REGENCY SILVER CORP.
(the “Company”)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

The following Management’s Discussion and Analysis, prepared as of April 29, 2022 should be read together with the consolidated financial statements for the year ended December 31, 2021 and the related notes attached thereto. Accordingly, the consolidated financial statements and MD&A include the results of operations and cash flows for the year ended December 31, 2021 and the reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in Canadian dollars.

Unless otherwise stated, financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

Management’s Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between profit or loss and cash flows from operating activities can be found in the statement of cash flows.

Certain statements contained in this management discussion and analysis may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of the Company's prospects, political and economic conditions, commodity prices and other factors.

Description of Business

Regency Silver Corp. (the “Company’) was incorporated on March 23, 2017 pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company’s business objective is the identification, evaluation acquisition and exploration of mineral properties. The head office and the registered office of the Company is located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1. The Company has two wholly owned subsidiaries, Regency Silver S.A. de C.V. which was incorporated pursuant to the laws of Mexico on October 26, 2017 and Regency Mining SAC which was incorporated pursuant to the laws of Peru on April 10, 2018.

On March 16, 2022, the Company filed its amended and restated initial public offering (“IPO”) of up to 12,000,000 common shares at a price of $0.25 per common share for gross proceeds of up to $3,000,000. On April 26, 2022, the Company closed its IPO of 13,019,300 common shares, of which 1,019,300 Shares were sold pursuant to an over-allotment option, at a price of $0.25 per common share for gross proceeds of $3,254,825. As part of the IPO, the Company has entered into an engagement letter with a national brokerage house (the “Agent”). On the closing of the IPO, the Company:

- issued Agent’s Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent’s Warrant will entitle the Agent to purchase one Agent’s Warrant Share at an exercise price equal to $0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised during a term of 24 months commencing on the Closing Date;

- paid a cash commission equal to 8% of the gross proceeds raised;
- paid the Agent a Corporate Finance Fee of $30,000 (plus GST) in cash, $15,000 of which has been paid and $15,000 (plus GST) was paid on the closing date of the IPO; and
- paid $93,130 in Agent expenses relating to the IPO.

Exploration and Evaluation Assets

A continuity of the Company's exploration and evaluation assets is as follows:

	Dios Padre	El Tule		Total Expenditures
	$	$		$
Balance, December 31, 2019	**773,845**	**152,368**		**926,213**
Acquisition cost	34,468	61,663		96,131
Assaying	5,483	-		5,483
Consulting and professional fees	52,573	9,952		62,525
Geologist fees	8,883	-		8,883
Property taxes and payments	33,687	18,217		51,904
Other payments	4,040	-		4,040
Balance, December 31, 2020	**912,979**	**242,200**		**1,155,179**
Acquisition cost	38,191	52,233		90,424
Consulting and professional fees	30,218	763		30,981
Property taxes and payments	24,297	8,126		32,423
Impairment of exploration and evaluation assets	-	(303,125)		(303,125)
Balance, December 31, 2021	**1,005,685**	**197**	**-**	**1,005,882**

Dios Padre Property, Mexico

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US$145,000 plus Value-Added Tax ("VAT") as follows:

- US$25,000 on the date of signing (paid);
- US$30,000 on or before November 27, 2018 (paid);
- US$30,000 on or before November 27, 2019 (paid);
- US$30,000 on or before November 27, 2020 (paid); and
- US$30,000 on or before November 27, 2021 (paid).

2. incurring aggregate exploration expenditures of not less than US$1,000,000 as follows:

- US$250,000 on or before November 27, 2018; (incurred)
- US$500,000 on or before November 27, 2021 (extended – see disclosure below);
- US$250,000 on or before April 30, 2022 (extended – see disclosure below).

