, 2022, the Company was not subject to any externally imposed capital requirements.

**5. Financial Instruments and Management of Financial Risk**

The Company has classified its cash as FVTPL; receivables as amortized cost; and accounts payable and accrued liabilities as amortized cost.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(a) Credit risk:

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

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that the accounts are collectible. As at December 31, 2022, the Company has recorded an allowance for doubtful accounts of $nil (December 31, 2021 - $nil and January 1, 2021 - $nil) and the Company's receivables are due with 30 days of December 31, 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at December 31, 2022, the Company had working capital (current assets less current liabilities) of $1.58 million (December 31, 2021 - $2.07 million and January 1, 2021 - $1.93 million). The Company will require additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2022.

Accounts payable and accrued liabilities are due in less than 90 days.

**5. Financial Instruments and Management of Financial Risk** (continued)

(c) Market risk:

The significant market risk to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates with the United States dollar and Mexican peso.

At December 31, 2022 and 2021 and January 1, 2021, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

| | Stated in Canadian Dollars | | |
|---|---|---|---|
| | Held in | | Total |
| | United States Dollars | Mexican Pesos | |
| Cash | $ 61,683 | $ 594 | $ 62,277 |
| Accounts receivable | 262,643 | - | 262,643 |
| Accounts payable and accrued liabilities | (126,028) | (96,920) | (222,948) |
| Net financial assets (liabilities), December 31, 2022 | $ 198,298 | $ (96,326) | $ 101,972 |
| Cash | $ 1,068,662 | $ 2,396 | $ 1,071,058 |
| Accounts receivable | 362,811 | - | 362,811 |
| Accounts payable and accrued liabilities | (125,446) | (15,164) | (140,610) |
| Net financial assets (liabilities), December 31, 2021 | $ 1,306,027 | $ (12,768) | $ 1,293,259 |
| Cash | $ 224,916 | $ 107 | $ 225,023 |
| Accounts payable and accrued liabilities | (30,013) | (3,495) | (33,508) |
| Net financial assets (liabilities), January 1, 2021 | $ 194,903 | $ (3,388) | $ 191,515 |

Based upon the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 10% (December 31, 2021 – 10% and January 1, 2021 – 15%) depreciation or appreciation of the Canadian dollar relative to the United States dollar could result in a decrease/increase of approximately $10,000 (December 31, 2021 - $129,000 and January 1, 2021 - $29,000) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(Stated in Canadian dollars)

## 5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at year-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

## 6. Mineral Property Interests

| | December 31, 2022 | | |
|---|---|---|---|
| | Mexico | USA | |
| | Cervantes | Tombstone | Total |
| **Acquisition Costs:** | | | |
| Balance, December 31, 2021 | $ 582,611 | $ 478,203 | $ 1,060,814 |
| Acquisition | - | 109 | 109 |
| Balance, December 31, 2022 | 582,611 | 478,312 | 1,060,923 |
| **Deferred Exploration Expenditures:** | | | |
| Balance, December 31, 2021 | 3,120,680 | 1,724,012 | 4,844,692 |
| Access and facilities | 348,367 | - | 348,367 |
| Assays | 295,816 | - | 295,816 |
| Drilling | 1,282,981 | - | 1,282,981 |
| Equipment and systems | 70,790 | 262 | 71,052 |
| Environmental | 6,627 | 51,939 | 58,566 |
| Field, camp, supplies | 50,922 | 1,357 | 52,279 |
| General, administrative, legal, sundry | 138,136 | 27,655 | 165,791 |
| Geology | 219,813 | 15,588 | 235,401 |
| Salaries and local labour | 138,008 | 37,671 | 175,679 |
| Surface taxes | 10,999 | 9,074 | 20,073 |
| Surveying | 41,254 | 16,873 | 58,127 |
| Transportation and travel | 81,918 | 7,142 | 89,060 |
| Value added tax | 337,882 | - | 337,882 |
| Contribution by joint venture partner | - | (66,331) | (66,331) |
| Balance, December 31, 2022 | $ 6,144,193 | $ 1,825,242 | $ 7,969,435 |
| **Mineral Property Interests:** | | | |
| December 31, 2021 | $ 3,703,291 | $ 2,202,215 | $ 5,905,506 |
| December 31, 2022 | 6,726,804 | 2,303,554 | 9,030,358 |

(Stated in Canadian dollars)

## 6. Mineral Property Interests (continued)

| | December 31, 2021 | | |
|---|---|---|---|
| | Mexico | USA | |
| | Cervantes | Tombstone | Total |
| **Acquisition Costs:** | | | |
| Balance, January 1, 2021 | $ 582,611 | $ 176,073 | $ 758,684 |
| Acquisition | - | 302,130 | 302,130 |
| Balance, December 31, 2021 | 582,611 | 478,203 | 1,060,814 |
| **Deferred Exploration Expenditures:** | | | |
| Balance, January 1, 2021 | 2,342,711 | 999,312 | 3,342,023 |
| Access and facilities | 70,125 | - | 70,125 |
| Assays | 20,644 | 98,308 | 118,952 |
| Drilling | 253,447 | 617,381 | 870,828 |
| Equipment and systems | 7,095 | 13,996 | 21,091 |
| Field, camp, supplies | 31,456 | 8,419 | 39,875 |
| General, administrative, legal, sundry | 73,175 | 25,250 | 98,425 |
| Geology | 138,946 | 41,445 | 180,391 |
| Salaries and local labour | 66,692 | 121,313 | 188,005 |
| Surface taxes | 8,410 | 24,190 | 32,600 |
| Surveying | 7,960 | | 7,960 |
| Transportation and travel | 57,230 | 68,267 | 125,497 |
| Value added tax | 42,789 | - | 42,789 |
| Contribution by joint venture partner | - | (293,869) | (293,869) |
| Balance, December 31, 2021 | $ 3,120,680 | $ 1,724,012 | $ 4,844,692 |
| **Mineral Property Interests:** | | | |
| January 1, 2021 | $ 2,925,322 | $ 1,175,385 | $ 4,100,707 |
| December 31, 2021 | 3,703,291 | 2,202,215 | 5,905,506 |

(a) Cervantes property (Mexico):

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property (“Option Assignment Agreement”) for the Cervantes Property with Aztec Metals Corp., which share common directors with the Company, (“AzMet”) and Kootenay Silver Inc. (“Kootenay”), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the “Option Agreement”). In July 2019, the Company earned its 65% interest in the Cervantes property.

In December 2020, the Company entered into a joint venture agreement with Kootenay whereby the Company holds 65% interest in the joint venture entity, Aztec Minerals (Mexico) JV Corp. (“Aztec Mexico JV”). Minera Azteca Dorada SA de CV is a wholly-owned subsidiary of Aztec Mexico JV and owns the Cervantes property. The Company determined that the 65% interest in Aztec Mexico JV does not constitute a loss of control. The issuance of the shares is accounted for as an equity transaction and resulted in a non-controlling interest of $954,847.

## 6. Mineral Property Interests (continued)

(a) Cervantes property (Mexico): (continued)

In August 2022, the Company closed the purchase transaction with Kootenay whereby the Company acquired Kootenay's 35% interest in the joint venture, Aztec Mexico JV, resulting in the Company owning a 100% interest in the Cervantes project. As consideration for the 35% interest in Aztec Mexico JV, the Company issued to Kootenay 10,000,000 common shares in the capital of the Company at a fair value of $0.24 per share, and Kootenay retains a 0.5% net smelter return royalty.

For the year ended December 31, 2022, the Company received $303,000 (2021 - $402,300) in cash contributions from Kootenay and as at December 31, 2022, the Company has an estimated amount receivable from Kootenay of $158,100 (December 31, 2021 - $362,800 and January 1, 2021 - $Nil) in relation to the joint venture.

(b) Tombstone property (USA):

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the "Tombstone Option Agreement") with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, "Baroyeca"). In February 2021, the Company earned a 75% interest by making cash payments of $100,000, incurred exploration expenditures of $1 million and issued 1 million common shares over a three year period starting from March 2018.

In February 2021, the Company entered into a joint venture with Baroyeca's two U.S. subsidiaries whereby the Company holds 75% interest in the joint venture. The Company determined that the 75% interest in the joint venture does not constitute a loss of control. The Company records its proportionate share of their 75% interest in the Tombstone property in mineral property interests. As at December 31, 2022, the Company has an estimate amount receivable from Baroyeca of $104,600 (December 31, 2021 - $54,600 and January 1, 2021 - $Nil) in relation to the joint venture.

(c) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(e) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(Stated in Canadian dollars)

## 6. Mineral Property Interests (continued)

(f) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

## 7. Equipment

| | Office Furnishings | Office Equipment | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance, January 1, 2021 | $ 4,121 | $ 9,552 | $ 13,673 |
| Add: Acquisitions | - | 1,307 | 1,307 |
| Balance, December 31, 2021 | 4,121 | 10,859 | 14,980 |
| Add: Acquisitions | - | 596 | 596 |
| Balance, December 31, 2022 | 4,121 | 11,455 | 15,576 |
| **Accumulated amortization:** | | | |
| Balance, January 1, 2021 | 2,310 | 7,753 | 10,063 |
| Add: Amortization | 802 | 939 | 1,741 |
| Balance, December 31, 2021 | 3,112 | 8,692 | 11,804 |
| Add: Amortization | 708 | 784 | 1,492 |
| Balance, December 31, 2022 | $ 3,820 | $ 9,476 | $ 13,296 |
| **Net book value:** | | | |
| Balance, December 31, 2021 | $ 1,009 | $ 2,167 | $ 3,176 |
| Balance, December 31, 2022 | 301 | 1,979 | 2,280 |

**8. Share Capital**

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

(i) On February 23, 2023, the Company closed a private placement for 4,378,168 shares at $0.25 per share for total proceeds of $1.09 million.

In April 2023, stock options for 200,000 common shares were exercised for gross proceeds of $24,000, resulting in a fair value reallocation of $12,870 from reserve for share-based payments to share capital.

(ii) In June 2022, the Company closed a private placement for 11.4 million units at $0.30 per unit for gross proceeds of $3.4 million. Each unit is comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 until June 6, 2024. Each underlying warrant has a fair value of $0.005.

In August 2022, the Company issued 10 million common shares at a fair value of $0.24 per share to acquire 35% of Kootenay's interest in the Cervantes project (Note 6(a)).

In 2022, warrants for 2.48 million common shares and stock options for 600,000 common shares were exercised for gross proceeds of $384,500, resulting in a fair value reallocation of $557,977 from reserve for share-based payments to share capital.

(iii) On February 17, 2021, the Company issued 600,000 common shares at a fair value of $0.335 per share to earn its 75% in the Tombstone property (Note 6(b)).

In October and November 2021, the Company closed a private placement in two tranches totalling 5.25 million units at $0.30 per unit for gross proceeds of $1.58 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 for a period of two years. On October 29, 2021, the Company closed the first tranche for 3.3 million units for gross proceeds of $1 million. On November 17, 2021, the Company closed the second tranche for 1.9 million units for gross proceeds of $575,000. Finders fees were comprised of $294 in cash and 980 warrants with the same terms as the underlying warrants in the private placement.

In 2021, warrants for 3.2 million common shares and stock options for 160,000 common shares were exercised for gross proceeds of $647,200, resulting in a fair value reallocation of $93,730 from reserve for share-based payments to share capital.

(Stated in Canadian dollars)

**8. Share Capital** (continued)

(c) Stock option plan:

In January 20, 2017, the Company adopted a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX-V at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the years ended December 31, 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of Shares | Weighted average exercise price | Number of Shares | Weighted average exercise price |
| Outstanding balance, beginning of year | 4,845,000 | $0.25 | 4,830,000 | $0.23 |
| Granted | 1,975,000 | $0.30 | 1,015,000 | $0.30 |
| Exercised | (1,300,000) | $0.105 | (160,000) | $0.12 |
| Forfeitures and cancellations | (285,000) | $0.30 | (840,000) | $0.21 |
| Expired | (100,000) | $0.12 | - | - |
| Outstanding balance, end of year | 5,135,000 | $0.30 | 4,845,000 | $0.25 |

In 2022, the weighted average share price for the stock option exercise is $0.29 (2021 – $0.34).

