AZTEC MINERALS CORP.

Consolidated Financial Statements

(stated in Canadian dollars)

Years ended December 31, 2021 and 2020

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, 2021 and 2020;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended 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.

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 $1.45 million during the year ended December 31, 2021 and has an accumulated deficit of $7.04 million as at December 31, 2021. 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.

Other Information

Management is responsible for the other information. The other information comprises of 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.

Smythe CPA

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.

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 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.

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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.

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 28, 2022

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AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

	Notes		December 31, 2021		2020
ASSETS					
Current Assets					
Cash		**$**	**1,620,241**	$	1,919,485
Receivables	6		**527,818**		92,307
Prepaids, current			**210,080**		118,892
Total Current Assets			**2,358,139**		2,130,684
Non-Current Assets					
Prepaids, non-current			**126,524**		-
Mineral property interests	6, 9(b), 11		**5,738,545**		3,976,535
Equipment	7		**3,176**		3,610
Total Non-Current Assets			**5,868,245**		3,980,145
Total Assets		**$**	**8,226,384**	$	6,110,829
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	11	**$**	**219,113**	$	147,382
Shareholders' Equity					
Share capital	9(b)		**11,749,159**		9,388,293
Reserve for share-based payments			**1,576,759**		1,281,139
Deficit			**(7,040,014)**		(5,660,832)
Non-controlling interest	6(a)		**1,721,367**		954,847
Total Shareholders' Equity			**8,007,271**		5,963,447
Total Liabilities and Shareholders' Equity		**$**	**8,226,384**	$	6,110,829

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/ Bradford Cooke

Director

/s/ Patricio Varas

Director

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Stated in Canadian dollars)

		Years ended December 31,	
	Notes	**2021**	2020
Expenses:			
Accounting and audit		**$ 87,219**	$ 46,181
Amortization	7	**1,741**	2,624
Employee remuneration	11	**414,336**	222,418
Legal		**6,534**	14,553
Office and sundry	10, 11	**101,701**	86,619
Property investigation	10, 11	**-**	28,091
Regulatory		**95,766**	59,810
Shareholder relations		**375,842**	684,843
Share-based payments	9(c), 11	**321,969**	445,835
Operating loss		**(1,405,108)**	(1,590,974)
Interest income		**1,889**	1,395
Interest expense	8	**-**	(1,183)
Foreign exchange loss		**(20,624)**	(17,998)
Write-down of value added tax		**(25,000)**	(15,000)
Net loss and comprehensive loss for the year		**$ (1,448,843)**	$ (1,623,760)
Attributable to:			
Non-controlling interest		**$ (1,437)**	$ -
Shareholders of Aztec Minerals Corp.		**(1,450,280)**	-
Basic and diluted loss per share		**$ (0.02)**	$ (0.04)
Weighted average number of common shares outstanding		**59,030,932**	45,020,884

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)

		Share Capital		Reserve for			
		Number of		Share-Based		Non-Controlling	
	Notes	Shares	Amount	Payments	Deficit	Interest	Total
Balance, December 31, 2019		32,691,016	$ 5,239,750	$ 798,720	$ (3,090,183)	$ -	$ 2,948,287
Private placement	9(b)(iii)	18,258,847	3,477,654	-	-	-	3,477,654
Share issue expenses		-	(160,432)	-	-	-	(160,432)
Property acquisition	9(b)(iii)	300,000	15,000	-	-	-	15,000
Exercise of stock options		150,000	25,237	(9,487)	-	-	15,750
Exercise of warrants		4,371,250	864,813	(27,000)	-	-	837,813
Fair value of finders fee warrants	9(d)	-	(73,729)	73,729	-	-	-
Expiration of stock options	9(c)	-	-	(658)	658	-	-
Share-based payments		-	-	445,835	-	-	445,835
Adjustment on disposition of controlled subsidiary	6(a)	-	-	-	(947,547)	954,847	7,300
Comprehensive loss for the year		-	-	-	(1,623,760)	-	(1,623,760)
Balance, December 31, 2020		55,771,113	9,388,293	1,281,139	(5,660,832)	954,847	5,963,447
Private placement	9(b)(ii)	5,250,392	1,436,785	138,332	-	-	1,575,117
Share issue expenses		-	(17,702)	-	-	-	(17,702)
Property acquisition	9(b)(ii)	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	9(d)	-	(147)	147	-	-	-
Expiration of stock options	9(c)	-	-	(64,498)	64,498	-	-
Expiration of warrants	9(c)	-	-	(6,600)	6,600	-	-
Share-based payments		-	-	321,969	-	-	321,969
Contributions by non-controlling interest	6(a)	-	-	-		765,083	765,083
Comprehensive loss for the year		-	-	-	(1,450,280)	1,437	(1,448,843)
Balance, December 31, 2021		64,981,505	$ 11,749,159	$ 1,576,759	$ (7,040,014)	$ 1,721,367	$ 8,007,271