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to advance minimum royalty payments of US$100,000 due January 1st of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the "**Extension Agreement**") wherein Minera Pena granted Regency Mexico an extension until November 27, 2020, for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021, October 12, 2021, and February 15, 2022 (collectively, the "Amended Extension Agreements") wherein Minera Pena granted Regency Mexico an extension until June 30, 2022, for the expenditure of the balance of US$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US$250,000 in exploration expenditures due by February 28, 2022, was extended until April 30, 2023. As consideration for the extensions, the Company has agreed to pay the sum of US$20,000 to Minera Pena on the earlier of the date which is 10 days from the listing of the Company's shares on any recognized exchange in Canada or June 30, 2022.

<u>Ejido La Trinidad Agreement</u>

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido "La Trinidad" on November 29, 2017 requiring the Company to make annual payments of US$6,000 and minor improvement costs. During the year ended December 31, 2021, the Ejido La Trinidad Agreement has expired and no further amendments were made.

El Tule Property, Mexico

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the "Armenta Agreement") to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US$600,000 whereby US$100,000 will be paid within the first four months, US$400,000 will be paid over 4 years (in 6-month increments) and US$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

The Armenta Agreement also calls for a bonus payment of US$1,000,000 on delivery of a NI 43-101 report which identifies one million ounces of gold on the property. Pursuant to the Armenta Agreement, in the event that the shares of the Company get listed on a stock exchange, the Company may issue common shares for payments in an amount totaling US$200,000.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US$25,000 to keep the Armenta Agreement in good standing.

On December 14, 2020, August 14, 2020, and April 5, 2021, the Armenta Agreement was amended and the payments were changed to US$604,000 as follows:

- US$20,000 paid to date;
- US$6,000 per month for the months of December 2020 to June 2021 (paid);
- US$42,000 by July 14, 2021; and
- US$50,000 by October 14, 2021 and every 6 months thereafter until a total of US$400,000 has been paid and a final payment of US$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement. Mr. Carrillo Armenta has disputed force majeure. The Company will seek to negotiate a resolution to this issue after completion of the Offering. The Company plans to make the payment of US$42,000 which was due by July 14, 2021 and the payments of US$150,000 due by October 14, 2022, from the proceeds of the Offering. It also plans to expend US$100,000 on a first phase mapping and sampling program. In the event Mr. Carrillo Armenta commences legal action to have the Armenta Agreement cancelled, the Company will defend such action.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

During the year ended December 31, 2021, the Company recorded an impairment of $303,125 on the El Tule Property.

La Libertad Project, Peru

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines.

Going Concern

These consolidated financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficit at December 31, 2021 of $432,936 (December 31, 2020 – $204,684) and an accumulated deficit of $4,143,189 (December 31, 2020 - $3,036,115). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

Selected Annual Information

The following table provides a summary of the Company's financial operations for the three most recently completed financial years:

	2021	**2020**	**2019**
	$	**$**	**$**
Net loss for the year	(1,107,074)	(761,652)	(1,766,425)
Basic and diluted loss per share	(0.02)	(0.02)	(0.09)
Total assets	1,094,852	1,229,672	945,967
Total long-term liabilities	-	-	-

The Company's net loss increased significantly from $761,652 in 2020 to $1,107,074 in 2021. The primary reason for the increase is due to an impairment of $303,125 taken on the El Tule property. The Company's net loss decreased significantly from $1,766,425 in 2019 to $761,652 in 2020. The primary reason for the decrease is due to the recognition of $1,542,325 in non-cash share-based payments in 2019.

The Company's assets have increased since 2019 due to amounts spent on exploration and evaluation assets as well as funds received on the issuance of shares.

This information has been prepared in accordance with IFRS and is presented in Canadian dollars, which is the functional currency of the Company. For more detailed information please refer to the Company's financial statements.