(Stated in Canadian dollars)

**8. Share Capital** (continued)

(c) Stock option plan: (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2022 and 2021:

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Exercise Prices | Number Outstanding at Dec 31, 2022 | Weighted Average Remaining Contractual Life (Number of Years) | Weighted Average Exercise Prices | Number Exercisable at Dec 31, 2022 | Weighted Average Remaining Contractual Life (Number of Years) | Weighted Average Exercise Prices |
| $0.12 | 800,000 | 1.51 | $0.12 | 800,000 | 1.51 | $0.12 |
| $0.40 | 1,630,000 | 2.60 | $0.40 | 1,630,000 | 2.60 | $0.40 |
| $0.30 | 100,000 | 2.75 | $0.30 | - | - | - |
| $0.30 | 955,000 | 3.28 | $0.30 | 782,000 | 3.28 | $0.30 |
| $0.30 | 1,650,000 | 4.24 | $0.30 | 1,350,000 | 4.24 | $0.30 |
| | 5,135,000 | 3.09 | $0.30 | 4,562,000 | 3.01 | $0.30 |

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Exercise Prices | Number Outstanding at Dec 31, 2021 | Weighted Average Remaining Contractual Life (Number of Years) | Weighted Average Exercise Prices | Number Exercisable at Dec 31, 2021 | Weighted Average Remaining Contractual Life (Number of Years) | Weighted Average Exercise Prices |
| $0.12 (1) | 100,000 | 0.12 | $0.12 | 100,000 | 0.12 | $0.12 |
| $0.105 (2) | 1,300,000 | 0.34 | $0.105 | 1,300,000 | 0.34 | $0.105 |
| $0.12 | 800,000 | 2.51 | $0.12 | 800,000 | 2.51 | $0.12 |
| $0.40 | 1,630,000 | 3.60 | $0.40 | 978,000 | 3.60 | $0.40 |
| $0.30 | 1,015,000 | 4.28 | $0.30 | 406,000 | 4.28 | $0.30 |
| | 4,845,000 | 2.61 | $0.25 | 3,584,000 | 2.15 | $0.21 |

(1) In February 2020, the Company re-priced 200,000 stock options from an exercise price of $0.25 to $0.12.

(2) In February 2020, the Company re-priced 1,950,000 stock options from an exercise price of $0.35 to $0.105. The re-pricing of the 1,950,000 stock options which are held by insiders was approved by disinterested shareholders of the Company at its annual general meeting of shareholders in June 2020, in accordance with the policies of the TSX-V.

On April 12, 2021, the Company granted stock options for 1,015,000 common shares to directors, officers and employees with an exercise price of $0.30 and expiry date of April 12, 2026. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

(Stated in Canadian dollars)

**8. Share Capital** (continued)

(c) Stock option plan: (continued)

On March 28, 2022, the Company granted stock options for 1,875,000 common shares to directors, officers and employees with an exercise price of $0.30 and expiry date of March 28, 2027. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 3 months thereafter. On October 1, 2022, the Company granted stock options for 100,000 common shares to a consultant with an exercise price of $0.30 and expiry date of October 1, 2025. The stock options fully vest on February 1, 2023.

During the year ended December 31, 2022, the Company recognized share-based payments of $424,923 (2021 - $321,969), net of forfeitures, based on the fair value of options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Directors and officers | $ 358,987 | $ 295,407 |
| Consultants | 64,303 | 20,624 |
| Employees | 1,633 | 5,938 |
| | $ 424,923 | $ 321,969 |

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Number of stock options granted | 1,975,000 | 1,015,000 |
| Fair value of stock options granted | $0.21 | $0.22 |
| Market price of shares on grant date | $0.29 | $0.29 |
| Pre-vest forfeiture rate | 5.60% | 2.81% |
| Risk-free interest rate | 2.54% | 0.69% |
| Expected dividend yield | 0% | 0% |
| Expected stock price volatility | 116.37% | 118.31% |
| Expected option life in years | 3.28 | 3.85 |

Expected stock price volatility is based on the historical price volatility of the Company. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination with the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

On February 27, 2023, the Company granted stock options for 3,025,000 common shares to directors, officers an employee and a consultant with an exercise price of $0.255 and expiry date of February 27, 2028. The stock options are subject to vesting provisions in which 25% vest on May 27, 2023 and 25% vest every 3 months thereafter.

(Stated in Canadian dollars)

**8. Share Capital** (continued)

(d) Warrants:

At December 31, 2022, the Company had outstanding warrants as follows:

| Exercise Prices | Expiry Dates | Outstanding at December 31, 2021 | Issued | Exercised | Expired | Outstanding at December 31, 2022 |
|---|---|---|---|---|---|---|
| $0.10 | April 3, 2022 | 2,480,000 | - | (2,480,000) | - | - |
| $0.40 | July 9, 2022 | 3,538,082 | - | - | (3,538,082) | - |
| $0.40 | July 9, 2022 (1) | 212,040 | - | - | (212,040) | - |
| $0.40 | July 22, 2022 | 1,591,342 | - | - | (1,591,342) | - |
| $0.40 | July 22, 2022 (2) | 89,837 | - | - | (89,837) | - |
| $0.40 | October 29, 2023 (3) | 3,332,453 | - | - | - | 3,332,453 |
| $0.40 | October 29, 2023 (4) | 980 | - | - | - | 980 |
| $0.40 | November 17, 2023 (5) | 1,917,939 | - | - | - | 1,917,939 |
| $0.40 | June 6, 2024 (6) | | 11,388,089 | - | - | 11,388,089 |
| | | 13,162,673 | 11,388,089 | (2,480,000) | (5,431,301) | 16,639,461 |

(1) These finders fee warrants have a fair value of $50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.

(2) These finders fee warrants have a fair value of $22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

(3) On October 29, 2021, the Company issued 3,332,453 warrants with an exercise price of $0.40 and an expiry date of October 29, 2023, and have a total fair value of $99,973 as determined by the excess private placement price over the market price of the common share on closing date (Note 8(b)(iii)).

(4) These finders fee warrants have a fair value of $147 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 126%, risk-free rate 1.08%, expected life 2 years, and expected dividend yield 0%.

(5) On November 17, 2021, the Company issued 1,917,939 warrants with an exercise price of $0.40 and an expiry date of November 17, 2023, and have a total fair value of $38,358 as determined by the excess private placement price over the market price of the common share on closing date (Note 8(b)(iii)).

(6) On June 6, 2022, the Company issued 11,388,089 warrants with an exercise price of $0.40 and an expiry date of June 6, 2024, and have a total fair value of $56,940 as determined by the excess private placement price over the market price of the common share on closing date (Note 8(b)(ii)).

(Stated in Canadian dollars)

**8. Share Capital** (continued)

(d) Warrants: (continued)

At December 31, 2021, the Company had outstanding warrants as follows:

| Exercise Prices | Expiry Dates | Outstanding at December 31, 2020 | Issued | Exercised | Expired | Outstanding at December 31, 2021 |
|---|---|---|---|---|---|---|
| $0.20 | July 2, 2021 [1] | 3,000,000 | - | (2,780,000) | (220,000) | - |
| $0.20 | June 3, 2021 | 300,000 | - | (300,000) | - | - |
| $0.10 | April 3, 2022 | 2,600,000 | - | (120,000) | - | 2,480,000 |
| $0.40 | July 9, 2022 | 3,538,082 | - | - | - | 3,538,082 |
| $0.40 | July 9, 2022 [2] | 212,040 | - | - | - | 212,040 |
| $0.40 | July 22, 2022 | 1,591,342 | - | - | - | 1,591,342 |
| $0.40 | July 22, 2022 [3] | 89,837 | - | - | - | 89,837 |
| $0.40 | October 29, 2023 [4] | | 3,332,453 | - | - | 3,332,453 |
| $0.40 | October 29, 2023 [5] | | 980 | - | - | 980 |
| $0.40 | November 17, 2023 [6] | | 1,917,939 | - | - | 1,917,939 |
| | | 11,331,301 | 5,251,372 | (3,200,000) | (220,000) | 13,162,673 |

(1) On July 2, 2019, the Company issued 3,900,000 warrants with an exercise price of $0.20 and an expiry date of July 2, 2021, and have a total fair value of $117,000 as determined by the excess private placement price over the market price of the common share on closing date.

(2) These finders fee warrants have a fair value of $50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.

(3) These finders fee warrants have a fair value of $22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

(4) On October 29, 2021, the Company issued 3,332,453 warrants with an exercise price of $0.40 and an expiry date of October 29, 2023, and have a total fair value of $99,973 as determined by the excess private placement price over the market price of the common share on closing date (Note 9(b)(iii)).

(5) These finders fee warrants have a fair value of $147 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 126%, risk-free rate 1.08%, expected life 2 years, and expected dividend yield 0%.

(6) On November 17, 2021, the Company issued 1,917,939 warrants with an exercise price of $0.40 and an expiry date of November 17, 2023, and have a total fair value of $38,358 as determined by the excess private placement price over the market price of the common share on closing date (Note 9(b)(iii)).

In 2022, the weighted average share price for the warrant exercise is $0.29 (2021 – $0.31).

(Stated in Canadian dollars)

## 9. Office and Sundry

| | Years ended December 31, 2022 | Years ended December 31, 2021 |
|---|---|---|
| Office and Sundry: | | |
| Insurance | $ 14,950 | $ 14,841 |
| Office and sundry | 6,735 | 13,832 |
| Rent | 18,954 | 20,093 |
| Software and systems | 27,438 | 44,893 |
| Telecommunications | 8,767 | 8,042 |
| | $ 76,844 | $ 101,701 |

## 10. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

| | Years ended December 31, 2022 | Years ended December 31, 2021 | Net balance receivable (payable) as at December 31, 2022 | Net balance receivable (payable) as at December 31, 2021 | January 31, 2021 |
|---|---|---|---|---|---|
| Key management compensation: | | | | | |
| Executive salaries and remuneration [1] | $ 538,564 | $ 459,373 | $ - | $ - | $ - |
| Directors fees | 19,311 | 22,250 | - | - | - |
| Share-based payments | 358,987 | 295,407 | - | - | - |
| Executive salaries and remuneration [1] | $ 916,862 | $ 777,030 | $ - | $ - | $ - |
| Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) [2] | $ (15,992) | $ (14,671) | $ - | $ (2,538) | $ (3,272) |

(1) Includes key management compensation which is included in mineral property interests, employee remuneration and property investigation.

(2) The companies are Canagold Resources Ltd. and Endeavour Silver Corp. which share certain common director with the Company until August 2022.

Note 6(a) provides further details of the acquisition of the Cervantes property from AzMet.

The above related party transactions are incurred in the normal course of business. Any amounts payable to related parties are due in less than 90 days.

