



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

**Management Discussion and Analysis  
For the Year Ended December 31, 2021**

**Dated: April 14, 2022**

410-325 Howe Street  
Vancouver, British Columbia, Canada  
V6C 1Z7

## **INTRODUCTION**

This is Management's Discussion and Analysis ("MD&A") for Reyna Gold Corp. ("Reyna Gold" or the "Company") and has been prepared based on information known to management as of April 14, 2022.

The MD&A is intended to complement and supplement the Company's consolidated financial statements, but it does not form part of those consolidated financial statements. The MD&A should be read in conjunction with the audited consolidated financial statements and the related notes for the years ended December 31, 2021 and 2020 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included in those financial statements and/or this MD&A are quoted in Canadian dollars unless otherwise specified.

Reyna Gold recognizes environmental, social and governance ("ESG") best practices as key components to a responsible mineral exploration and mining sector. The Company's exploration programs are conducted to meet or exceed environmental regulations, while respecting the communities and environments in which we operate. Reyna Gold strives to earn its social license wherever it is active, endeavoring to meet regularly with local communities, regulators and other concerned parties before, and during, exploration work to understand issues important to local and Indigenous communities. Reyna Gold's approach is based on transparency, open communication, inclusivity and respect, to better enable social and economic benefit for communities as well as value for investors.

## **FORWARD LOOKING STATEMENTS**

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

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

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

## **ADDITIONAL INFORMATION**

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

## **SUMMARY AND OUTLOOK**

Reyna Gold's principal business is the acquisition, exploration and development of resource properties for the mining of precious or base metals with a focus in Mexico. The Company's key objective is to advance

exploration at the La Gloria Project with the objective of determining whether the property contains commercially exploitable deposits of precious or base metals.

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

On January 11, 2022, the Company completed its initial public listing (“IPO”) on the TSX Venture Exchange (the “Exchange”) and began trading under the symbol “REYG”.

As part of the IPO, the Company completed the following private placements:

- On February 1, 2021, the Company closed a non-brokered private placement of 7,300,000 common shares at a price of \$0.05 per share for gross proceeds of \$365,000.
- On February 5, 2021, the Company closed a non-brokered private placement of 15,120,658 common shares at a price of \$0.12 per share for gross proceeds of \$1,814,479.
- On March 12, 2021, the Company closed a non-brokered private placement of 7,591,665 common shares at a price of \$0.12 per share for gross proceeds of \$911,000.
- On May 28, 2021, the Company closed a non-brokered private placement of 733,333 common shares at a price of \$0.12 per share for gross proceeds of \$88,000.
- On September 3, 2021, the Company closed the first tranche of the non-brokered subscription receipt financing of 23,357,543 subscription receipts (“Subscription Receipts”) at a price of \$0.40 per Subscription Receipt for gross proceeds of \$9,343,017. In connection with the first tranche, the Company paid \$443,116 cash finder’s fee, issued 438,536 shares at \$0.40 per share and issued 1,546,325 finder’s warrants. Each finder’s warrant is exercisable at \$0.40 until September 3, 2023.
- On September 10, 2021, the Company closed the second tranche of 2,355,912 Subscription Receipts for gross proceeds of \$942,365. In connection with the second tranche, the Company paid \$39,270 cash finder’s fee, issued 14,238 shares at \$0.40 per share and issued 112,413 finder’s warrants. Each finder’s warrant is exercisable at \$0.40 until September 10, 2023.
- On September 15, 2021, the Company closed the third tranche of 471,335 Subscription Receipts for gross proceeds of \$188,534. In connection of the third tranche, the Company paid \$2,506 cash finder’s fee and issued 6,265 finder’s warrants. Each finder’s warrant is exercisable at \$0.40 until September 15, 2023.
- On December 14, 2021, the Subscription Receipts were converted into units (“Units”). Each Unit consisted of one common share and one-half of one warrant. Each full warrant is exercisable at \$0.65 for a period of 24 months expiring on December 14, 2023.

The gross proceeds of the financings are used for the Company’s working capital, general corporate expenses and to undertake further early stage exploration in the properties in Mexico.

In addition, during the year ended December 31, 2021, the Company issued 4,500,000 common shares pursuant to the acquisition of Minera Reyna Dorada S.A. de C.V.; 2,040,000 common shares pursuant to exploration and evaluation asset agreement; 300,000 common shares for management signing bonus; and 1,033,000 common shares in lieu of services rendered.