Summary of Quarterly Results

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

For the three months ended:	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Total assets:	1,094,852	1,445,429	1,357,372	1,388,078
Working capital (deficiency)	(432,936)	(153,195)	(143,244)	(130,312)
Loss for the period	(582,425)	(157,292)	(196,150)	(171,207)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

For the three months ended:	December 31, 2020 $	September 30, 2020 $	June 30, 2020 $	March 31, 2020 $
Total assets:	1,229,672	1,195,589	1,352,552	1,034,217
Working capital deficiency	(204,684)	28,659	(32,681)	(322,136)
Loss for the period	(210,947)	(359,956)	(124,098)	(66,651)
Loss per share	(0.00)	(0.00)	(0.01)	(0.01)

The quarterly trend in total assets and working capital is primarily driven by movements in cash balance related to the Company's financing activities and spending on corporate costs and exploration programs. The quarterly trend in loss for the period and loss per share is primarily driven by the Company's corporate costs. The Company's net loss increased during the three months ended December 31, 2021 due to an impairment of $303,125 taken on the El Tule property. There was an increase in net loss during the three months ended September 30, 2020 due to additional legal fees. The Company's total assets have remained consistent and within expectations as the Company continued to spend on it's mineral properties and closed private placements.

Fourth Quarter Information

Loss in the fourth quarter ended December 31, 2021 increased due to increased professional fees incurred in conjunction with the Company's go public process as well as an impairment charge against the Company's exploration and evaluation assets. Expenses consisted mostly of professional fees and consulting fees. All other balances remained relatively consistent. The Company's working capital deficit increased proportionately with the increase in net loss for the period.

Liquidity, Capital Resources and Going Concern

The Company does not generate sufficient cash from operations. The Company finances its activities by raising equity capital from private placements. The Company may encounter difficulty sourcing future financing.

The Company had cash of $1,478 at December 31, 2021 (2020 - $12,798) and the Company had a working capital deficit of $432,936 at December 31, 2021 (2020 – $204,684).

The Company has no commitments for capital expenditures other than those already disclosed under *"Exploration and Evaluation Assets"*.

The Company defines the capital that it manages as its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Please also refer to *"Going Concern"* for further discussion on the availability of capital resources.

Results of Operations

Net Loss

For the year ended December 31, 2021, the Company incurred a loss of $1,107,074 compared to a loss of $761,652 for the comparative year. The primary reason for the increase is due to an impairment charge on the Company's El Tule Property. Remaining items contributing to the loss for the year include professional fees of $328,792 (2020 - $284,488), management fees of $237,446 (2020 - $202,247), and office expenditures of $135,792 (2020 - $128,977).

Exploration and Evaluation Assets

During the year ended December 31, 2021, the Company incurred $92,706 (2021 - $139,134) on its Dios Padre project in Mexico. Notable items included in amounts spent during the year include the following:

- Consulting and professional fees of $30,218 in 2021 (2020 - $52,573); and
- Acquisition costs of $38,191 in 2021 (2020 - $34,468).

During the year ended December 31, 2021, the Company incurred $61,122 (2020 - $89,832) on its El Tule project in Mexico, which consisted primarily of acquisition costs of $52,233 (2020 – $61,663). The Company recorded an impairment of $303,125 on its El Tule Property.

Please refer to the table in "*Exploration and Evaluation Assets"* for further information on amounts spent and project status on the Company's mineral property interests.

Cash Flows

As at December 31, 2021, the Company had cash outflows of $637,017 from operating activities compared to $622,921 as at December 31, 2020.

In addition to the Company's accumulated deficit and working capital position, the Company has not generated revenues and does not anticipate generating revenues in the near future to meet its operating and administrative expenses. These circumstances may cast significant doubt on the validity of the going concern assumption.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of investigating new potential properties and exploration work on those potential properties, the Company will require additional financing through debt or equity issuances or other available means.

Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

The Company's consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.
Cash used in operating activities is primarily driven by professional and consulting fees, which have increased over the prior year periods due the acquisition of the Dios Padre Property.

Cash from financing activities has been generated via issuances of common shares.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at the date of this MD&A.