(Stated in Canadian dollars)

## 11. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada, Mexico and U.S.A, as follows:

| | December 31, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | Mexico | USA | Total | Canada | Mexico | USA | Total |
| Mineral property interests | $ - | $ 6,726,804 | $ 2,303,554 | $ 9,030,358 | $ - | $ 3,703,291 | $ 2,202,215 | $ 5,905,506 |
| Prepaids, non current | - | 37,128 | 3,386 | 40,514 | - | 126,524 | - | 126,524 |
| Equipment | 2,280 | - | - | 2,280 | 3,176 | - | - | 3,176 |

## 12. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

| | 2022 | 2021 |
|---|---|---|
| Loss for the year | $ (1,697,706) | $ (1,448,843) |
| Canadian statutory tax rate | 27.0% | 27.0% |
| Income tax benefit computed at statutory rates | (458,381) | (391,188) |
| Origination and reversal of temporary differences | (12,150) | 282,468 |
| Permanent differences | 152,564 | 89,240 |
| Under (overprovided) in prior years | (291,179) | 18,028 |
| Effect of changes in tax rates | 6,941 | (1,398) |
| Unused tax losses and tax offsets not recognized in tax asset | 602,205 | 2,850 |
| | $ - | $ - |

(Stated in Canadian dollars)

**12. Deferred Income Taxes** (continued)

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income for the recognition of deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | December 31, 2022 | 2021 |
|---|---|---|
| Non-capital losses | $ 7,434,385 | $ 4,860,603 |
| Equipment | 12,700 | - |
| Resource properties | - | (1,114,504) |
| Share issue costs | 69,222 | 133,844 |
| Investments | 50,000 | - |
| Unrecognized deferred tax assets | $ 7,566,307 | $ 3,879,943 |

The Company's unrecognized unused non-capital losses have the following expiry dates:

| Year | Canada | Mexico | USA | **Total** |
|---|---|---|---|---|
| 2036 | $ 183,048 | $ - | $ - | $ 183,048 |
| 2037 | 917,735 | 16,584 | - | 934,319 |
| 2038 | 840,296 | 25,699 | 156,734 | 1,022,729 |
| 2039 | 584,584 | 112,524 | 72,500 | 769,608 |
| 2040 | 1,301,251 | 15,509 | 565,257 | 1,882,017 |
| 2041 | 1,240,458 | 173,475 | - | 1,413,933 |
| 2042 | 1,228,107 | 624 | - | 1,228,731 |
| | $ 6,295,479 | $ 344,415 | $ 794,491 | $ 7,434,385 |

**13. COVID-19**

In 2020, the coronavirus global pandemic ("COVID-19") affected the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy remains uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, vaccination rates, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements. As at December 31, 2022, COVID-19 has not had a significant negative impact on the Company's operations or ability to raise capital.

| | |
|---|---|
| **HEAD OFFICE** | #1610 – 777 Dunsmuir St.<br>Vancouver, BC, Canada, V7Y 1K4<br><br>Telephone: (604) 685-9770 |
| **DIRECTORS** | Simon Dyakowski (Chief Executive Officer and President)<br>J. Patricio Varas<br>Mark Rebagliati<br>James Schilling<br>Stewart Lockwood (Corporate Secretary) |
| **OFFICERS** | Allen David Heyl ~ Vice President (Exploration)<br>Philip Yee ~ Chief Financial Officer |
| **REGISTRAR AND TRANSFER AGENT** | Computershare Investor Services Inc.<br>3rd Floor, 510 Burrard Street<br>Vancouver, BC, Canada, V6C 3B9 |
| **AUDITORS** | Smythe LLP<br>#1700 – 475 Howe Street<br>Vancouver, BC, Canada, V6C 2B3 |
| **SOLICITORS** | Maxis Law Corporation<br>#910 – 800 West Pender Street<br>Vancouver, BC, Canada, V6C 2V6 |

**AZTEC MINERALS CORP.**

**Fourth Quarter Report**

**Management Discussion and Analysis**

**(expressed in Canadian dollars)**

**Years ended December 31, 2022 and 2021**

**AZTEC MINERALS CORP.**
(the "**Company**")

**Fourth Quarter Report**

**Management's Discussion and Analysis**
**For the Years ended December 31, 2022 and 2021**
(expressed in Canadian dollars)

## CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are "forward-looking statements". We caution you that such "forward looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company's filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

## 1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of Aztec Minerals Corp. (the "Company") should be read in conjunction with the accompanying audited consolidated statement of financial position as at December 31, 2022 and 2021 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2022 and 2021, and a summary of significant accounting policies and other explanatory information, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), all of which are available at the SEDAR website at www.sedar.com.

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of April 27, 2023 unless otherwise indicated.

David Heyl, BSc, PGeo, Vice President (Exploration), is the Qualified Person who reviewed and approved any technical information in this MD&A for 2023 and 2022.

## 1.1 Background

The Company was incorporated on July 6, 2007 under the laws of British Columbia, Canada, pursuant to the *Business Corporations Act* (British Columbia) and had been dormant until 2016. The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties.

The Company acquires properties by staking initial claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, entering into property option agreements to acquire interests in claims, or purchasing companies with claims or permits. On these properties, the Company explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes surface sampling, airborne and/or ground geophysical surveys and drilling. The Company is not limited to any particular metal or region, but the corporate focus is on precious and base metals in North America.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests; the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its property interests; confirmation of the Company's interest in certain properties; and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company's mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company's financial position and results of operations.

## 1.2 Overall Performance

### *Cervantes Property*

The Cervantes is a highly prospective porphyry gold-copper property located in southeastern Sonora state, Mexico. The project lies 160 km east of Hermosillo, Sonora, Mexico within the prolific Laramide porphyry copper belt approximately 265 km southeast of the Cananea porphyry copper-molybdenum mine (Grupo Mexico). Cervantes also lies along an east-west trending gold belt 60 km west of the Mulatos epithermal gold mine (Alamos Gold), 35 km northeast of the Osisko Development San Antonio gold mine, 45 km west of the La India mine (Agnico Eagle), and 40 km northwest of Santana gold deposit (Minera Alamos).

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property ("Option Assignment Agreement") for the Cervantes property with Aztec Metals Corp., which share common directors with the Company, ("AzMet") and Kootenay Silver Inc. ("Kootenay"), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the "Cervantes Option Agreement"). In July 2019, the Company earned its 65% interest in the Cervantes property whereby the Company issued 500,000 common shares to Kootenay; paid US$50,000 in cash; and incurred exploration expenditures totalling US$1.2 million. The Company entered into a joint venture agreement with Kootenay in December 2020. The property is composed of 4 concessions of 3,649 hectares.

In late August 2022, the Company closed the purchase transaction whereby the Company acquired Kootenay's 35% interest in the joint venture, resulting in the Company owning a 100% interest in the Cervantes project. As consideration for the 35% interest in joint venture entity, the Company issued to Kootenay 10,000,000 common shares in the capital of the Company at a fair value of $0.24 per share, and Kootenay has retained a 0.5% net smelter return royalty.

In December 2021, the Company mobilized a reverse circulation drilling program which was completed in March 2022 for 26 holes totaling 5,249 metres. The primary objectives of the drilling program were to better define the open pit, heap leach gold potential of the porphyry oxide cap at California, evaluate the potential for deeper copper-gold porphyry sulfide mineralization underlying the oxide cap, test for north and west extensions of the California mineralization at California North and Jasper, and assess the breccia potential of Purisima East. The holes drilled at California have intersected near surface, oxidized gold mineralization with minor copper oxides. The drilling program expanded the primary California porphyry zone to an area measuring approximately 900 meters long by 250 to 500 meters wide, with demonstrated, continuous anomalous mineralization up to 265 meters depth vertically and expanded the identified California Zone mineralization to 900 meters long by 750 meters wide.

Multi-element analysis for the RC drill program was performed in the second quarter of 2022. The multi-element ICP results show good relationships between Au, Cu, Bi, Ag and As, which will assist in vectoring exploration targets for potentially economic grades and widths for Cu and Ag in a porphyry deposit model. The multi-element ICP values support the exploration model of the California zone being at the highest portion of a porphyry system, where an overlying high sulfidation zone has been eroded away.

(expressed in Canadian dollars)

In the second quarter of 2022, the Company completed drill hole collar surveying, field work for Drone Photogrammetry survey to create a detailed ortho-topographic base map, and Terraspec readings on the RC drill chips.

In July 2022, the Company mobilized a core drilling program which was completed in October 2022 for 11 holes totaling 2,516 metres. The primary focus of the Phase 3 Core drilling program at Cervantes was to expand the previously drilled California target, California North and Jasper targets, to enhance geologic understanding of the targets, and to collect samples for metallurgical testing. The oriented core drilling program tested step-outs of 35 to 450 meters using varying azimuths and inclinations.

Highlights from the 2022 RC and core drilling programs are as follows:

- 94m @ 1.04 gpT Au incl 15.2m @ 3.96 gpT Au, 55m @ 0.36% copper in CAL22-001
- 165m @ 1.00 gpT Au incl 24.4m @ 4.25 gpT Au, 160m @ 0.065% copper in CAL22-004
- 137m @ 1.49 gpT Au incl 51.7m @ 3.42 gpT Au, 119m @ 0.091% copper in CAL22-005
- 100m @ 0.75 gpT Au incl 9.14m @ 3.087 gpT Au, 138m @ 0.10% copper in CAL22-006
- 152m @ 0.87 gpT Au, incl 33.5m @ 2.05 gpT Au, 123m @ 0.095% copper in CAL22-012
- 120m @ 0.677 gpT Au, incl 27 m @ 1.456 gpT Au in CAL22-027
- 135 m @ 0.56 gpT Au, incl 12.0 m @ 2.297 gpT Au in CAL22-031

Cervantes 2021-2022 drilling select multi-element results with gold are as follows:

| **AZTEC MINERALS CORP<br>CERVANTES PROJECT RC DRILLING** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Drill Hole Select Multi-Element Results with Gold | | | | | | | |
| **Hole No.** | **From m** | **To m** | **Interval m*** | **Gold (gpT)** | **Copper (%)** | **Silver(gpT)** | **Molybdenum PPM** |
| **CAL22-001** | 16.72 | 110.96 | 94.24 | 1.038 | 54.72m/0.361 | 72.96m/4.112 | |
| **CAL22-002** | 4.6 | 103.36 | 98.76 | 0.374 | 16.72m/0.153 | 41.04m/1.226 | |
| **CAL22-003** | 45.6 | 91.2 | 45.6 | 0.422 | 63.84m/0.107 | 53.2m/2.946 | |
| **CAL22-004** | 0 | 165.68 | 165.68 | 1.002 | 159.6m/0.065 | 167.2m/1.908 | |
| **CAL22-005** | 0 | 136.8 | 136.8 | 1.486 | 118.56m/.091 | 118.56m/2.661 | |
| **CAL22-006** | 16.72 | 117.04 | 100.32 | 0.749 | 138m/0.103 | 165.68m/3.243 | |
| **CAL22-007** | 83.6 | 147.44 | 63.84 | 0.465 | 107.92m/0.079 | 89.68m/1.429 | |
| **CAL22-008** | 0 | 54.72 | 54.72 | 0.884 | 33.4m/0.122 | 30.4m/2.36 | |

(expressed in Canadian dollars)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | 59.28m/0.096 | | 59.28m/59.65 |
| **CAL22-009** | 0 | 86.64 | 86.64 | 0.5 | 74.48m/0.138 | 76m/2.386 | |
| **CAL22-010** | 0 | 138.32 | 138.32 | 0.53 | 95.76m/0.224 | 127.7m/3.567 | |
| **CAL22-011** | 25.84 | 158.08 | 132.24 | 0.427 | 21.52m/0.053 | 66.88m/2.279 | |
| | | | | | 65.36m/0.053 | 65.36m/1.502 | |
| **CAL22-012** | 41.04 | 193.04 | 152 | 0.872 | 123.12m/0.095 | 165.68m/3.463 | |
| **CAL22-013** | 139.84 | 147.44 | 7.6 | 0.209 | 54.72m/0.055 | 74.48m/1.489 | |
| **CAL22-014** | 0 | 54.72 | 54.72 | 0.484 | 31.92m/.0615 | 27.36m/1.361 | |
| **CAL22-015** | 4.56 | 72.96 | 68.4 | 0.421 | 30.4m/.0622 | 21.28m/2.779 | |
| **CAL22-016** | 0 | 56.24 | 56.24 | 0.475 | 25.84m/.0981 | 12.16m/2.325 | |
| **CAL22-017** | 28.88 | 53.2 | 24.32 | 0.315 | 31.92m/0.045 | 12.16m/1.475 | 19.8m/209.8 |
| | | | | | 50.2m/0.069 | 10.64m/2.771 | 74.48m/144.57 |
| **CAL22-018** | 24.32 | 48.64 | 24.32 | 0.216 | 53.2m/0.078 | 86.65m/2.174 | |
| | 191.52 | 202.16 | 10.64 | 0.273 | 68.4m/0.062 | 28.88m/1.116 | 39.52m/122.46 |
| **CAL22-019** | 153.52 | 167.2 | 13.68 | 0.269 | 16.72./0.0803 | 59.28m/1.549 | 7.6m/126.6 |
| **CAL22-020** | 15.2 | 18.24 | 3.04 | 0.321 | | 4.56m/1.833 | |
| **CAL22-021** | 100.32 | 104.88 | 4.56 | 0.409 | 3.04m/.0707 | 3.04m/2.2 | |
| **CAL22-022** | 97.5 | 106.5 | 9.0 | 1.72 | 36m/0.069 | 36m/1.313 | 79.5m/38.15 |
| | 150 | 166.5 | 16.5 | 0.341 | 28.5m/0.21 | 28.5m/3.705 | |
| **CAL22-023** | 12.0 | 40.5 | 28.5 | 0.537 | 4.5m/0.0857 | 33m/1.118 | |
| | 81.7 | 89.2 | 7.5 | 0.429 | 7.5m/0.0743 | 7.5m/1.64 | |
| **CAL22-024** | 0.0 | 48.0 | 48.0 | 0.444 | 49.5m/0.0521 | 51m/1.644 | |
| | 75.0 | 81.0 | 6.0 | 0.247 | | 4.5m/1.06 | |
| **CAL22-025** | 0.0 | 9.0 | 9.0 | 0.203 | 90m/0.0658 | 48m/1.083 | |