For the 2022 fiscal year, the Company continues to monitor its cash very closely and focuses on key objectives to improve shareholder value.

On April 13, 2022, the Company announced that Peter Jones joined the Board of Directors.

Additional Mineral Property information, including 2021 activity, can be found in Section 3 and more detailed Mineral Property information can be found on the Company's website at <https://reynagold.com/>.

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

- ❑ The Company focuses its objective to advance exploration at its properties with potential for commercially exploitable deposits of precious or base metals;
- ❑ The Company's exploration team has an exceptional track record of discoveries; and
- ❑ The Company is well funded.

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## **1. Background**

Reyna Gold was incorporated in British Columbia, Canada, on October 10, 2017 under the *Business Corporations Act of British Columbia*. The Company changed its name from “R1 Capital Corp.” to “Reyna Gold Corp.” on January 28, 2021 and began trading on the Exchange on January 11, 2022 under the symbol “REYG”. On March 15, 2022, the Company began trading on the OTCQB Market Exchange in the United States under the symbol “REYGF”.

## **2. Overview**

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

Reyna Gold’s principal business is the acquisition, exploration and development of resource properties for the mining of precious or base metals with a focus in Mexico. The Company’s key objective is to advance exploration at the La Gloria Project with the objective of determining whether the property contains commercially exploitable deposits of precious or base metals.

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

Steve Robertson, BSc., P.Geo, is the Qualified Person as defined under National Instrument 43-101 responsible for the technical disclosure in this document. Mr. Robertson is a director of the Company.

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

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

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

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

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

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

## **3. Mineral Properties**

The Company’s mineral properties are in Mexico.

### 3(a) Mexico

#### i. La Gloria Property

On September 2, 2020, under the terms of the option agreement, the Company could earn 100% interest in the La Gloria (DASA) property by paying US\$1,200,000 over a 4-year period:

Date	Payment	
September 2, 2020	US\$30,000	(paid prior to January 11, 2021)
March 2, 2021	US\$60,000	(paid)
September 2, 2021	US\$50,000	(paid)
March 2, 2022	US\$60,000	(paid)
September 2, 2022	US\$70,000	
March 2, 2023	US\$120,000	
September 2, 2023	US\$180,000	
March 2, 2024	US\$200,000	
September 2, 2024	US\$430,000	

The original property owner has a 2.5% NSR on the property, 1% of which can be bought for US\$1,500,000 within 6 months of Commercial Production having started, 1% of which can be bought for US\$1,500,000 within 18 months from the start of Commercial Production and the other 0.5% can be bought for US\$1,000,000 within 36 months from the start of Commercial Production.

On April 28, 2021, the Company entered into an agreement whereby it acquired exclusive access to the La Gloria (Canasta-Dorada) Property for a period of twelve months in exchange for US\$30,000 (paid) and the issuance of 40,000 common shares (issued; Note 6(b)). During this time, the Company and the owner of the property intend to apply to the Mexican Mining Bureau for the revocation of the cancellation of certain claims.

If required, the Company has the option to extend the twelve-month period by an additional 180 days by paying an additional US\$30,000 and issuing an additional 60,000 common shares.

The Company also retains the option to enter into a definitive assignment agreement with the owner of the claims to earn a 100% interest in the property in exchange for a maximum of US\$100,000 and the issuance of up to a maximum of 250,000 common shares. Should the Company enter into the definitive assignment agreement they will be responsible for the mining taxes owed on the claims in the amount of 59,459,228 Mexican pesos (approximately \$3.7 million).

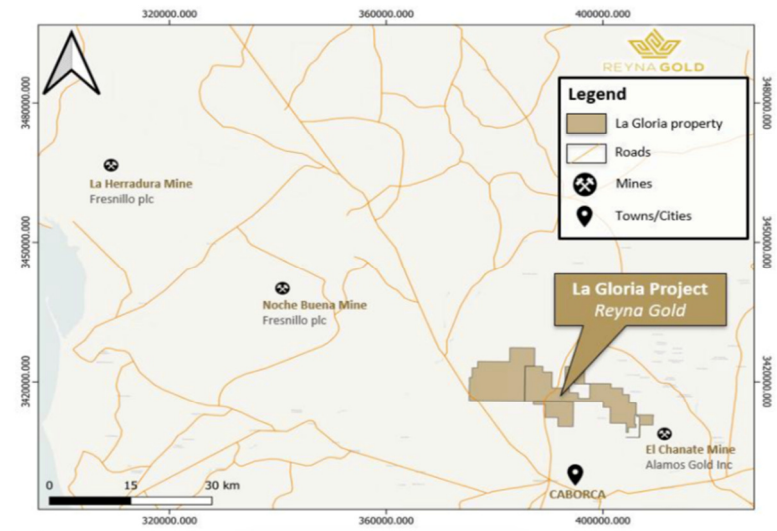
The owner will retain a 2.0% net smelter returns royalty on the property, of which each 1.0% can be purchased by the Company at any time for US\$1,000,000.