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, 2021	2020
Cash provided from (used by):			
Operations:			
Loss for the year		$ **(1,448,843)**	$ (1,623,760)
Items not involving cash:			
Amortization	7	**1,741**	2,624
Share-based payments		**321,969**	445,835
Unrealized foreign exchange (loss) gain		**(8,565)**	11,759
Write-down of value added tax		**25,000**	15,000
		(1,108,698)	(1,148,542)
Changes in non-cash working capital items:			
Receivables		**(43,128)**	(31,698)
Prepaids, current		**(91,188)**	(79,287)
Accounts payable and accrued liabilities		**15,367**	13,918
Cash used by operating activities		**(1,227,647)**	(1,245,609)
Financing:			
Issuance of common shares	9(b)	**1,575,117**	3,477,654
Share issue expenses		**(17,702)**	(160,432)
Exercise of warrants		**628,000**	837,813
Exercise of stock options		**19,200**	15,750
Proceeds from loan payable	8	**-**	60,000
Repayment of loan payable	8	**-**	(60,000)
Cash provided from financing activities		**2,204,615**	4,170,785
Investing:			
Mineral property interests, net of recoveries		**(1,798,515)**	(1,043,687)
Prepaids, non current		**(126,524)**	-
Non-controlling interest in joint venture		**402,272**	-
Contributions from joint venture partner		**239,297**	-
Equipment		**(1,307)**	-
Cash used by investing activities		**(1,284,777)**	(1,043,687)
Foreign exchange loss (gain) on cash held in foreign currency		**8,565**	(11,759)
(Decrease) increase in cash		**(299,244)**	1,869,730
Cash, beginning of year		**1,919,485**	49,755
Cash, end of year		$ **1,620,241**	$ 1,919,485

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

Refer to the accompanying notes to the consolidated financial statements.

	Notes		Years ended December 31, 2021		2020
Non-cash financing and investing activities:					
Accrual for mineral property interests		**$**	**103,786**	$	47,422
Accrual from joint venture contributions			**417,383**		-
Fair values of common shares issued for:					
Property acquisition	6(a) and (b), 9(b)		**201,000**		15,000
Exercise of warrants			**10,330**		27,000
Exercise of stock options			**83,400**		9,487
Fair value of:					
Finders fee warrants	9(d)		**147**		73,729
Fair values from cancellation/expiration of:					
Stock options	9(c)		**64,498**		658
Finders fee warrants	9(d)		**6,600**		-
Fair value of common shares of non controlling interest	6(a)		**-**		7,300
Interest paid			-		1,183
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 $1.45 million for the year ended December 31, 2021 (2020 - $1.62 million), and has a deficit of $7.04 million as at December 31, 2021 (2020 - $5.66 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 28, 2022.

(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 assessing the recoverability of VAT receivable. As at December 31, 2021, the Company has judged the collectability of the amounts to be in doubt and accordingly recognized a write down of $25,000 (2020 - $15,000).

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) Reference to the Conceptual Framework (Amendments to IFRS 3):

IFRS 3 Business Combinations has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2020. The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for a business combination.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018, at the same time or earlier.

(ii) Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16):

IAS 16 Property, Plant and Equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(iii) Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(iv) Annual Improvements to IFRS Standards 2018-2020

The following standards have been revised to incorporate amendments issued by the IASB in May 2020:

- IFRS 1 First time Adoption of International Financial Reporting Standards – The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first time adopter after its parent in relation to the measurement of cumulative translation differences.
- IFRS 9 Financial Instruments – The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- IAS 41 Agriculture – The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(v) 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, 2022. 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 subsidiary, Aztec Minerals America Corp. (USA). During the year ended December 31, 2020, the Company transferred the wholly owned subsidiary, Minera Azteca Dorada S.A. de C.V (Mexico) to Aztec Minerals (Mexico) JV Corp. ("Aztec Mexico JV") of which the Company owns 65% ownership (Note 6(a)). 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.

3. Significant Accounting Policies (continued)

(a) Basis of consolidation: (continued)

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).

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

3. Significant Accounting Policies (continued)

(b) Financial instruments: (continued)

(iii) Derecognition: (continued)

- 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.

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.

3. Significant Accounting Policies (continued)

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

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.

(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.

3. Significant Accounting Policies (continued)

(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 9(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.

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.

3. Significant Accounting Policies (continued)

(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.

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.

4. Management of Capital (continued)

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, 2021.

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, 2021, 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.

(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, 2021, the Company had working capital (current assets less current liabilities) of $2.27 million (2020 - $1.98 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 2021.

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

(b) Liquidity risk: (continued)

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 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, 2021 and 2020, 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	$ 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), December 31, 2020	$ 194,903	$ (3,388)	$ 191,515

Based upon the above net exposure as at December 31, 2021 and assuming all other variables remain constant, a 10% (2020 – 15%) depreciation or appreciation of the Canadian dollar relative to the United States dollar could result in a decrease/increase of approximately $129,000 (2020 - $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, 2021		
	Mexico	**USA**	
	Cervantes	**Tombstone**	**Total**
Acquisition Costs:			
Balance, December 31, 2020	$ 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, December 31, 2020	2,218,539	999,312	3,217,851
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
Contribution by joint venture partner	-	(293,869)	(293,869)
Balance, December 31, 2021	2,953,719	1,724,012	4,677,731
Mineral Property Interests:			
December 31, 2020	$ 2,801,150	$ 1,175,385	$ 3,976,535
December 31, 2021	$ 3,536,330	$ 2,202,215	$ 5,738,545