(expressed in Canadian dollars)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 51.0 | 63.0 | 12.0 | 0.26 | | | |
| | 130.5 | 139.5 | 9.0 | 0.646 | | | |
| | | | | | | | 160.5m/113 |
| **CAL22-026** | 0.0 | 213.0 | | | | | 210m/40 |
| **CAL22-027** | 0.0 | 120.0 | 120.0 | 0.677 | 99m/0.1812 | 154.5m/3.499 | |
| **CAL22-028** | 49.5 | 54.0 | 4.5 | 0.545 | | 1.5m/1.3 | |
| | 226.5 | 235.5 | 9.0 | 0.442 | | 1.5m/1.7 | 106.5 m/18 |
| **CAL22-029** | 48.0 | 54.0 | 6.0 | 0.277 | 1.5m/0.0623 | 10.5m/1.343 | |
| | 130.5 | 187.5 | 57.0 | 0.773 | 54m/0.0681 | 39m/1.373 | |
| **CAL22-030** | 75.0 | 82.5 | 7.5 | 0.315 | 18m/0.0817 | 18m/1.425 | |
| | 115.5 | 121.5 | 6.0 | 0.544 | | 16.5m/1.955 | |
| **CAL22-031** | 0.0 | 135.0 | 135.0 | 0.564 | | | |
| | 0.0 | 28.5 | 28.5 | 0.873 | 37.5m/0.0556 | 37.5m/2.615 | |
| | 49.5 | 135.0 | 85.5 | 0.581 | 85.5m/0.0373 | 85.5m/1.946 | |
| **JAS22-001** | 10.64 | 19.76 | 9.12 | 0.332 | 69.9m/0.215 | 65.4m/2.723 | 19.76m/144.92 |
| | | | | | 200.6m/0.117 | | |
| **JAS22-002** | | | | | 19.5m/0.041 | | 87m/46.1 |
| | | | | | 7.5m/0.173 | | 80m/32.2 |
| **PUR21-001** | 16.72 | 19.76 | 3.04 | 0.323 | 51.68m/0.069 | 83.6m/1.942 | |
| **PUR21-002** | 22.8 | 31.92 | 9.12 | 0.334 | 31.9m/0.168 | 3.04m/1.8 | |
| | | | | | 13.68m/0.076 | | |
| **PUR21-003** | | | | | 18.2m/0.0518 | 3.04m/1.5 | |
| **PUR22-004** | | | | | | | 25.8m/325.35 |

1. **All intercept interval widths are not true widths and intercept true widths are not yet estimated.*
2. *Au grades are in grams per ton, "gpT"*

Drill samples are collected every 1.52 m from RC chips and every 1.5m from sawing the core drill holes. The samples are analyzed by Bureau Veritas for gold with a 30-gram sample size using the method FA430 followed by MA300. Over limits, when present, are analyzed by AR404 or FA550. All holes contain certified blanks, standards, and duplicates as part of the quality control program. The QA/QC has delivered excellent results to date good data integrity. The samples were shipped to and received by Bureau Veritas Minerals laboratory for the gold and multielement geochemical analysis and additional gold results will be received and reported in the next several weeks. The QAQC for the drilling programs has been evaluated and found to have good results.

In February 2023 the Company mobilized two field crews to conduct a surface exploration program comprised of road cut, reconnaissance outcrop and soil sampling, Terraspec SWIR data collection and geological mapping. It plans to collect and analyze for multi-elements and SWIR over 1,300 geochemical samples including 950 road cut, 120 soils and 250 outcrop chips to expand and enhance geochemical and geological knowledge throughout the Cervantes project. Mapping is focused on the exposed road cuts with detailed lithological, structural and alteration mapping of the California target, while reconnaissance surface work is to be conducted on the California North, Estrella, Jasper, Purisima, Jacobo, La Verde, Brazil, El Indio targets. To gain efficiency, the surface exploration program is being conducted during the regional dry season. The field teams are examining outcrop exposures generated from recently constructed drill roads with detailed geological mapping for the lithologies, alterations (Terraspec), mineralization, structures and geotechnical aspects. The road cuts are being continuously chip channel sampled and then surveyed to consolidate surface data with the geochemistry of the drill hole dataset, as well as to assist in 3D modeling. A structural geology study will be conducted, especially to help establish the displacements of the mineralization since its emplacement. Project data evaluation also continues to advance including using the understandings gained on the multi-element relationships with Au and applying them to the soil sampling data, reviewing the subsequent results to the geophysical data and the SWIR-Terraspec data, 3D modeling of the data, metallurgical, and multiple other investigations. The primary objectives of the 2023 exploration program are to continue to define the open pit, heap leach gold potential of the porphyry oxide cap at California, test the down dip extensions of the phyllic alteration in the Qfp intrusive for deeper copper-gold porphyry sulfide mineralization underlying the oxide cap, and test for extensions of the at California Norte.

Further details of the exploration programs for the Cervantes project are provided in the Company's news releases:

- News Release dated February 16, 2022 and titled, "*Aztec – Kootenay JV Intersects Broad, High-Grade Gold Mineralized Zone in First Hole of Phase 2 RC Drill Program at the Cervantes Project in Sonora, Mexico; Including 1.1 gpt Au over 88.4 metres*".
- News Release dated February 23, 2022 and titled, "*Aztec – Kootenay JV Continues to Intersect Broad, High-Grade Gold Mineralization in Phase 2 RC Drill Program at the Cervantes Project in Sonora, Mexico; Including 1.0 gpt Au over 167.2 metres*".
- News Release dated March 2, 2022 and titled, "*Aztec – Kootenay JV Reports Best Hole Yet from California Zone at Cervantes Project in Sonora, Mexico; Intersects 1.49 gpt Au over 136.8 m Including 3.42 gpt Au over 51.7 m*".
- News Release dated March 22, 2022 and titled, "*Aztec – Kootenay JV Reports Continued Strong Drill Results from California Zone at Cervantes Project in Sonora, Mexico; Intersects 0.53 gpt Au over 138.3 m and 0.88 gpt Au over 54.7 m*".
- News Release dated April 13, 2022 and titled, "*Aztec – Kootenay JV Reports Additional Strong Drill Results from California Zone at Cervantes Project in Sonora, Mexico; Intersects 0.87 gpT Au over 152.4 m Including 2.05 gpT Au over 33.5m*".
- News Release dated May 5, 2022 and titled, "*Aztec – Kootenay JV Reports Drill Intercept of 0.32 gpT Au over 24.3 metres and 6.1 metres of 1.649 gpT Au at California North Prospect, 350 m North of California Zone, Cervantes Project, Sonora, Mexico*".
- News Release dated June 14, 2022 and titled, "*Aztec – Kootenay JV Reports Final Gold and Multi-Element Results from 2021-2022 RC Drill Program on Cervantes Property, Sonora*".
- News Release dated July 27, 2022 and titled, "*Aztec Commences 10-hole, 3000 meter Core Drill Program at its Cervantes Gold-Copper Project, Sonora, Mexico*".
- News Release dated September 6, 2022 and titled, "*Aztec Completes First 7 Holes of Phase 3 Core Drilling Program at its 100%-owned Cervantes Project in Sonora, Mexico and Appoints new Director*".
- News Release dated October 25, 2022 and titled, "*Aztec Completes 11-Hole, Phase 3, Core Drilling Program at the Cervantes Project in Sonora, Mexico*".
- News Release dated November 15, 2022 and titled, "*Aztec Continues to Intersect Gold Mineralization at Cervantes Project in Sonora, Mexico; Including 0.68 gpT Au over 120.0 m*".

- News Release dated November 30, 2022 and titled, "*Aztec Reports Continued Strong Drill Results from California Zone at Cervantes Project in Sonora, Mexico*".
- News Release dated December 12, 2022 and titled, "*Aztec Minerals Reports Final Gold and Multi-Element Results from 2021-2022 Drilling at the Cervantes Project in Sonora, Mexico*".
- News Release dated January 10, 2023 and titled, "*Aztec Summarizes 2022 Drill Results from Cervantes Project, Sonora, Mexico; Multiple, Shallow and Broad, Oxidized Gold-Copper Intercepts Expand Mineralized Zones Around and Below the California Target, Still Open in All Directions*".
- News Release dated January 16, 2023 and titled, "*Aztec Plans Two Phase, CAD$1.2 Million Exploration Program at Cervantes Gold-Copper Project, Sonora, Mexico*".
- News Release dated March 7, 2023 and titled, "*Aztec Commences 2023 Exploration Program at Cervantes Gold-Copper Project, Sonora, Mexico*".

***Tombstone Property***

The Tombstone property includes the historic Contention Mine and surrounding patented claims totaling 435.7 acres (176.32 hectares) with an additional 840 acres (339.94 hectares) of 42 unpatented claims. The Tombstone Mining District, located 65 miles southeast of Tucson, Arizona, and accessed by State Highway 80, is well known for its high grade, oxidized, deposits of silver-gold-lead mineralization hosted in veins, mantos, pipes and disseminated orebodies.

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the "Tombstone Option Agreement") with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, "Baroyeca"). The Company can earn a 75% interest by making cash payments of $100,000, incurring exploration expenditures of $1 million and issuing 1 million common shares over a three year period starting from March 23, 2018. In February 2021, the Company earned its 75% interest and entered into a joint venture for the Tombstone property.

In March 2021, the Company acquired two patented claims amounting to 15.17 hectares (37.5 acres), increasing the overall Tombstone joint venture land package to 516.26 hectares (1,275.69 acres). In April 2021, the Company mobilized a reverse circulation drill program at Tombstone which was completed in July 2021 for 23 holes for 2,716 metres. The RC program was designed to step out and downwards from drill patterns drilled in 2020 to expand the shallow, broad, bulk tonnage gold-silver mineralization discovered around and below the Contention pit.

Drill highlights are as follows:

- Hole TR21-13 - 1.8 grams per tonne (gpT) gold and 36.9 gpT silver (2.33 gpT gold equivalent (AuEq*) over 70.1 meters (m), including 6.08 m grading 2.93 gpT gold and 157 gpT silver (5.17 gpT gold equivalent AuEq*) and 1.52 m with visible gold in quartz veining grading 55.71 gpT gold and 176.1 gpT silver (58.22 gpT gold equivalent AuEq*). Hole bottomed in mineralization grading 0.37 gpT AuEq* when ground caving forced early termination of the hole.

  Interval has argillic and siliceous alteration, fine-grained sandstones, siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, weak manganese oxides, orange-red color, and 1-3% oxidized pyrite. The drill hole interval exposed one mine working, adjacent to strong oxidation. Visible gold and cerargyrite (AgCl) was found at 132.6 – 135.7 m in a quartz vein.