Investor Relations

The Company has no investor relations agreements in place as at the date of this MD&A.

Proposed Transactions

There are no proposed transactions as at the date of this MD&A.

Related Party Transactions

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the year ended December 31, 2021	December 31, 2020
Management and director compensation:		
Management fees		
Bruce Bragagnolo	$ 130,000	$ 105,000
Gijsbert Groenewegen	106,000	72,000
Mathew Lee	30,000	19,900
Total management fees	266,000	196,900
Consulting fees - Michael Thomson	30,000	15,000
Total management and director compensation	$ 296,000	$ 211,900

Included in accounts payable and accrued liabilities is $77,346 (2020 - $29,367) owed to the directors and officers of the Company. These amounts are non-interest bearing with no specific terms of repayment.

During the year ended December 31, 2021, the Company did not issue common shares to officers or directors of the Company.

During the year ended December 31, 2020, the Company:

i) issued 250,000 common shares with a value of $0.10 per share as a signing bonus to a newly appointed officer. A balance of $25,000 was recorded as share-based payments expense;

ii) issued 1,000,000 common shares to a director of the Company at a value of $0.10 per share and received proceeds of $100. A balance of $99,900 was recorded as share-based payments expense. The Company received proceeds based on $0.0001 per common share and recorded the difference between $0.0001 per common share and the fair value of $0.10 per common share as share-based payments expense; and

iii) issued 1,000,000 common shares at a value of $0.05 per share for gross proceeds of $50,000 to key management personnel pursuant to the private placement.

Share Capital Highlights

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

Since incorporation, the Company's capital resources have been limited. The Company has had to rely upon the sale of equity securities for the cash required for property acquisition payments, office and miscellaneous expenses and accounting, audit and legal fees, among other expenses.

During the year ended December 31, 2021, the Company issued a total of 5,782,167 common shares as follows:

- In January 2021, the Company closed a private placement through the issuance of 1,500,000 units at $0.10 per unit for total proceeds of $150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.30 per warrant in the first year, and $0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. In connection with the private placement, the Company paid $15,000 in share issuance costs.

- In January 2021, the Company closed a private placement through the issuance of 800,000 common shares at $0.10 per common share for gross proceeds of $80,000.

- In March 2021, the Company closed a private placement through the issuance of 680,000 common shares at $0.15 per common share for gross proceeds of $102,000.

- In April 2021, the Company closed a private placement through the issuance of 729,500 common shares at $0.15 per common share for total proceeds of $109,425.

- In May 2021, the Company closed a private placement through the issuance of 816,000 common shares at $0.15 per common share for total proceeds of $122,400.

- In August 2021, the Company closed a private placement through the issuance of 600,000 common shares at $0.15 per common share for total proceeds of $90,000. The Company paid a finder's fee of $6,000 in connection with the private placement.

- In September 2021, the Company closed a private placement through the issuance of 656,667 common shares at $0.15 per common share for total proceeds of $98,500. The Company paid a finder's fee of $1,800 in connection with the private placement.

During the year ended December 31, 2020, the Company issued a total of 12,095,000 common shares as follows:

- In January 2020, the Company closed a private placement through the issuance of 1,500,000 units at a price of $0.10 per share for gross proceeds of $150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 per warrant, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.

- In May 2020, the Company issued 1,000,000 common shares to principals at a value of $0.10 per share and received proceeds of $100. A balance of $99,900 was recorded as share-based payments expense. The Company received proceeds based on $0.0001 per common share and recorded the difference between $0.0001 per common share and the fair value of $0.10 per common share as share-based payments expense.

- In May 2020, the Company closed private placements through the issuance of 1,000,000 common shares at a value of $0.05 per share for gross proceeds of $50,000 and 250,000 common shares at a value of $0.10 per share for gross proceeds of $25,000.