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

	December 31, 2020		
	Mexico	USA	
	Cervantes	Tombstone	Total
Acquisition Costs:			
Balance, December 31, 2019	$ 575,823	$ 59,000	$ 634,823
Acquisition	6,788	117,073	123,861
Balance, December 31, 2020	582,611	176,073	758,684
Deferred Exploration Expenditures:			
Balance, December 31, 2019	1,945,390	294,381	2,239,771
Assays	-	93,761	93,761
Drilling	-	376,837	376,837
Equipment and systems	833	833	1,666
Field, camp, supplies	-	4,537	4,537
General, administrative, legal, sundry	255,915	891	256,806
Geology	261	28,535	28,796
Geophysics	-	67,833	67,833
Salaries and local labour	10,712	90,938	101,650
Surface taxes	4,721	17,588	22,309
Surveying	370	1,245	1,615
Transportation and travel	337	21,933	22,270
Balance, December 31, 2020	2,218,539	999,312	3,217,851
Mineral Property Interests:			
December 31, 2019	$ 2,521,213	$ 353,381	$ 2,874,594
December 31, 2020	$ 2,801,150	$ 1,175,385	$ 3,976,535

(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"). All obligations of AzMet under the property option agreement were transferred to the Company. The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares (issued),
- cash payments totalling US$120,000 (paid), and
- exploration expenditures of US$1.2 million (incurred) over the next 3 years.

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 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)

For the year ended December 31, 2021, the Company received $402,272 in cash contributions from Kootenay and as at December 31, 2021, the Company has an estimated amount receivable from Kootenay of $362,811 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"). 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 2018. The Tombstone Option Agreement was subject to certain conditions precedent including the approval of the TSX Venture Exchange ("TSX-V") which approval was received on March 23, 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, 2021, the Company has an estimate amount receivable from Baroyeca of $54,572 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.

(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.

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(f) Environmental matters:

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, December 31, 2019	$ 4,121	$ 9,552	$ 13,673
Add: Acquisitions	-	-	-
Balance, December 31, 2020	4,121	9,552	13,673
Add: Acquisitions	-	1,307	1,307
Balance, December 31, 2021	4,121	10,859	14,980
Accumulated amortization:			
Balance, December 31, 2019	1,508	5,931	7,439
Add: Amortization	802	1,822	2,624
Balance, December 31, 2020	2,310	7,753	10,063
Add: Amortization	802	939	1,741
Balance, December 31, 2021	3,112	8,692	11,804
Net book value:			
Balance, December 31, 2020	$ 1,811	$ 1,799	$ 3,610
Balance, December 31, 2021	$ 1,009	$ 2,167	$ 3,176

8. Loan Payable

On May 22, 2020, the Company arranged an aggregate of $60,000 in loans from individuals, two of whom are insiders. Each loan bears interest at a rate of 12% per annum, payable on maturity, and has a term of 6 months, provided that the Company may prepay without penalty. A loan bonus totaling 300,000 warrants were issued to the lenders, with each warrant having an exercise price of $0.20 and expiry date of June 3, 2021. The Company repaid the principal and interest on the loans in July 2020.

Balance, December 31, 2019		$ -
Add:		
Loan principal	$ 60,000	
Interest charges	1,183	
		61,183
Less:		
Repayment of loan principal	$ 60,000	
Interest paid	1,183	
		(61,183)
Balance, December 31, 2020 and 2021		$ -

9. 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) In the first quarter of 2022, warrants for 2,480,000 common shares were exercised for proceeds of $248,000 and stock options for 500,000 common shares were exercised for proceeds of $52,500.

(ii) 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.

(iii) On March 25, 2020, the Company issued 300,000 common shares at a fair value of $0.05 per share to Baroyeca (Note 6(b)).

On April 3, 2020, the Company closed a private placement for 8,000,000 units at $0.05 per unit for total proceeds of $400,000. Each unit was comprised of one common share and one-half of a full common share purchase warrant. Each full warrant is exercisable to acquire one common share at an exercise price of $0.10 and has an expiry date of April 3, 2022.

In July 2020, the Company closed a private placement in two tranches totalling 10.3 million units at a price of $0.30 per unit for gross proceeds of $3.08 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of $0.40 per share for a period of two years. On July 9, 2020, the Company closed the first tranche for 7.1 million units for gross proceeds of $2.1 million. On July 23, 2020, the Company closed the second tranche for 3.2 million units for gross proceeds of $955,000. Finders fees included $94,883 in cash and 301,877 warrants with the same terms as the underlying warrants in the private placement.

In 2020, warrants for 4.37 million common shares and stock options for 150,000 common shares were exercised for gross proceeds of $853,563, resulting in a fair value reallocation of $36,487 from reserve for share-based payments to share capital.

(Stated in Canadian dollars)

9. Share Capital (continued)

(b) Issued: (continued)

(iv) Pursuant to the escrow agreement dated April 19, 2017, 4,571,123 shares of the Company were held in escrow (the "Escrowed Shares"). On December 31, 2020, nil common shares (2019 – 685,700 common shares) were held in escrow, whereby the final 685,700 common shares were released from escrow in early May 2020.

(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, 2021 and 2020 is as follows:

	2021		2020	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	4,830,000	$0.23	3,150,000	$0.11
Granted	1,015,000	$0.30	1,930,000	$0.40
Exercised	(160,000)	$0.12	(150,000)	$0.105
Forfeitures	(220,000)	$0.35	(50,000)	$0.12
Cancelled / expired	(620,000)	$0.16	(50,000)	$0.12
Outstanding balance, end of year	4,845,000	$0.25	4,830,000	$0.23

In 2021, the weighted average share price for the stock option exercise is $0.34 (2020 – $0.495).