- Hole TR21-10 - 1.39 gpT gold and 56.4 gpT silver (2.20 gpT gold equivalent AuEq*) over 96.04 meters (m), including 39.94 m grading 2.47 gpT Au and 28.9 gpT Ag (2.97 gpT AuEq*), 19.82 m grading 0.96 gpT Au and 24.98 gpT Ag (1.31 gpT AuEq*), and 10.67 m grading 0.837 gpT Au and 60.96 gpT Ag (1.71 gpT AuEq*).

  Interval has siliceous alteration, fine-grained sandstones, siltstones and limestones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, manganese oxides, orange to red color, and 1 to 4 % oxidized pyrite sites. The drill hole interval exposed two mine workings, adjacent to breccias and dikes.

- Hole TR21-11 - 1.2 gpT gold and 71.6 gpT silver (2.22 gpT AuEq*) over 24.3 m, and 0.17 gpT Au and 6 gpT Ag (0.26 gpt AuEq*) over 16.7 m.

  Interval has argillic and siliceous alteration, fine-grained sandstones, siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with strong quartz veining. Moderate to strong iron oxides, manganese oxides, orange to red to black color, and 1 to 4 % oxidized pyrite sites. The interval exposed one mine workings below the strong mineralization, a possible development tunnel.

- Hole TR21-15 – 0.22 gpT gold and 18.3 gpT silver (0.487 gpT gold equivalent (AuEq*) over 42.7 meters (m).

  Interval has siliceous alteration, fine-grained siltstones and limestones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Weak to strong iron oxides, manganese oxides, orange to red to black color, and trace to 2% oxidized pyrite. The drill hole interval exposed one mine stope of 6.1 m in a mineralized dike.

- Hole TR21-16 – 0.807 gpT gold and 15.9 gpT silver (1.035 gpT AuEq*) over 64.0 m, including 3.61 gpT gold and 51.6 gpT silver (4.34 gpT AuEq*) over 13.7 m.

  Interval has argillic and siliceous alteration, fine-grained sandstones, and siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, weak manganese oxides, orange to red color, and 1 to 3 % oxidized pyrite sites. The higher-grade interval of 13.7 m is of hydrothermal breccias with visible gold, strong silicification and quartz veinlets.

- Hole TR21-17 – 1.73 gpT gold and 56.2 gpT silver (2.53 gpT AuEq*) over 64 m, including 6.455 gpT gold and 274 gpT silver (10.37 gpT AuEq*) over 3.04 m, and 4.08 gpT gold and 59.4 gpT silver (4.93 gpT AuEq*) over 10.7 m.

  Interval has argillic and siliceous alteration, fine-grained sandstones, siltstones and limestones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Weak to strong iron oxides, manganese oxides, orange to red to black color, and trace to 3 % oxidized pyrite sites. The interval found visible gold from 32.0 to 33.5 m in hydrothermal breccias with strong silicification and quartz veinlets at the contact with overlying limestones and underlying quartz-feldspar porphyry dike. At 82.3 to 85.4 m chrysocolla (copper oxide) was found with abundant quartz veinlets adjacent to a hydrothermal breccia. This zone had the above noted 10.37 gpT AuEq* results.

- Hole TR21-18 – 0.76 gpT gold and 20.61 gpT silver (1.049 gpT AuEq*) over 64 m, including 2.46 gpT gold and 37.0 gpT silver (2.99 gpT AuEq*) over 9.1 m.

  Interval has siliceous alteration, fine-grained sandstones, siltstones and limestones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, manganese oxides, orange to red color, and 1 to 3 % oxidized pyrite sites. The interval found visible gold from 37.2 to 41.1 m in hydrothermal breccias with strong silicification, manganese oxides, and quartz veinlets within siltstones. Lower in the interval from 80.8 to 83.8 m a tunnel was found in 15.2 m of strongly silicified and quartz veined hydrothermal breccias, also hosted siltstone.

- Hole TR21-22 – 2.441 gpT gold and 66.56 gpT silver (3.392 gpT AuEq*) over 65.5 m, including 16.80 gpT gold and 374.36 gpT silver (22.148 gpT AuEq*) over 7.6 m. This hole ended in mineralization grading 1.045 gpT AuEq* where it was terminated due to caving. TR21-22 is a 55 m step out east of drill holes TR21-17 and TR21-18 on section K. It is a twin of USMX hole TR-067 and shows the mineralization in the pit is open to the east and at depth.

  The interval has strongly siliceous alteration, fine-grained sandstones and siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, weak manganese oxides, orange to red color, and traces to 3 % oxidized pyrite sites. At the bottom of the drill hole was found the high-grade interval of 7.6 m reported above in hydrothermal breccia.

- Hole TR21–03 - 5.713 gpT gold and 40.5 gpT silver (6.282 gpT gold equivalent (AuEq*) over 32.01 meters (m), including 15.24 m grading 11.891 gpT gold and 62.9 gpT silver (12.79 gpT gold equivalent AuEq*).

  Interval of argillic and siliceous alteration, fine-grained sandstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, orange to red color, and 2 to 3 % oxidized pyrite sites.

- Hole TR21-20 – 0.247 gpT gold and 15.2 gpT silver (0.464 gpT AuEq*) over 47.3 m including 7.6 m of open mine workings. The drill hole was terminated in mineralization due to caving with the last sample assaying 1.283 gpT AuEq*. This hole is a vertical step out 30 m to the west of section M and shows the mineralization is open to the west and at depth.

  Interval has argillic and siliceous alteration, fine-grained sandstones and siltstones cut by quartz-feldspar porphyry dikes and faults/fissures, with quartz veining. Moderate to strong iron oxides, weak manganese oxides, orange to red to brown color, and 2 to 3 % oxidized pyrite sites. The 7.6 m high stope encountered is astride the contact between an overlying dike and the siltstones underneath.

- Hole TR21-06 - 0.22 gpT gold and 17.3 gpT silver (0.47 gpT AuEq*) over 74.69 m, including 4.57 m grading 1.26 gpT Au and 18.6 gpT Ag (1.53 gpT AuEq*).

  Interval has argillic and siliceous alteration, fine-grained sandstones, siltstones and limestones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, manganese oxides, orange to red color, and 1 to 5 % oxidized pyrite sites.

- Section N, Hole TR21-08 - 2.09 gpT gold and 47.1 gpT silver (2.76 gpT gold equivalent AuEq*) over 39.64 meters (m), including 18.29 m grading 3.53 gpT gold and 58.4 gpT silver (4.37 gpT gold equivalent AuEq*), which bottomed in mineralization grading 1.21 gpT AuEq* when ground caving forced early termination of the hole.

  Interval has argillic and siliceous alteration, fine-grained sandstones, hornfels, and siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and hydrothermal breccias with quartz veining. Moderate to strong iron oxides, orange to red color, and 2 to 3 % oxidized pyrite sites.

- Section O, Hole TR21-23 - 0.556 gpT gold and 16.6 gpT silver (0.793 gpT gold equivalent AuEq*) over 24.4 meters (m), which bottomed in mineralization grading 1.188 gpT AuEq* when ground caving forced early termination of the hole.

  Interval has argillic and siliceous alteration, fine-grained sandstones, hornfels, and siltstones cut by quartz-feldspar porphyry dikes, faults/fissures, and quartz veining. Moderate to strong iron oxides, orange to red color, and 2 to 3 % oxidized pyrite sites.

- Hole TR21-21 – 0.797 gpT gold and 15.1 gpT silver (1.012 gpT AuEq*) over 18.3 m including 3 m of open mine workings. The drill hole was terminated in mineralization due to caving following another intersection of a 4.6 m mine working, with the last sample assaying 1.997 gpT AuEq*. This hole is a horizontal step out 50 m to the north of TR20-09, is the current northernmost drill hole and shows the mineralization is open in all directions and at depth.

  Interval has argillic and siliceous alteration, fine-grained sandstones and siltstones cut by quartz-feldspar porphyry dikes and faults/fissures, with quartz veining. Moderate to strong iron oxides, weak manganese oxides, orange to red to brown color, and 2 to 3 % oxidized pyrite sites.

*Gold equivalents are calculated using a 70:1 silver:gold ratio. Reported lengths are apparent widths, not true widths.

Every one of the 23 drill holes intersected shallow oxidized gold-silver mineralization over substantial widths, thirteen drill holes crossed old tunnels where presumably the highest-grade ores were previously mined, several drill holes encountered visible gold, and all drill holes bottomed in mineralization, indicating the main mineralized zones are still open to depth as well as laterally. The drill results continue to show strong grades over broad widths, confirming and expanding the historic gold and silver mineralized zones both along strike and down dip.

(expressed in Canadian dollars)

In February 2023, the Company mobilized a 10 hole, 1,000 core drilling program for the Tombstone property. The Tombstone core drilling program now underway is planned for 10 holes at approximately 225 m depth as inclined step-outs along the 900 m length of the Contention pit to both sides (East, West) and at depth, with a target of potentially expanding the volume of the known Au-Ag mineralization. The core drilling program is utilizing diameters of PQ, HQ and NQ to 225m, noting that multiple core diameters are required to complete through the historic underground mine workings. The drilling program was designed with data obtained from surveys and modelling completed over 2022, following the conclusion of previous RC drilling program in late 2021. The Company has recently completed an ortho-topo drone survey to construct detailed maps, surveyed all drill hole collars from 2020-21, sampled for Terraspec alteration analysis half of the North Contention pit, completed Terraspec analysis on all the 2020-21 RC chips, and advanced the construction of a wire-frame 3-D Leapfrog model of the historic, extensive, underground mine workings, with drilling, mineralization, geology, alteration, geophysics, and multi-element geochemistry.

In April 2023, results were received from the first drill hole. The first hole is part of a 10 hole program that is being drilled in a fan-grid pattern over the length of the Contention open pit. Silver was encountered in oxidized, altered silty limestones and Qfp dike at 126.5 m – 128 m with 3,477 gpt silver and 0.115 gpt gold (3485.1 gpt AgEq) over 1.52 m, within a zone of 7.65 m with 733.92 gpt silver and 0.524 gpt gold (770.6 gpt AgEq) from 125 – 132.6 m. Hole TC23-01 also returned a broad intersection of 0.58 grams per tonne (gpt) gold and 72.19 gpt silver (1.63 gpt gold equivalent (AuEq) using an 80:1 silver:gold ratio) over 125.0 meters. Higher grade gold intervals were also intersected in the drill hole with 22.4 gpt gold and 48.7 gpt silver (23.01 gpt AuEq) in oxidized, altered Qfp dike over 1.52 m at 61m – 62.5 m. Drill hole TC23-01 intersected extensive gold and silver mineralization, see table below, extending the mineralized zone at depth west and below the Contention open pit. The drill hole also intersected old mine stope workings (15.9 m in total), likely dating back to the late 1800's and high-grade zones as well, indicating that the highest-grade bonanza mineralization in the area drilled was only partially mined out.

| Drill Hole | From m | To m | Interval m* | Au gpt | Ag gpt | Au Eq gpt [1] | Comments |
|---|---|---|---|---|---|---|---|
| **TC23-01** | **53.3** | **178.3** | **125.0** | **0.577** | **72.188** | **1.631** | **Incl. stopes of 15.9 m**** |
| **Including:** | **61.0** | **62.5** | **1.52** | **22.4** | **48.7** | **23.009** | |
| | **125** | **132.6** | **7.65** | **0.524** | **733.92** | **9.698** | |
| **Incl:** | **126.5** | **128.0** | **1.52** | **0.115** | **3477.0** | **43.578** | |

1. *AuEq is calculated using a 80:1 silver:gold ratio*

* *All interval widths are not true widths and intercept true widths are not yet estimated.*

*** The reported interval was sampled from 53.3 – 75.9 m followed by first void interval 75.9 – 86m, then sampled interval from 86 – 88.1m, then the second void interval from 88.1 – 93.9m, and then sampled to 178.3m for the full 125.0 meter length. The voids were treated as zero grade.*

**Table 2: Completed Drillhole Details (WGS84, Zone 12R)**

| Drill Hole | Easting | Northing | Elevation | Azimuth | Dip | Depth |
|---|---|---|---|---|---|---|
| TC23-01 | 588803.878 | 350963.555 | 1414 m | 0 | -90 | 242.99 m |

The Company has now completed the first five holes of the planned ten drill hole program. The drill program has been decreased to total, at minimum, 1,000 meters of core drilling at the Tombstone Property. The Company has reported assays for the first hole. Samples and their collection are controlled by an industry standard conforming QAQC program including insertions of certified standards, blanks and sample duplicates. The samples are being regularly shipped to and received by the Bureau Veritas Minerals laboratory in Hermosillo, Mexico for geochemical analysis. Core samples are sawn and are continuously collected over 5 foot (1.52m) sample intervals from all drill holes. The samples were analyzed for gold with a 30-gram sample size using the fire assay method FA430 followed by multi-element MA300, including silver. Over limits, when present, are analyzed by MA370 or FA530. All holes contain certified blanks, standards, and duplicates as part of the quality control program.