The La Gloria project, which consists of 7 mining claims covering 24,215.19 hectares in the Sierra La Gloria, about 20 km north of the town of Caborca, in northwestern Sonora, Mexico. Several gold prospects have been identified on the project area. Past operators of the project focused exploration efforts on the Los Basureros claims (Big Pit, Pique Viejo, and Dry Placers areas), as well as at the La Republicana, Alamo Muerto-Canasta Dorada, and La Quinta areas.

Northwestern Sonora is host to several important gold deposits of the Sonora-Mojave Megashield, including the La Herradura, Noche Buena, La Choya, and El Chanate mines. In particular, La Herradura

and El Chanate, which lie west and east of the La Gloria project, together account for 11 million ounces of gold. These gold deposits are characterized as orogenic types, formed in sheared host rocks of variable composition.

Historical exploration collected by High Desert Gold and HighVista Gold from 2006 to 2013 included rock-chip, stream-sediment, silt, and soil geochemical sampling; a self-potential geophysical study; detailed geological mapping in the Los Basureros claim area, and drilling. Drilling consisted of 32 core holes totaling 5,011.1 m in the Big Pit and Pique Viejo areas, and 86 reverse-circulation holes totaling 8,110.4 m divided between the Basureros claims areas, La Republicana, Alamo Muerto-Canasta Dorada, and La Quinta areas.



On January 9, 2022, the Company released multiple high-grade gold sample results from its continuing surface and trench sampling program, focused on multiple targets at its 24,215-hectare La Gloria property in Sonora, Mexico. Results of 1,252 samples have been received with the initial focus on the Main zone area, where drilling would commence in February 2022.

Highlights -- Main zone:

- 93.9 grams per tonne and 36.2 g/t gold samples at Pique Viejo, Main zone;
- 46.1 g/t, 24.4 g/t and 20.1 g/t gold samples in Big pit, Main zone;
- 555 samples out of 713 (78 per cent) at Big pit, Main zone, greater than 0.1 g/t gold;
- 23 samples greater than 5.0 g/t gold at Big pit, Main zone.

Other highlights:

- 20.1 g/t gold sample at Las Quintas;
- 15.9 g/t, 13.3 g/t and 11.1 g/t gold samples at Las Quintas West;
- 13.6 g/t gold sample at San Pedro and 9.3 g/t gold sample at Alamo Muerto.

Reyna Gold received drill permits for its La Gloria property and commenced its initial drill program at Big pit, Main zone, and Pique Viejo, Main zone, in February 2022.

On February 10, 2022, the Company announced that the 10,000 metre drill program had commenced, starting with phase 1 drilling at La Gloria with the first 22 holes, approximately 3,000 metres. Over 20,000 metres of drill targets have already been identified by the geological team at Main zone, El Sombrero, Las Quintas, Las Quintas West and San Pedro targets. The intention of the Company is to confirm additional targets pending continuing geochemical sampling, geological mapping and initial drill results.



Drilling started at the Shear zone at Big pit within the Main zone with six planned holes, then would move down to Pique Viejo for three holes focused on the steep-dipping high-grade quartz veining recently identified in sampling, including drilling a steeply dipping vein where a channel sample returned 93.9 grams per tonne gold. The drill rig would then move to the Placeres Main zone for an additional three holes, with the aim of drilling a series of mineralized structures along a strike length northwest, with a trend toward the Big pit target area, before moving to El Sombrero for 10 holes to target at depth the high-grade mineralized structures. The intention is by the end of the initial 3,000 metres of drilling, the Company would immediately move into the next stage of this 10,000 metres drilling at La Gloria.

On April 13, 2022, the Company released multiple high-grade gold, copper and silver channel and dump sample results from the El Sombrero target on its La Gloria property.