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2021 and 2020:

	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

	Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding at Dec 31, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at Dec 31, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
$0.12 (1)	100,000	1.12	$0.12	75,000	1.12	$0.12
$0.105 (2)	1,800,000	1.34	$0.105	1,800,000	1.34	$0.105
$0.12	1,000,000	3.50	$0.12	600,000	3.50	$0.12
$0.40	1,930,000	4.60	$0.40	386,000	4.60	$0.40
	4,830,000	3.09	$0.23	2,861,000	2.23	$0.15

(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 August 7, 2020, the Company granted stock options for 1,930,000 common shares to directors, officers, employees and a consultant with an exercise price of $0.40 and expiry date of August 7, 2025. 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)

9. Share Capital (continued)

(c) Stock option plan: (continued)

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.

During the year ended December 31, 2021, the Company recognized share-based payments of $321,969 (2020 - $445,835), 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, 2021	December 31, 2020
Directors and officers	$ 295,407	$ 380,698
Consultants	20,624	60,095
Employees	5,938	5,042
	$ 321,969	$ 445,835

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, 2021	December 31, 2020
Number of stock options granted	1,015,000	1,930,000
Fair value of stock options granted	$0.22	$0.29
Market price of shares on grant date	$0.29	$0.39
Pre-vest forfeiture rate	2.81%	6.16%
Risk-free interest rate	0.69%	0.29%
Expected dividend yield	0%	0%
Expected stock price volatility	118.31%	118.90%
Expected option life in years	3.85	3.70

Expected stock price volatility is based on the historical price volatility of the Company.

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.

(Stated in Canadian dollars)

9. Share Capital (continued)

(d) Warrants:

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)(ii)).

(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)(ii)).

(Stated in Canadian dollars)

9. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2020, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2019	Issued	Exercised	Expired	Outstanding at December 31, 2020
$0.25	October 21, 2020 [(1)]	2,551,250	-	(2,071,250)	(480,000)	-
$0.20	July 2, 2021 [(2)]	3,900,000	-	(900,000)	-	3,000,000
$0.20	June 3, 2021	-	300,000	-	-	300,000
$0.10	April 3, 2022	-	4,000,000	(1,400,000)	-	2,600,000
$0.40	July 9, 2022	-	3,538,082	-	-	3,538,082
$0.40	July 9, 2022 [(3)]	-	212,040	-	-	212,040
$0.40	July 22, 2022	-	1,591,342	-	-	1,591,342
$0.40	July 22, 2022 [(4)]	-	89,837	-	-	89,837
		6,451,250	9,731,301	(4,371,250)	(480,000)	11,331,301

(1) On October 10, 2018, the Company extended the term of the expiry period of the warrants by one year from October 21, 2018 to October 21, 2019. Then on September 23, 2019, the Company extended the term of the expiry period of the warrants by one year from October 21, 2019 to October 21, 2020.

(2) 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.

(3) 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%.

(4) 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%.

In 2021, the weighted average share price for the warrant exercise is $0.31 (2020 – $0.41).

(Stated in Canadian dollars)

10. Office and Sundry and Property Investigation

	Years ended December 31, 2021	2020
Office and Sundry:		
Insurance	$ 14,841	$ 21,079
Office and sundry	13,832	12,868
Rent	20,093	12,835
Software and systems	44,893	31,103
Telecommunications	8,042	8,734
	$ 101,701	$ 86,619
Property Investigation:		
Consulting	$ -	$ 20,000
Geology	-	1,800
Salaries	-	-
Transportation and travel	-	6,291
	$ -	$ 28,091

11. 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,		Net balance receivable (payable) as at December 31,	
	2021	2020	2021	2020
Key management compensation:				
Executive salaries and remuneration [1]	$ 459,373	$ 272,737	$ -	$ -
Directors fees	22,250	5,500	-	-
Share-based payments	295,407	380,698	-	-
Executive salaries and remuneration [1]	$ 777,030	$ 658,935	$ -	$ -
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) [2]	$ (14,671)	$ (12,418)	$ (2,538)	$ (3,272)

(Stated in Canadian dollars)

11. Related Party Transactions (continued)

(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(s) with the Company.

Note 6(a) provides further details of the acquisition of the Cervantes property from AzMet. Note 8 provides further details regarding loan with certain related parties.

The above related party transactions are incurred in the normal course of business.

12. 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, 2021				December 31, 2020			
	Canada	Mexico	USA	Total	Canada	Mexico	USA	Total
Mineral property interests	$ -	$ 3,536,330	$ 2,202,215	$ 5,738,545	$ -	$ 2,801,150	$ 1,175,385	$ 3,976,535
Equipment	3,176	-	-	3,176	3,610	-	-	3,610

13. 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:

	2021	2020
Loss for the year	$ (1,448,843)	$ (1,623,760)
Canadian statutory tax rate	27.0%	27.0%
Income tax benefit computed at statutory rates	(391,188)	(438,415)
Origination and reversal of temporary differences	282,468	34,423
Permanent differences	89,240	129,222
Under (overprovided) in prior years	18,028	
Effect of changes in tax rates	(1,398)	(1,462)
Unused tax losses and tax offsets not recognized in tax asset	2,850	276,232
	$ -	$ -

(Stated in Canadian dollars)

13. Deferred Income Taxes (continued)

(a) (continued)

Effective January 1, 2018, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 12% for a total Canadian statutory tax rate of 27%.