Further details of the exploration program for the Tombstone project are provided in the Company's news releases:

- News Release dated January 12, 2021 and titled, *"Aztec Reviews Geological Highlights of Phase 1 RC Drill Program from Tombstone Project, Arizona".*
- News Release dated March 4, 2021 and titled, *"Aztec and Tombstone Partners Plan Two Phase, CAD$1.5 Million Exploration Program in 2021 at Tombstone Project, Arizona".*
- News Release dated July 7, 2021 and titled, *"Aztec Receives Initial 2021 RC Drill Results from Tombstone Project, Arizona; Intersects Broad and High-Grade Gold-Silver Mineralized Zones; Including 5.71 gpt Gold and 40.5 gpt Silver (6.282 gpt AuEq) over 32.01 m".*
- News Release dated July 27, 2021 and titled, *"Aztec Drilling Intersects Broad, High-Grade Gold-Silver Mineralized Zones at the Tombstone Project, Arizona; Including 1.39 gpt Gold and 56.40 gpt Silver (2.196 gpt AuEq) over 96.04 m".*
- News Release dated September 8, 2021 and titled, *"Aztec Reports Additional RC Drill Results from Tombstone Project, Arizona; Including 1.8 gpt Gold and 36.9 gpt Silver (2.33 gpt AuEq) over 70.1 m".*
- News Release dated September 14, 2021 and titled, *"Aztec Reports Additional RC Drill Results from Tombstone Project, Arizona; Including 1.73 gpt Gold and 56.2 gpt Silver (2.53 gpt AuEq) over 64.0 m".*
- News Release dated September 28, 2021 and titled, *"Aztec Reports Final Phase 2 RC Drill Results from Tombstone Project, Arizona; Including 2.44 gpt Gold and 66.56 gpt Silver (3.39 gpt AuEq) over 65.5 m with 16.80 gpt gold and 374.36 gpt silver (22.15 gpt AuEq) over 7.6 m".*
- News Release dated December 7, 2021 and titled, *"Aztec Summarizes 2021 RC Drill Results from Tombstone Project, Arizona; Multiple, Shallow, Thick, Oxidized Gold-Silver Intercepts Expand Mineralized Zones Around and Below the Contention Pit, Still Open in All Directions".*
- News Release dated January 30, 2023 and titled, *"Aztec to Resume Drilling at the Tombstone Gold-Silver District in Southeastern Arizona".*
- News Release dated February 28, 2023 and titled, *"Aztec Commences Core Drilling at the Tombstone Gold-Silver Project in Southeastern Arizona".*
- News Release dated April 26, 2023 and titled, *"Aztec Drills Bonanza Grade Silver of 3,477 gpt Ag (111.96 oz/t Ag) over 1.52 m within a zone of 733.9 gpt Ag (23.63 oz/t Ag) over 7.6 m, part of a broader intercept of 0.58 gpt Au and 72.19 gpt Ag (1.63 AuEq) over 125.0 m in first hole of 2023 Core Drilling Program at Tombstone Project, Arizona".*

David Heyl, BSc, CPG, Vice President (Exploration), is the Qualified Person who reviewed and approved any technical information in this MD&A.

***Other Matters***

In March 2022, common shares of the Company which are traded in the United States under the symbol AZZTF on the OTCQB are now Depository Trust Company ("DTC") eligible, allowing for accelerated settlement process for investors and brokers.

In June 2022, the Company closed a private placement for 11.4 million units at $0.30 per unit for gross proceeds of $3.4 million. Each unit was comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 until June 6, 2024.

At the Company's annual and special general meeting held on June 20, 2022, shareholders voted in favour of all items of business including the re-election of each director (Messrs. Bradford Cooke, Patricio Varas, Mark Rebagliati, James Schilling, and Stewart Lockwood) and the ratification of the Company's stock option plan and the approval of the advance notice policy. In August 2022, Mr. Bradford Cooke, founder and Chairman of the Company, passed away. In September 2022, Mr. Simon Dyakowski, CEO and President of the Company, was appointed a Director of the Company.

On February 23, 2023, the Company closed a private placement for 4.4 million common shares at $0.25 per share for gross proceeds of $1.1 million.

(expressed in Canadian dollars)

## 1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Total revenues | $ - | $ - | $ - |
| Net loss: | | | |
| (i) Total | $ (1,739,623) | $ (1,425,280) | $ (1,608,760) |
| (ii) Basic per share | $ (0.02) | $ (0.02) | $ (0.04) |
| (iii) Diluted per share | $ (0.02) | $ (0.02) | $ (0.04) |
| Total assets | $ 10,979,300 | $ 8,321,384 | $ 6,180,829 |
| Total long-term liabilities | $ - | $ - | $ - |
| Dividends per share | $ - | $ - | $ - |

## 1.4 Results of Operations

***Fourth Quarter of Fiscal 2022 – Year ended December 31, 2022 and 2021***

The Company incurred a net loss of $1.7 million for fiscal 2022 which is higher than the $1.5 million for fiscal 2021. Net loss was impacted by different functional expense items.

The Company has no sources of operating revenues. Operating losses were incurred for activities of the Company to acquire, explore or maintain its mineral property interests in the Cervantes and Tombstone properties and pursuing mineral projects of merit.

Accounting and audit fees of $71,000 for 2022 were lower than the $87,200 for 2021. A part time accounting contractor was hired on a per diem basis in the latter part of the second quarter of 2021 to support the heightened exploration activities for its two mineral properties which are subject to joint ventures and continued into the remaining quarters in 2021 and into the first two quarters of 2022 resulting in higher expenses. In the latter half of 2022 a part time employee was hired at reduced costs. Audit fees increased slightly for 2022.

Amortization of $1,500 (2021 - $1,700) is attributable to office furniture and equipment for its shared office facilities.

Employee remuneration of $404,200 for 2022 was lower than the $414,300 in 2021. Employee remuneration directly related to mineral exploration projects and corporate development, if any, were allocated to those specific activities rather than to operations. In 2022, the Company reinstated a monthly stipend payable to a technical director with capital markets experience as a mining executive to assist with advancing its mineral exploration projects, and exposure in the investment community, leading to higher costs, but the technical director passed away in August 2022 which contributed to lower costs for the remainder of 2022. In the second quarter of 2022, renumeration to a senior officer was increased to reflect competitive market rates and for the heightened level of activities and advances in the Company's mineral projects. In the second quarter of 2021, increases in employee remuneration were attributable to bonuses paid, executive recruiter fees incurred for seeking a new senior officer, and interim fees charged by a technical director to act as a qualified person to review and approve technical exploration results which interim fees ceased in November 2021.

Legal fees of $29,800 were higher in 2022 than the $6,500 in 2021. In the first quarter of 2022, legal services were rendered to all the Company's shares which are traded in the United States to be Depository Trust Company eligible to allow greater liquidity in the U.S. In the second quarter of 2022, the Company proceeded to revise its stock option plan and adopt an advance notice policy subject to shareholder approvals, resulting in higher legal fees in 2022 than in 2021. Also in 2022, legal services were rendered to assist with investor relation issues and its regulatory filings and its stock option plan. Nominal legal fees were incurred in Q4 of 2022 and 2021. Legal services were also provided for both periods for its annual jurisdiction corporate filings in domestic and foreign jurisdictions and regulatory filings.

In 2022 and 2021, the Company did not engage in project evaluation activities to identify possible new projects, as the Company had active exploration programs for its Cervantes and Tombstone projects.

Office and sundry of $76,800 in 2022 was lower than the $101,700 in 2021. Office and sundry include ancillary office support facilities for the Company's activities, and include insurance, office rent, telecommunications and software and systems support and licensing, most of which were reduced in 2022 as the Company reduced costs. Systems support continue to be needed in Mexico due to employee turnover issues. Commercial liability insurance was reallocated to recurrent joint venture costs for exploration projects. Premiums for directors and officers insurance have increased due to high insurance payouts in the insurance industry resulting in higher premium renewal rates for directors and officers coverage. Office and sundry and rent are generally more fixed than other functional expense categories. In the fourth quarter of 2021, redundant security and backup features for its server were reduced resulting in cost savings in subsequent quarters in 2022.

Regulatory expenses include ongoing regulatory compliance obligations and transfer agent services and tend to be similar for comparable periods. However in the first two quarters of 2022 regulatory expenses of $52,000 were higher than the first two quarters of 2021 ($37,700). Higher market capitalization resulted in higher sustaining fees and also higher annual regulatory fees. In the third and fourth quarters of 2022, regulatory fees were incurred for shareholder relations activities. In the third quarter of 2021, the Company proceeded with its DTC eligibility in the USA to allow for greater liquidity in its stock, which was finalized in March 2022.

Shareholder relations are for advertising and marketing activities, engagement of consultants, and participation in conferences to create awareness of the Company and its Cervantes and Tombstone projects. Shareholder relation expenses of $613,000 in 2022 were higher than in the 2021 ($375,800). These activities included the attendance in various conferences and shareholder events in North America and Europe related to mineral exploration and mining as well as capital markets, and engaging market participants to assist with expanding the public profile of the Company and its projects. In the first quarter of 2022, the drilling program for the Cervantes project yielded positive geological results which the Company needed to create more capital markets exposure. These efforts contributed to a proposed financing of up to $3 million in May 2022 with a major mining company as a strategic investor participating for up to a 9.9% interest in the Company post closing of the financing, even though the capital markets remained stagnant. Shareholder relations activities subsided in the third quarter of 2022 given weaknesses in the capital markets but increased in the fourth quarter of 2022 given positive results from 2021/2022 drilling programs for the Company's Cervantes property and active exploration programs planned for 2023 as well as a 2023 financing with targeted investors.

Share-based payments were recognized for the vesting provisions for stock options and was higher in 2022 ($424,900) than in 2021 ($322,000). There were more stock options subject to vesting provisions in 2022 than the 2021. At the end of March 2022, stock options for 1,875,000 common shares were granted. In April 2021, the Company granted stock options for 1,015,000 common shares with an exercise price of $0.30 and expiry date of April 12, 2026. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter. Due to the passing of the founder and Chairman of the Company, forfeitures reduced share based payments in the third quarter of 2022.

Interest income (2022 - $17,700 and 2021 - $1,900) is realized from the Company's excess cash which is held in interest bearing investment savings account. The combination of a larger financing coupled with higher interest rates contributed to higher interest earned in 2022. As cash is expended on working capital needs and exploration programs, quarterly interest will commensurately decrease.

The foreign exchange gain (loss) was from the net effects of transactional foreign currency and jurisdictional translation and revaluation effects from its Mexican and US subsidiaries which operate in Mexican pesos and US dollars, respectively, and from certain U.S. dollar stated accounts during the period. The Company's functional currency is the CAD dollars. The US dollar and Mexican peso depreciated relative to the Canadian dollar during the half of 2022, but the US dollar appreciated in the latter half of the year.