- In June 2020, the Company closed a private placement through the issuance of 3,795,000 common shares at a value of $0.10 per share for gross proceeds of $379,500. The Chairman and the CEO of the Company assigned $150,000 in amounts owed for outstanding management fees. These amounts were satisfied by the issuance of 1,500,000 common shares to the assignees at a price of $0.10 per share, which has been included in the June 2020 share issuance.

- In June 2020, the Company issued 2,000,000 common shares, pursuant to a brokered financing, at a value of $0.10 per share for gross proceeds of $200,000. In connection with the financing, the Company paid $23,950 in cash finders fees and other share issuance costs and issued 140,000 brokers warrants with a fair value of $7,379. Each broker warrant entitles the holder to purchase one common share at a price of $0.10 for a period of 24 months from the date of issuance.

- In July 2020 the Company closed a private placement through the issuance of 1,000,000 common shares at a value of $0.10 per share for gross proceeds of $100,000.

- In July 2020, the Company issued 250,000 common shares with a value of $0.10 per share as a signing bonus to a newly appointed officer. A balance of $25,000 was recorded as share-based payments expense.

- In August 2020, the Company closed a private placement through the issuance of 500,000 common shares at a value of $0.10 per share for gross proceeds of $50,000.

- In November 2020, the Company closed a private placement through the issuance of 100,000 common shares at a value of $0.10 per share for gross proceeds of $10,000.

- In December 2020, the Company closed a private placement through the issuance of 700,000 common shares at a value of $0.10 per share for gross proceeds of $70,000.

Outstanding Share Information

As of the date of this MD&A, the Company had 62,672,668 shares, and 4,181,544 warrants outstanding.

Changes in Accounting Policies and Initial Adoption

The Company did not adopt any new accounting polices during the period.

Critical Accounting Estimates

The critical accounting estimates used by the Company are described in the audited consolidated financial statements for the year ended December 31, 2021.

Financial Instruments and Risks

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and transactions are conducted in the US dollar.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

Fair value measurement

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable and accounts payable and accrued liabilities at amortized cost. Cash is measured using level 1 inputs.

Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company and its Board of Directors will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged.

Risk Factors

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the Company's Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus.

The possible sale of common shares released from escrow on each release date could negatively affect the market price of the Company's common shares and also result in an excess of sellers of common shares to buyers of common shares and seriously affect the liquidity of the common shares.

No Ongoing Operations and No Production History

The Company is a mineral exploration company and has no operations or revenue.

Limited Operating History

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Company's properties. There is no assurance that the Company will ever discover any economic quantities of mineral reserves.

Negative Operating Cash Flow

Since inception, the Company has had negative operating cash flow. The Company has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration programs on the properties and administrative costs. The Company cannot predict when it will reach positive operating cash flow.

Requirement for Further Financing

The Company has limited financial resources and may need to raise additional funds to carry out exploration of its properties. There is no assurance the Company will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Company. If the Company's exploration programs are successful and favourable exploration results are obtained, the properties may be developed into commercial production. The Company may require additional funds to place the properties into production. The only sources of future funds presently available to the Company are the sale of equity capital, debt, or offering of interests in its properties to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company's properties to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company and could cause the Company to forfeit its interest in its properties and reduce or terminate its operations. The proceeds from the Offering will be used to carry out the exploration programs recommended by the 43-101 Technical Reports. Additional funds will be required should the Company decide to carry out additional work programs. There is no assurance the Company will be able to raise additional funds.

Exploration

At present, there are no bodies of ore, known or inferred, on the properties and there are no known bodies of commercially recoverable ore on the properties. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore on the properties.

Development

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Company's properties are at the early exploration stage.

Title to Properties

The Company does not own the mineral rights pertaining to all of its properties, rather it, through its Mexican Subsidiary, holds an option to acquire the mineral rights and title to such properties. Upon such options being exercised, title to such properties will be held through the Issuer's foreign subsidiaries. There is no guarantee the Company will be able to raise sufficient funding in the future to explore and develop its properties so as to maintain its interests therein. If the Company loses or abandons its interest in the properties, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. The Peruvian Subsidiary holds title to its properties.