(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, 2021	December 31, 2020
Non-capital losses	$ 4,860,603	$ 3,836,916
Equipment	-	10,063
Resource properties	(1,114,504)	-
Share issue costs	133,844	263,008
Investments	-	50,000
Unrecognized deferred tax assets	$ 3,879,943	$ 4,159,987

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

Year	Canada	Mexico	USA	**Total**
2027	$ -	$ 15,334	$ -	$ 15,334
2028	-	28,260		28,260
2029	-	126,639		126,639
2036	183,048	-	-	183,048
2037	917,735	-	-	917,735
2038	840,296	-	-	840,296
2039	584,584	-	-	584,584
2040	1,141,020	-	-	1,141,020
2041	829,455	24,981	-	854,436
Indefinite			169,251	169,251
	$ 4,496,138	$ 195,214	$ 169,251	$ 4,860,603

14. 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.

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AZTEC MINERALS CORP.

Fourth Quarter Report

Management Discussion and Analysis

(expressed in Canadian dollars)

Years ended December 31, 2021 and 2020

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

Fourth Quarter Report

Management's Discussion and Analysis
For the Years ended December 31, 2021 and 2020
(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, 2021 and 2020 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2021 and 2020, 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 United States dollars unless otherwise indicated.

All information contained in the MD&A is as of April 28, 2022 unless otherwise indicated.

David Heyl, BSc, PGeo, Vice President (Exploration), or Bradford Cooke, PGeo, a Director of the Company, is the Qualified Person who reviewed and approved any technical information in this MD&A for 2021.

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 February 2021, the Company mobilized a field crew to conduct a soil and outcrop rock chip surface sampling program which outlined new gold-copper-molybdenum geochemical soil and rock anomalies on the Cervantes porphyry gold-copper property in Sonora, Mexico. The soil sample grid covered 518 hectares (5.18 square kilometers) with 477 samples in a 100 by 100 meter spacing, to extend its coverage over the Estrella, California, Brazil and California North targets to the western, northern, and eastern limits of the property. The outcrop rock chip sampling comprised 110 samples making the current project total 340, plus previous to 2021 the Company collected 608 channel samples and 23 stream sediment samples.

Highlights of the exploration program are as follows:

- Rock chip sampling returned assays up to 21.3 grams per tonne (gpT) gold, with ten samples running over 1 gpT Au, with anomalous results of 20-250 ppb Au occurring proximal to the strongest rock gold values.
- Soil sampling returned assays up to 3.60 gpT Au, with anomalous results of 10-70 ppb Au occurring proximal to the strongest soil gold values.

Note that rock chip samples are selective by nature and do not represent intervals of mineralization hosted on the property.

In December 2021, the Company mobilized a reverse circulation drilling program which was completed in March 2022 for 26 holes totaling 4,649 metres. The RC drill program in December started the testing at the Purisima East target, where three drill holes were completed in December 2021 totaling 581.5 metres with anomalous results and encountering mineralized quartz feldspar porphyry. Purisma East is the first of four main targets for the RC drill program, namely, California, California North, Jasper and Purisima East. Concurrently with the start of the RC drilling program 201 channel samples were collected on the roadcuts at the Purisma East. Anomalous results and mineralized quartz feldspar porphyries were encountered. The drilling at Purisma East finished with a fourth RC drill hole of 182.9 m with anomalous results and mineralized quartz feldspar porphyry in early January, 2002.

California zone drilling initiated in early January 2022 and its drill highlights are as follows:

- 1.1 grams per tonne (gpT) Au over 88.41 m in mineralized quartz feldspar porphyry including 1.56 gpT Au over 54.9 m in CAL22-001
- 1.002 gpT Au over 167.2 m in mineralized quartz feldspar porphyry, including 24.4 metres of 4.247 gpT Au in CAL22-004, located in the central part of the mineralized zone
- 0.374 gpT Au over 99.1 m in mineralized porphyries and hydrothermal breccias in CAL22-002 located at the west end of the mineralized zone
- 0.451 gpT Au over 45.7 m in mineralized porphyries in CAL22-003, including 13.7 metres of 0.868 gpT Au located at the south end of the mineralized zone
- 1.486 gpT Au over 136.8 m in mineralized quartz feldspar porphyry and hydrothermal breccias, including 51.7 metres of 3.424 gpT Au in CAL22-005, located at the southern edge of the central part of the mineralized zone
- 0.75 gpT Au over 100.3 m in mineralized porphyries and hydrothermal breccias, including 9.1 metres of 3.087 gpT Au in CAL22-006 located at the northern edge of the central portion of the mineralized zone
- 0.422 gpT Au over 63.8 m in mineralized porphyries and hydrothermal breccias in CAL22-007, located at the northern edge of the central portion of the mineralized zone
- 0.884 gpT Au over 54.7 m in mineralized quartz feldspar porphyry and hydrothermal breccias, including 13.7 metres of 1.965 gpT Au in CAL22-008, located at the southern edge of the eastern part of the mineralized zone
- 0.50 gpT Au over 86.6 m in mineralized porphyries and hydrothermal breccias in CAL22-009 located at the southern edge of the central portion of the mineralized zone
- 0.53 gpT Au over 138.3 m in mineralized porphyries and hydrothermal breccias, including 10.67 m of 1.622 gpt Au in CAL22-010, located in the central portion of the mineralized zone
- 0.43 gpT Au over 132.2 m in mineralized quartz feldspar porphyry and hydrothermal breccias in CAL22-011, including 12.2 metres of 1.29 gpT Au located at the northern edge of the central portion of the mineralized zone
- 0.87 gpT Au over 152.4 m in mineralized porphyries and hydrothermal breccias in CAL22-012 including 33.5 metres of 2.05 gpT Au located at the northern edge of the central portion of the mineralized zone
- 0.48 gpT Au over 54.9 m in mineralized porphyries and hydrothermal breccias in CAL22-014, located at the northern edge of the eastern portion of the mineralized zone

Reported lengths are apparent widths, not true widths, and the observed gold mineralization appears to be widely distributed in disseminations, fractures and veinlets within quartz-feldspar porphyry, feldspar porphyry stocks and related hydrothermal breccias. The RC drilling program successfully confirmed gold and copper mineralization and quartz feldspar porphyry at the Jasper and at the California North targets, expanding the areas for potential exploration.