As at December 31, 2022, the Company's mineral property interests are comprised of the following:

| | December 31, 2022 | | |
|---|---|---|---|
| | Mexico | USA | |
| | Cervantes | Tombstone | Total |
| **Acquisition Costs:** | | | |
| Balance, December 31, 2021 | $ 582,611 | $ 478,203 | $ 1,060,814 |
| Acquisition | - | 109 | 109 |
| Balance, December 31, 2022 | 582,611 | 478,312 | 1,060,923 |
| **Deferred Exploration Expenditures:** | | | |
| Balance, December 31, 2021 | 3,120,680 | 1,724,012 | 4,844,692 |
| Access and facilities | 348,367 | - | 348,367 |
| Assays | 295,816 | - | 295,816 |
| Drilling | 1,282,981 | - | 1,282,981 |
| Equipment and systems | 70,790 | 262 | 71,052 |
| Environmental | 6,627 | 51,939 | 58,566 |
| Field, camp, supplies | 50,922 | 1,357 | 52,279 |
| General, administrative, legal, sundry | 138,136 | 27,655 | 165,791 |
| Geology | 219,813 | 15,588 | 235,401 |
| Salaries and local labour | 138,008 | 37,671 | 175,679 |
| Surface taxes | 10,999 | 9,074 | 20,073 |
| Surveying | 41,254 | 16,873 | 58,127 |
| Transportation and travel | 81,918 | 7,142 | 89,060 |
| Value added tax | 337,882 | - | 337,882 |
| Contribution by joint venture partner | - | (66,331) | (66,331) |
| Balance, December 31, 2022 | 6,144,193 | 1,825,242 | 7,969,435 |
| **Mineral Property Interests:** | | | |
| December 31, 2021 | $ 3,703,291 | $ 2,202,215 | $ 5,905,506 |
| December 31, 2022 | 6,726,804 | 2,303,554 | 9,030,358 |

Expenditures for the Cervantes property increased by $3.02 million in 2022. In December 2021, the Company mobilized a reverse circulation drilling program for the Cervantes project which was completed in March 2022 for 26 holes totalling 4,649 metres. The RC drill program tested four main targets, namely, California, California North, Jasper and Purisima East. In July 2022, the Company commenced a core drilling program which was completed in October 2022 for 11 holes totalling 2,515.5 metres as a follow-up to the RC drill program. The primary objectives of the drilling program were to better define the open pit, heap leach gold potential of the porphyry gold oxide cap at California, evaluate the potential for deeper copper-gold porphyry sulfide mineralization underlying the oxide cap, test for northern extensions of the California mineralization at California North and northwestern extensions of the Jasper mineralization.

There were no active exploration programs for the Tombstone property in 2022.

In 2022, the Company received $303,000 in cash contributions from Kootenay for the Cervantes project and $nil for the Tombstone project from the respective joint venture partners.

## 1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2022. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Dec 31 | Sept 30 | June 30 | Mar 31 | Dec 31 | Sept 30 | June 30 | Mar 31 |
| Total revenues | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net income (loss): | | | | | | | | |
| (i) Total | $ (437,299) | $ (260,355) | $ (609,875) | $ (432,094) | $ (341,714) | $ (364,535) | $ (456,957) | $ (262,074) |
| (ii) Basic earnings (loss) per share | $ - | $ - | $ (0.01) | $ (0.01) | $ - | $ (0.01) | $ (0.01) | $ - |
| (iii) Diluted earnings (loss) per share | $ - | $ - | $ (0.01) | $ (0.01) | $ - | $ (0.01) | $ (0.01) | $ - |
| Total assets | $ 10,979,300 | $ 11,424,188 | $ 11,607,871 | $ 8,357,333 | $ 8,321,384 | $ 6,359,416 | $ 6,483,066 | $ 6,248,454 |
| Total long-term liabilities | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Dividends per share | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

In October and November 2021, the Company closed a private placement in two tranches totalling 5.25 million units at $0.30 per unit for gross proceeds of $1.58 million.

In 2021, the Company has incurred $735,200 in exploration expenditures for Cervantes property, and $302,100 in acquisition related expenses and $724,700 in exploration expenditures, net of joint venture contributions, for Tombstone property.

In June 2022, the Company closed a private placement for 11.4 million units at $0.30 per unit for gross proceeds of $3.4 million. Each unit is comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 until June 6, 2024.

In 2022, the Company has incurred $3.02 million in exploration expenditures for Cervantes property, and $101,200 in exploration expenditures, net of joint venture contributions, for Tombstone property.

## 1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future except as disclosed in this MD&A and in its regulatory filings. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration and development programs and overall market conditions for smaller mineral exploration companies. The Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

(expressed in Canadian dollars)

The following table contains selected financial information of the Company's liquidity:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash | $ 1,471,056 | $ 1,620,241 |
| Working capital | 1,581,732 | 2,067,065 |

In October and November 2021, the Company closed a private placement in two tranches totalling 5.25 million units at $0.30 per unit for gross proceeds of $1.58 million.

In 2021, warrants for 3.2 million common shares and stock options for 160,000 common shares were exercised for gross proceeds of $647,200.

In 2021, funds of $402,000 were received for the Cervantes project and $239,300 for the Tombstone project from the respective joint venture partners.

In June 2022, the Company closed a private placement for 11.4 million units at $0.30 per unit for gross proceeds of $3.4 million. Each unit is comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 until June 6, 2024.

In 2022, warrants for 2,480,000 common shares were exercised for proceeds of $248,000 and stock options for 1,300,000 common shares were exercised for proceeds of $136,500.

In February 2023, the Company closed a private placement for 4.4 million common shares at $0.25 per share for gross proceeds of $1.1 million.

Ongoing operating expenses and exploration activities continue to reduce the Company's cash resources and working capital, as the Company has no sources of operating revenues.

The Company may enter into option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2022. The Company will continue to rely upon equity financing as its principal source of financing its projects.

## 1.7 Capital Resources

At December 31, 2022, the Company has earned in various interests in its minerals properties which are subject to joint venture agreements.

## 1.8 Off-Balance Sheet Arrangements

There are no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company, except for those disclosed in this MD&A or in the Company's public filings.

(expressed in Canadian dollars)

## 1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following general and administrative costs with related parties during the year ended December 31, 2022:

| | Year ended December 31, 2022 | Net balance receivable (payable) December 31, 2022 |
|---|---|---|
| Key management compensation: | | |
| Executive salaries and remuneration [1] | $ 538,564 | $ - |
| Directors fees | 19,311 | - |
| Share-based payments | 358,987 | - |
| Executive salaries and remuneration [1] | $ 916,862 | $ - |
| Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director [2] | $ (15,992) | $ - |

(1) Includes key management compensation which is included in mineral property interests, employee remuneration, and project evaluation.

(2) The companies are Canagold Resources Ltd. and Endeavour Silver Corp., both of which shares one common former director with the Company.

Amounts which are incurred to related parties are in the normal course of business. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with a common director, and such allocations to the Company are on a full cost recovery basis. Any balances due to related parties are payable on demand.

Item 1.2 provides further details of the acquisition of the Cervantes property from AzMet.

## 1.10 Proposed Transactions

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course of business and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

## 1.11 Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

(expressed in Canadian dollars)

Significant areas requiring the use of management estimates relate to the variables used in the determination of the fair values of stock options granted and finders fee warrants issued; and the valuation of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

## 1.12 Changes in Accounting Policies including Initial Adoption

The Company did not early adopt any recent pronouncements as disclosed in Note 2(f), "*New accounting standards and recent pronouncements",* of the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

### 1.12.1 Change in accounting policy:

In fiscal 2022, the Company voluntarily changed in its accounting policy for value added tax receivable ("VAT") in Mexico. Previously the Company recorded VAT in receivables as current asset. Under its new policy, the Company recorded VAT in mineral property interests. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the cost of the Company's mineral property expenditures. The accounting policy change has been applied retrospectively. Any receipts from VAT will be recorded as recoveries which reduce the value of mineral property interests. In accordance with IAS8 – *Accounting Policies in Accounting Estimates and Errors*, the Company has applied this change retrospectively and the comparatives have been adjusted accordingly for all the periods presented, as if the policy has been applied as of January 1, 2021.

The impacts to the Company's consolidated statements of financial position as at December 31, 2021 and January 1, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| | December 31, 2021 | | |
| Receivables | $ 527,818 | $ (71,961) | $ 455,857 |
| **Total current assets** | **2,358,139** | **(71,961)** | **2,286,178** |
| Mineral property interests | 5,738,545 | 166,961 | 5,905,506 |
| **Total non-current assets** | **5,868,245** | **166,961** | **6,035,206** |
| **Total assets** | **8,226,384** | **95,000** | **8,321,384** |
| Deficit | (7,040,014) | 95,000 | (6,945,014) |
| **Total shareholders' equity** | **8,007,271** | **95,000** | **8,102,271** |
| **Total liabilities and shareholders' equity** | **8,226,384** | **95,000** | **8,321,384** |
| | January 1, 2021 | | |
| Receivables | $ 92,307 | $ (54,172) | $ 38,135 |
| **Total current assets** | **2,130,684** | **(54,172)** | **2,076,512** |
| Mineral property interests | 3,976,535 | 124,172 | 4,100,707 |
| **Total non-current assets** | **3,980,145** | **124,172** | **4,104,317** |
| **Total assets** | **6,110,829** | **70,000** | **6,180,829** |
| Deficit | (5,660,832) | 70,000 | (5,590,832) |
| **Total shareholders' equity** | **5,963,447** | **70,000** | **6,033,447** |
| **Total liabilities and shareholders' equity** | **6,110,829** | **70,000** | **6,180,829** |

(expressed in Canadian dollars)

The impacts to the Company's consolidated statement of comprehensive loss for the year ended December 31, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| Write-down of value added tax | $ (25,000) | $ 25,000 | $ - |
| **Net loss and comprehensive loss for the year** | (1,448,843) | 25,000 | (1,423,843) |
| **Attributable to:** | | | |
| Non controlling interest | (1,437) | - | (1,437) |
| Shareholders of Aztec Minerals Corp. | (1,450,280) | 25,000 | (1,425,280) |

The impacts to the Company's consolidated statement of cash flows for the year ended December 31, 2021 are as follows:

| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
|---|---|---|---|
| **Operations:** | | | |
| Loss for the year | $ (1,448,843) | $ 25,000 | $ (1,423,843) |
| Write-down of value added tax | 25,000 | (25,000) | - |
| Receivables | (43,128) | 17,789 | (25,339) |
| **Cash used by operating activities** | **(1,227,647)** | **17,789** | **(1,209,858)** |
| **Investing:** | | | |
| Mineral property interests, net of recoveries | (1,798,515) | (17,789) | (1,816,304) |
| **Cash used by investing activities** | **(1,284,777)** | **(17,789)** | **(1,302,566)** |
| **Cash, end of year** | **1,620,241** | **-** | **1,620,241** |

The impacts to the Company's consolidated statements of changes in shareholder's equity as at December 31, 2021 and January 1, 2021 are as follows

(expressed in Canadian dollars)

| | Accumulated Deficit | | |
|---|---|---|---|
| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
| Balance as at January 1, 2021 | $ (5,660,832) | $ 70,000 | $ (5,590,832) |
| Comprehensive income (loss) for the year | (1,448,843) | 25,000 | (1,423,843) |
| Balance as at December 31, 2021 | (7,040,014) | 95,000 | (6,945,014) |

| | Total Shareholders' Equity | | |
|---|---|---|---|
| | As Previously Reported | Effect of Change in Accounting Policy | As Restated |
| Balance as at January 1, 2021 | $ 5,963,447 | $ 70,000 | $ 6,033,447 |
| Comprehensive income (loss) for the year | (1,448,843) | 25,000 | (1,423,843) |
| Balance as at December 31, 2021 | 8,007,271 | 95,000 | 8,102,271 |

## 1.13 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

| | |
|---|---|
| **Financial Assets** | |
| Cash | Fair value through profit or loss ("FVTPL") |
| Receivables | Loans and receivable at amortized cost |
| **Financial Liability** | |
| Accounts payable and accrued liabilities | Other financial liabilities under amortized cost |

Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities and loans payable approximate their carrying values due to the short terms to maturity. Cash is measured at fair values using Level 1 inputs.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2022, the Company had working capital (current assets less current liabilities) of $1.6 million. The Company will require additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2023.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

The significant market risk to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations is in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar and Mexican peso.