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated its title to the properties, for which it holds exploration licenses or exploration license applications, and the Company is satisfied with its review of the title to the properties, the Company cannot give an assurance that title to the properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance on the properties. A successful claim that the Company does not have title could cause the Company to lose its rights to the properties, perhaps without compensation for its prior expenditures relating to the properties.

The Dios Padre property may be subject to an underlying 2.5% net smelter return royalty in favour of third parties. The Company is reviewing the status of the underlying royalty to determine its validity and impact on the royalty in favour of Minera Pena Blanca. In the event the underlying royalty is valid, the Company may not be able to exercise its right to purchase 2% of the royalty in favour of Minera Pena Blanca. The Dios Padre Property is also subject to advance minimum royalty payments of US$100,000 due January 1st of each year, payable by Minera Pena to the third parties.

The Company is currently in default of the terms of the Amended Armenta Agreements with respect to the El Tule Property as it was unable to make the payment of US$42,000 which was due by July 14, 2021. Due to a lack of access to the El Tule Property due to COVID-19, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement. Mr. Armenta has disputed force majeure. The Armenta Agreement includes a notice and cure provision which provides that if either party defaults in the performance of any of its obligations under the Armenta Agreement, the party affected by such breach may notify the breaching party and the breaching party shall remedy such breach within 30 business days following receipt of such notice. The Company has not received formal notice of the payment default. The Company will seek to negotiate a resolution to this issue after completion of the Offering. In the event that the Company receives notice of default and such default is not cured within 30 business days, Mr. Armenta may commence legal action to terminate the Armenta Agreement and the Company may lose its interest in the El Tule Property.

Surface Rights

The Company does not own the surface rights to the properties. 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 properties 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.

Management

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

Requirement for Permits and Licenses

The Company has obtained certain licenses and permits from applicable authorities and is pending receipt of approval of certain licenses and permits. Further, the Company will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the properties, and the Company believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and licenses will be required should the Company proceed beyond exploration. There can be no guarantee that the Company will be able to obtain such licenses and permits.

Environmental Risks and other Regulatory Requirements

The current or future operations of the Company, including the exploration activities and commencement of production on the properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Company may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any exploration and development project which the Company might undertake.

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 and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

Uninsurable Risks

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against environmental risks.

Competition

Significant and increasing competition exists for mineral opportunities in Mexico. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Company.

The Company may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration programs will yield any reserves or result in any commercial mineral operations.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

Conflicts of Interest

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

The Company and one of its directors are named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia under Civil Claim number S1913530. The legal proceeding claims damages. The Company and the director have filed a Response to the claim. A trial date has been set for April of 2023.

Apart from the above there are no legal proceedings outstanding, threatened or pending as of the date of this MD&A by or against the Company or to which it is party or its business or any of its assets are the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

No Cash Dividends

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

Ore Reserves and Reserve Estimates

The Company's business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

Fluctuating Mineral Prices

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the Company's control may affect the marketability of any minerals discovered. The prices of base and precious metals have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the Company's control. The market price of metals and minerals is volatile and cannot be controlled by the Company. Metal prices have fluctuated widely, particularly in recent years. Factors beyond the control of the Company may affect the marketability of minerals or concentrates produced, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

Share Price Volatility

The Company has applied to list its common shares on the Exchange. In the event of such listing, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward mining sector stocks, may have a significant impact on the market price of the common shares. Global stock markets, including the Exchange, have experienced extreme price and volume fluctuations from time to time. The same applies to companies in the mining sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Increased Costs of Being Publicly Traded

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

Approval

The board of directors of the Company approved the disclosure contained in this MD&A on April 29, 2022. A copy of this MD&A will be provided to anyone who requests it.