To-date, every hole drilled at California has intersected near surface, oxidized gold mineralization with minor copper oxides. The primary objectives of the RC drilling exploration program were attained, including 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, tested for north and west extensions of the California mineralization at California North and Jasper, and assess the breccia potential of Purisima East.

The Company has recently completed drill hole collar surveying, QAQC evaluations on the drilling samples and analyses, field work for Drone Photogrammetry survey to create a detailed ortho-topographic base map, and Terraspec readings on the RC drill chips. The Company plans to carry out channel sampling and geologic mapping of the new drill roads at California, California Norte and Jasper, as well as to expand surface sampling and mapping on the property in general to continue the 2021 surface program.

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

- News Release dated February 23, 2021 and titled, "*Aztec Minerals – Kootenay Silver Joint Venture Commences 2021 Exploration Program on the Cervantes Porphyry Gold-Copper Property in Sonora, Mexico*".
- News Release dated August 4, 2021 and titled, "*Aztec – Kootenay JV Outlines New Gold-Copper-Molybdenum Geochemical Soil and Rock Anomalies on the Cervantes Porphyry Gold-Copper Property in Sonora, Mexico*".
- News Release dated November 4, 2021 and titled, "*Aztec - Kootenay Joint Venture Approves 22 hole, 5000 meter RC Drill Program at Cervantes Gold-Copper Project, Sonora, Mexico*".
- News Release dated December 14, 2021 and titled, "*Aztec - Kootenay Joint Venture Commences 22 hole, 5000 meter RC Drill Program at Cervantes Gold-Copper Project, Sonora, Mexico*".
- News Release dated January 26, 2022 and titled, "*Aztec – Kootenay JV Completes First 14 Holes of Phase 2 Drill Program on the Cervantes Porphyry Gold-Copper Property in Sonora, Mexico*".
- 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*".

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 the Phase 1 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 widths3.

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.

The Company is planning a Phase 3 core drill program to target deeper CRD (carbonate replacement deposits) lead-zinc-silver-copper-gold mineralization in Paleozoic limestone underlying the Tombstone property.

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".*

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 2021, Mr. Joseph Wilkins resigned as Vice President (Exploration) and Chief Geologist, and became adviser. Mr. Allen David Heyl was appointed Vice-President (Exploration) in April 2021.

(expressed in Canadian dollars)

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.

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,		
	2021	2020	2019
Total revenues	$ -	$ -	$ -
Net loss:			
(i) Total	$ (1,450,280)	$ (1,623,760)	$ (556,881)
(ii) Basic per share	$ (0.02)	$ (0.04)	$ (0.02)
(iii) Diluted per share	$ (0.02)	$ (0.04)	$ (0.02)
Total assets	$ 8,226,384	$ 6,110,829	$ 3,045,797
Total long-term liabilities	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -

1.4 Results of Operations

Fourth Quarter of Fiscal 2021 – Year ended December 31, 2021 and 2020

The Company incurred a net loss of $1.5 million for the year ended December 31, 2021, which is lower than the net loss of $1.6 million in fiscal 2020, with the former also having commensurately lower operating expenses. 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 $87,200 for 2021 were higher than $46,200 in 2020. The Company continues with its engagement of an external Mexican accounting firm to assist in financial reporting and tax compliance and representation in Mexico and to provide accounting support in which such fees were incurred, given the Cervantes project in located in Mexico and held by its Mexican subsidiary. Higher accruals for audit and tax compliance fees were recorded in the fourth quarter of 2020 given the corporate structure used to support the joint venture with Kootenay. Accounting fees were lower in the first quarter of 2021 due to allocations to the Cervantes joint venture. Part time accounting contractor was hired on a per diem basis in 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 resulting in higher expenses. In prior years, such services were rendered by in house employees. Audit fees increased for 2021.

Amortization is attributable to office furniture and equipment for its shared office facilities. Amortization was lower in the first quarter of 2021 as certain office equipment have been fully amortized in 2020 although there were acquisitions in the first quarter which resulted in slightly higher amortization in the subsequent quarters in 2021. Annually amortization was lower in 2021 than in 2020.

Employee remuneration of $414,300 in 2021 was higher than the $222,400 in 2020. Employee remuneration directly related to mineral exploration projects and corporate development were allocated to those specific activities rather than to operations. In August 2020, a non technical senior officer was hired with capital markets experience which increased remuneration in the remaining quarters of 2020 and into 2021. 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 $6,500 were lower in 2021 than the $14,600 in 2020. In the first quarter of 2020, modifications to exercise prices of stock options necessitated regulatory filings and approvals which increased legal fees. For the third quarter of 2020, such expenses were incurred for its corporate compliance for stock option grants and engagement of investor relation consultants. Nominal fees were incurred in the fourth quarter of 2020. Legal services rendered in 2021 relate to annual corporate filings and updates in domestic and foreign jurisdictions and regulatory filings and were minimal.