At December 31, 2022, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

| | Stated in Canadian Dollars | | |
|---|---|---|---|
| | Held in | | Total |
| | United States Dollars | Mexican Pesos | |
| Cash | $ 61,683 | $ 594 | $ 62,277 |
| Accounts receivable | 262,643 | - | 262,643 |
| Accounts payable and accrued liabilities | (126,028) | (96,920) | (222,948) |
| Net financial assets (liabilities), December 31, 2022 | $ 198,298 | $ (96,326) | $ 101,972 |

Based upon the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar relative to the United States dollar and Mexican pesos could result in a decrease/increase of approximately $10,000 in the Company's net losses. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

(expressed in Canadian dollars)

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

## 1.14 Other MD&A Requirements

### 1.14.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

(a) may be found on SEDAR at www.sedar.com;

(b) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021.

### 1.14.2 Outstanding Share Data

The Company's authorized share capital consists of unlimited number of common shares without par value.

Changes in the Company's share capital for the year ended December 31, 2022 are as follows:

| | Number of Shares | Amount |
|---|---|---|
| Balance at December 31, 2021 | 64,981,505 | $ 11,749,159 |
| Issued: | | |
| Private placement | 11,388,089 | 3,359,486 |
| Acquisition of controlled subsidiary | 10,000,000 | 2,400,000 |
| Share issue expenses | - | (71,967) |
| Exercise of warrants | 2,480,000 | 248,000 |
| Exercise of stock options | 1,300,000 | 694,477 |
| Balance at December 31, 2022 | 90,149,594 | $ 18,379,155 |

In June 2022, the Company closed a private placement for 11.4 million units at $0.30 per unit for gross proceeds of $3.4 million. Each unit is comprised of one common share and one share purchase warrant which is exercisable to acquire one common share at an exercise price of $0.40 until June 6, 2024.

In August 2022, the Company issued 10 million common shares at a fair value of $0.24 per share to acquire 35% of Kootenay's interest in the Cervantes project

In 2022, warrants for 2,480,000 common shares were exercised for proceeds of $248,000 and stock options for 1,300,000 common shares were exercised for proceeds of $136,500 which have a fair value of $557,980.

(expressed in Canadian dollars)

In February 2023, the Company closed a private placement for 4.4 million common shares at $0.25 per share for gross proceeds of $1.1 million.

At April 27, 2023, there were 94,727,762 common shares issued and outstanding.

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

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

| | 2022 | |
|---|---|---|
| | Number of Shares | Weighted average exercise price |
| Outstanding balance, beginning of year | 4,845,000 | $0.25 |
| Granted | 1,975,000 | $0.30 |
| Exercised | (1,300,000) | $0.105 |
| Forfeitures and cancellations | (285,000) | $0.30 |
| Expired | (100,000) | $0.12 |
| Outstanding balance, end of year | 5,135,000 | $0.30 |

On March 28, 2022, the Company granted stock options for 1,875,000 common shares to directors, officers and employees with an exercise price of $0.30 and expiry date of March 28, 2027. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 3 months thereafter.

On October 1, 2022, the Company granted stock options for 100,000 common shares to a consultant with an exercise price of $0.30 and expiry date of October 1, 2025. The stock options fully vest on February 1, 2023.

On February 27, 2023, the Company granted stock options for 3,025,000 common shares to directors, officers an employee and a consultant with an exercise price of $0.255 and expiry date of February 27, 2028. The stock options are subject to vesting provisions in which 25% vest on May 27, 2023 and 25% vest every 3 months thereafter.

At April 27, 2023, stock options for 7,960,000 common shares remain outstanding of which 4,935,000 stock options are exercisable.

At December 31, 2022, the Company had outstanding warrants as follows:

(expressed in Canadian dollars)

| Exercise Prices | Expiry Dates | Outstanding at December 31, 2021 | Issued | Exercised | Expired | Outstanding at December 31, 2022 |
|---|---|---|---|---|---|---|
| $0.10 | April 3, 2022 | 2,480,000 | - | (2,480,000) | - | - |
| $0.40 | July 9, 2022 | 3,538,082 | - | - | (3,538,082) | - |
| $0.40 | July 9, 2022 [1] | 212,040 | - | - | (212,040) | - |
| $0.40 | July 22, 2022 | 1,591,342 | - | - | (1,591,342) | - |
| $0.40 | July 22, 2022 [2] | 89,837 | - | - | (89,837) | - |
| $0.40 | October 29, 2023 [3] | 3,332,453 | - | - | - | 3,332,453 |
| $0.40 | October 29, 2023 [4] | 980 | - | - | - | 980 |
| $0.40 | November 17, 2023 [5] | 1,917,939 | - | - | - | 1,917,939 |
| $0.40 | June 6, 2024 [6] | | 11,388,089 | - | - | 11,388,089 |
| | | 13,162,673 | 11,388,089 | (2,480,000) | (5,431,301) | 16,639,461 |

(1) These finders fee warrants have a fair value of $50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.

(2) These finders fee warrants have a fair value of $22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

(3) On October 29, 2021, the Company issued 3,332,453 warrants with an exercise price of $0.40 and an expiry date of October 29, 2023, and have a total fair value of $99,973 as determined by the excess private placement price over the market price of the common share on closing date.

(4) These finders fee warrants have a fair value of $147 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 126%, risk-free rate 1.08%, expected life 2 years, and expected dividend yield 0%.

(5) On November 17, 2021, the Company issued 1,917,939 warrants with an exercise price of $0.40 and an expiry date of November 17, 2023, and have a total fair value of $38,358 as determined by the excess private placement price over the market price of the common share on closing date.

(6) On June 6, 2022, the Company issued 11,388,089 warrants with an exercise price of $0.40 and an expiry date of June 6, 2024, and have a total fair value of $56,940 as determined by the excess private placement price over the market price of the common share on closing date.

At April 27, 2023, warrants for 16,639,461 common shares remain outstanding.

## 1.15 Outlook

The Company will continue to depend upon equity financings to continue exploration work on and to advance its mineral property interests, and to meet its administrative overhead costs for the 2022 fiscal year. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its mineral property interests in the foreseeable future.

## 1.16 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

### *Exploration and Development Risks*

There is no assurance given by the Company that its exploration and development, if any, programs and properties will result in the discovery, development or production of a commercially viable deposit or ore body.

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. There is no assurance that the Company's mineral exploration activities will result in any discoveries of bodies of commercial ore. The economics of developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating metal prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish resources or reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for exploration and / or development can be obtained on a timely basis. The marketability of any metals or 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, the global marketing conditions for precious and base metals, the proximity and capacity of required processing facilities, mineral markets and required processing equipment, 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 exploitation concessions. There can be no guarantee that such concessions will be granted.

### *Financing Risks*

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral properties.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's properties may therefore depend on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing on terms acceptable to the Company, or at all, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity capital financings, exploration success, the attainment of profitable operations and the completion of further share issuances to satisfy working capital and operating needs. The Company may need to raise further funds to complete further exploration programs at the Cervantes and Tombstone properties, if such programs are warranted.

### *Estimates of Mineral Deposits*

There is no assurance given by the Company that any estimates of mineral deposits or resources will materialize.

No assurance can be given that any identified mineralization will be developed into a coherent mineralization deposit, or that such deposit will even qualify as a commercially viable and mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other exploration and development work. There can be no assurance that test work and results conducted and recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralization or mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of any future operations.

***Commodity Prices***

There is no assurance given by the Company that commodity prices will not change.

The mining industry is competitive and commodity prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for precious and base metals are affected by various factors, including political events, economic conditions and production costs in major producing regions, and governmental policies with respect to precious metal holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

***Competition and Agreements with Other Parties***

The Company competes with larger, better capitalized competitors in the mining industry and there is no assurance given by the Company that it can compete for mineral properties, future financings or technical expertise.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Company may, in the future, be unable to meet its share of costs incurred under joint venture or similar agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

***Title Matters***

There is no assurance given by the Company that it owns legal title to its mineral properties.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners, legal opinions, and government agencies. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's properties are located, but unlikely given all surrounding surface rights are privately held. Further, the Company does not own certain claims in the Cervantes and Tombstone properties and only has a right to earn an interest therein pursuant to the property option agreements, as amended. In the event that the Company does not fulfill its obligations contemplated by the property option agreements, as amended, it will lose its interest in the relevant mineral property.

***Surface Rights***

The Company has acquired rights to certain parts of the property covered by its mineral tenures, and is in continuing negotiations over other parts. In areas where the Company operates there are local populations or landowners who, in the case of the Cervantes Property, do not live on the property but raise cattle throughout the region. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the Cervantes Property becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

***Community Groups***

There is an ongoing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in Sonora State (Mexico) and Arizona (USA), NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

***Conflicts of Interest***

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration and resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and management of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

***Negative Operating Cash Flow***

The Company had negative operating cash flow during its most recently completed year ended December 31, 2021. In the event that the Company's operating cash flow is not positive in future financial periods it may need to raise additional capital in order to fund operations. There is no guarantee that additional funds will be available on terms acceptable to the Company or at all. In the event that the Company's operating cash flow is negative this may have a material adverse effect on the Company and its stock price.

***Uninsured Risks***

There is no assurance given by the Company that it is adequately insured against all risks. The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration, development and mining activities.

***Environmental and Other Regulatory Requirements***

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration, development or production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration, development and mining operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of exploration and mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

***Foreign Countries and Regulatory Requirements***

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability, changes in foreign policy, and government regulations relating to the mining industry. Any changes in regulations, foreign policy, or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business and its ability to operate in foreign jurisdictions. Such changes have, in the past, included nationalization of foreign owned businesses and properties. The Company's ability to operate its business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, income and other taxes and duties, tariffs, trade, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties.

***Reclamation***

Land reclamation requirements for the Company's properties may be burdensome.

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of any potential waste rock and/or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the Company's properties to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

***Unknown Environmental Risks for Past Activities***

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. However, no assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

***Currency Fluctuation and Foreign Exchange Controls***

The Company maintains a portion of its funds in U.S. dollar and Mexican pesos denominated accounts. Certain of the Company's property and related contracts may be denominated in U.S. dollars and Mexican pesos. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

***Dependence on Key Individuals***

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

The Company does not maintain key-person insurance on the life of any of its personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

***Volatility of Common Shares***

Volatility in the price of the Company's common shares could cause investor loss.

The common shares are listed on the TSX Venture Exchange and OTCQB. The market price of a publicly traded stock, especially a junior resource company like the Company, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX Venture Exchange and OTCQB suggests that the price of the Company's common shares will continue to be volatile. Therefore, investors could suffer significant losses if the Company's common shares are depressed or illiquid when an investor seeks liquidity and needs to sell the common shares of the Company. There is no guarantee on the future price at which the common shares may trade, and no guarantee that the warrants will ever be in a position of value and may ultimately expire prior to being in-the-money.

***Substantial Number of Authorized but Unissued Shares***

The Company has an unlimited number of common shares which may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfil its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

***COVID-19 Pandemic***

The COVID-19 (the novel coronavirus) pandemic is having a material adverse effect on the global economy as well as caused volatility in the global financial markets. While the primary impact of COVID-19 on the Company and the global economy occurred for almost 2 years, the economic impact of COVID-19 and related government imposed restrictions remain a risk. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

***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. 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 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. Potential disruptions to the Company's information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and noncompliance 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.

***Possible Dilution to Current Shareholders based on Outstanding Options and Warrants***

At December 31, 2022, the Company has 90,149,594 common shares, 5,135,000 stock options and 16,639,461 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2022, dilutive securities represented approximately 24.15% of the Company's issued shares.