Office and sundry of $101,790 in 2021 (2020 - $86,600) include ancillary office support facilities for the Company's activities, and include insurance, office rent, telecommunications and software and systems support and licensing. Insurance increased due to high insurance payouts in the insurance industry resulting in higher premium renewal rates for directors and officers. Office and sundry and rent are generally more fixed than other functional expense categories. Office and sundry increased to support the active exploration programs in 2021. Rent increased due to office facility for a new senior officer who was hired in August 2020. The use of shared office facilities has allowed rent and commitments to be nominal. In mid 2020, the Company proceeded with the setup and migration of a new cloud server to support a more comprehensive and secure IT infrastructure including the associated software licensing costs. In 2021, additional security and backup features and user access controls were implemented as well as additional users, resulting in higher costs relative to prior quarters in 2020.

Project evaluation efforts involve due diligence on identifying mineral properties of merit for acquisition purposes. These costs are attributable to geological technical management review and due diligence, site visits to mineral properties in North America, reviewing technical information, addressing any legal issues associated with due diligence, and engaging consultants to provide greater capital markets exposures. Only nominal travel expenses were incurred in the first quarter of 2020 given limited cash and the economic downturn from the pandemic in the latter part of the quarter. This cost is comprised mostly of technical management review and travel. In the second quarter of 2020, the Company engaged a consultant to provide corporate development activities and to develop strategies and guidance to management to advance current projects and identify new opportunities, which continued into the third quarter. This provided the catalyst for the $3.08 million private placement which was overallotted and closed in two tranches in the third quarter in 2020. No project review was done in 2021 as the primary focus was the exploration programs for its two mineral properties with its joint venture partners.

Regulatory expenses include ongoing regulatory compliance obligations and transfer agent services and tend to be similar for comparable periods. However in 2021 regulatory expenses of $95,800 were higher than in 2020 ($59,800). The increases in the second quarters of each fiscal period were attributable to its annual and special general meetings held in June. The expenses for the first quarter of 2021 were higher than the same quarter of 2020 due to the higher market capitalization which resulted in higher sustaining fees and annual filing fees, and also due to fees for its continuous disclosures related to more active exploration programs during the year. Second quarter fees in 2021 were higher from higher annual general meeting fees. In the third quarter of 2021, the Company proceeded with its DTC eligibility in the USA to allow for greater liquidity in its stock.

Shareholder relations were for advertising and marketing activities, engagement of consultant, and participation in conferences to create awareness of the Company and its Cervantes and Tombstone projects. Shareholder relation expenses of $375,800 was lower than in 2020 ($684,800). These activities included the participation 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. Such expenses were incurred in the first quarter of 2020 for attendance at conferences to continue with its capital market exposure as the Company proceeded with an equity financing in March 2020. These activities increased in the second quarter of 2020 with more significant increases in the remaining quarters of 2020 as the Company sought greater exposure of its exploration projects as commodity prices achieved new highs. Such efforts contributed to an overallotment of its $3.08 million financing which was closed in two tranches in July 2020. Given two active joint ventures and active exploration programs for its mineral properties for 2021, the

Company continued its advertising and marketing efforts in 2021 but at comparatively reduced levels given stagnancy in the capital markets.

Share-based payments were recognized for the vesting provisions for stock options and was lower in 2021 ($322,000) than in 2020 ($445,800). No stock options were granted in the first and second quarters of 2020. In August 2020, the Company granted stock options for 1,930,000 common shares with an exercise price of $0.40 and expiry date of August 7, 2025. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter. The combination of the higher stock volatility and higher number of stock options subject to vesting provisions along with the effects from the re-pricing of the exercise prices contributed to the increase in 2020. 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. The stock option grant would increase share based payments in the second quarter of 2021 and subsequent quarters, relative to prior quarters.

Interest income (2021 - $1,900 and 2020 - $1,400) is realized from the Company's excess cash which is held in interest bearing investment savings account. As cash is expended on working capital needs and exploration programs, quarterly interest will commensurately decrease. The Company did not have any cash in interest bearing account in the first two quarters of 2020 whereas proceeds from the $3.08 million financing in July 2020 were invested to earn passive income from its premium savings account.

Finance and interest charges in the second and third quarters of 2020 are interest on such loans which bore interest at 12% per annum. The loans were repaid in July 2020.

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 dollars appreciated relative to the Canadian dollar and Mexican peso during the first quarter of 2020 resulting is higher foreign exchange losses, from US dollar transactions and its US subsidiaries. The US dollar and Mexican peso depreciated relative to the Canadian dollar during the remaining periods of 2020 in which the Canadian dollar continued to strengthen in 2021.

In the fourth quarters (2021 - $25,000 and $2020 - $15,000), the Company wrote down a portion of its value added tax receivable in Mexico as there are uncertainties related to its collectability and / or refundability. Also such write-downs are indicative of the added costs of engaging dedicated Mexican tax specialists to assist with their collectability.

As at December 31, 2021, the Company's mineral property interests are comprised of the following:

	December 31, 2021		
	Mexico	USA	
	Cervantes	Tombstone	Total
Acquisition Costs:			
Balance, December 31, 2020	$ 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, December 31, 2020	2,218,539	999,312	3,217,851
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
Contribution by joint venture partner	-	(293,869)	(293,869)
Balance, December 31, 2021	2,953,719	1,724,012	4,677,731
Mineral Property Interests:			
December 31, 2020	$ 2,801,150	$ 1,175,385	$ 3,976,535
December 31, 2021	$ 3,536,330	$ 2,202,215	$ 5,738,545

In the first quarter of 2021, the Company mobilized a field crew to conduct a soil and outcrop rock chip surface sampling program which outlined new gold-copper-molybdenum geochemical soil and rock anomalies on the Cervantes porphyry gold-copper property in Sonora, Mexico.

In March 2021, the Company acquired two patented claims amounting to 15.2 hectares (37.5 acres), increasing the overall Tombstone joint venture land package to 434.4 hectares (1,073.4 acres). In April 2021, the Company mobilized a reverse circulation drill program at Tombstone which was completed in September 2021 for 23 holes for 2,716 metres. The RC program is designed to step out and down from the Phase 1 drill patterns drilled in 2020 to expand the shallow, broad, bulk tonnage gold-silver mineralization discovered around and below the Contention pit.

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 fiscal 2021, funds of $402,000 were received for the Cervantes project and $239,300 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, 2021. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

(expressed in Canadian dollars)

	2021				2020			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss):								
(i) Total	$ (366,714)	$ (364,535)	$ (456,957)	$ (262,074)	$ (591,764)	$ (647,885)	$ (269,143)	$ (114,968)
(ii) Basic earnings (loss) per share	$ -	$ (0.01)	$ (0.01)	$ -	$ (0.01)	$ (0.01)	$ (0.01)	$ -
(iii) Diluted earnings (loss) per share	$ -	$ (0.01)	$ (0.01)	$ -	$ (0.01)	$ (0.01)	$ (0.01)	$ -
Total assets	$ 8,226,384	$ 6,359,416	$ 6,483,066	$ 6,248,454	$ 6,110,829	$ 6,293,503	$ 3,835,012	$ 3,512,611
Total long-term liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividends per share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

In April 2020, the Company closed a private placement for 8 million units at $0.05 per unit for gross proceeds of $400,000. Then in July 2020, the Company closed a private placement in two tranches totalling 10.3 million units at a price of $0.30 per unit for gross proceeds of $3.08 million.

In the third and fourth quarters of 2020, the Company implemented programs for marketing its minerals exploration projects which contributed to the closing of $3.08 million financing.

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.

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.

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

	December 31, 2021	December 31, 2020
Cash	$ 1,620,241	$ 1,919,485
Working capital	2,265,550	1,983,302

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 the first quarter of 2022, warrants for 2,480,000 common shares were exercised for proceeds of $248,000 and stock options for 500,000 common shares were exercised for proceeds of $52,500.

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, 2021. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

At December 31, 2021, 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.

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, 2021:

(expressed in Canadian dollars)

	Year ended December 31, 2021	Net balance receivable (payable) December 31, 2021
Key management compensation:		
Executive salaries and remuneration [1]	$ 459,373	$ -
Directors fees	22,250	-
Share-based payments	295,407	-
Executive salaries and remuneration [1]	$ 777,030	$ -
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) [2]	$ (14,671)	$ (2,538)

(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 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.

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.

(expressed in Canadian dollars)

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, 2021 and 2020.

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, 2021, the Company had working capital (current assets less current liabilities) of $2.27 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.

(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, 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	$ 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

Based upon the above net exposure as at December 31, 2021 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 $129,000 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.

(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

(expressed in Canadian dollars)

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, 2021 and 2020.

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 years ended December 31, 2021 are as follows:

	Number of Shares	Amount
Balance at December 31, 2020	55,771,113	$ 9,388,293
Issued:		
Private placement	5,250,392	1,436,785
Share issue expenses	-	(17,849)
Property acquisition	600,000	201,000
Exercise of warrants	3,200,000	711,400
Exercise of stock options	160,000	29,530
Balance at December 31, 2021	64,981,505	$ 11,749,159

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.

In the first quarter of 2022, warrants for 2,480,000 common shares were exercised for proceeds of $248,000 and stock options for 500,000 common shares were exercised for proceeds of $52,500.

At April 28, 2022, there were 67,961,505 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.

(expressed in Canadian dollars)

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

	2021	
	Number of Shares	Weighted average exercise price
Outstanding balance, beginning of year	4,830,000	$0.23
Granted	1,015,000	$0.30
Exercised	(160,000)	$0.12
Forfeitures	(220,000)	$0.35
Cancelled / expired	(620,000)	$0.16
Outstanding balance, end of year	4,845,000	$0.25

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.

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.

At April 28, 2022, stock options for 6,120,000 common shares remain outstanding of which 3,888,000 stock options are exercisable.

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 $99,974 as determined by the excess private placement price over the market price of the common share on closing date.

(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 $38,359 as determined by the excess private placement price over the market price of the common share on closing date.

In October and November 2021, the Company issued the following warrants pursuant to a private placement which closed in two tranches:
- 3,332,453 warrants with exercise price of $0.40 and expiry date of October 29, 2023;
- 1,917,939 warrants with exercise price of $0.40 and expiry date of November 17, 2023; and
- 980 finders fee warrants exercise price of $0.40 and expiry date of October 29, 2023.

At April 28, 2022, warrants for 10,682,673 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, 2021, the Company has 64,981,505 common shares, 4,845,000 stock options and 13,162,673 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, 2021, dilutive securities represented approximately 27.7% of the Company's issued shares.