Reyna Gold has started drilling at El Sombrero and expanded the number of planned holes from an initial 10 to now 22 holes in the El Sombrero target as part of its ongoing 10,000-meter drill program, which now comprises of a total of 36 holes.

#### El Sombrero Sample Highlights

- Sample 240835 - 8.68 grams per tonne (g/t) Gold, 0.56% Copper, 64 g/t Silver, 0.42% Lead and 0.1% Zinc
- Sample 240841 - 8.17 g/t Gold, 0.34% Copper, 49 g/t Silver and 0.12% Lead
- Sample 240803 - 2.84 g/t Gold, 36 g/t Silver, 0.35% Lead, 0.18% Zinc and 0.17% Copper

Reyna Gold had completed 16 holes for a total of 2,010 metres of drilling, including the first two in El Sombrero and anticipates to release first batch of drill results imminently. Reyna Gold has completed an initial 14 holes in the Main Zone, two more than initially planned, with additional holes drilled in Pique Viejo. It is now commencing on an initial 22 holes in El Sombrero for total of 36 holes approximately 3,700 metres.

#### ii. Don Porfirio Property

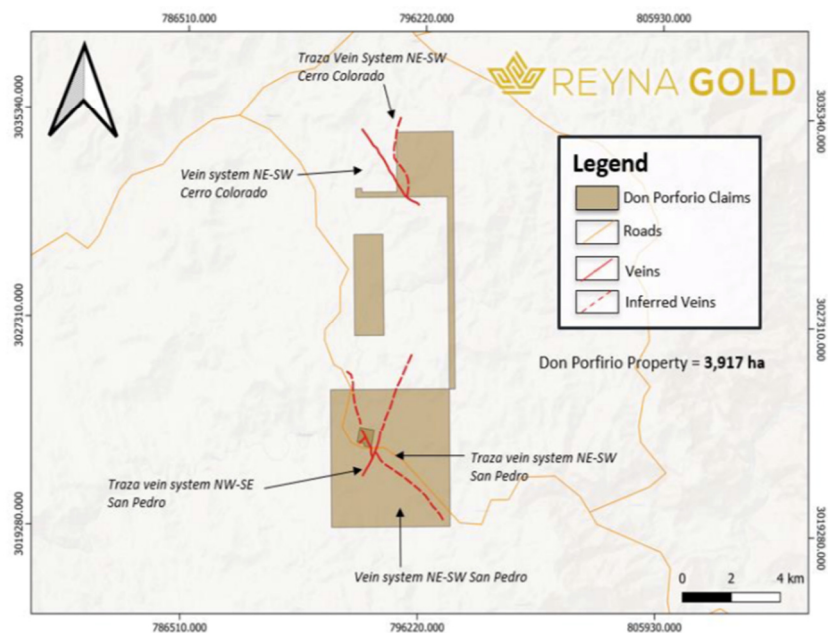
On April 26, 2021, the Company entered into an agreement whereby it acquired exclusive access to the Don Porfirio Property for a period of twelve months in exchange for US\$10,000 (paid). During this time, the Company and the owner of the property intend to apply to the Mexican Mining Bureau for the revocation of the cancellation of certain claims.

If required, the Company has the option to extend the twelve-month period by an additional twelve months.

The Company also retains the option to enter into a definitive assignment agreement with the owner of the claims to earn a 100% interest in the property in exchange for a maximum of US\$115,000. Should the Company enter into the definitive assignment agreement they will be responsible for the mining taxes owed on the claims in the amount of 6,516,563 Mexican pesos (approximately \$405,000).

The Don Porfirio Property is located in the southwestern part of the state of Chihuahua, Mexico and within the Sierra Madre Occidental gold-silver belt, which is highly prospective for low sulfidation Au-Ag deposits. The Don Porfirio property has been divided into two zones, the North zone called Cerro Colorado and the South zone called San Pedro, in both zones two dominant structural systems have been identified that control the low sulfidation epithermal Au-Ag mineralization. These two quartz vein systems develop stockwork zones at the hanging wall of the mineralized structures and are related to felsic dikes with low-grade of gold and silver values, these dikes have average widths of 40 to 80 meters. These mineralization systems are hosted in volcanic rocks of felsic composition at the top and very close

to the contact with andesitic volcanic rocks of the lower member of the Sierra Madre Occidental volcanic group. The Don Porfirio Property has never been explored in detail with modern techniques.

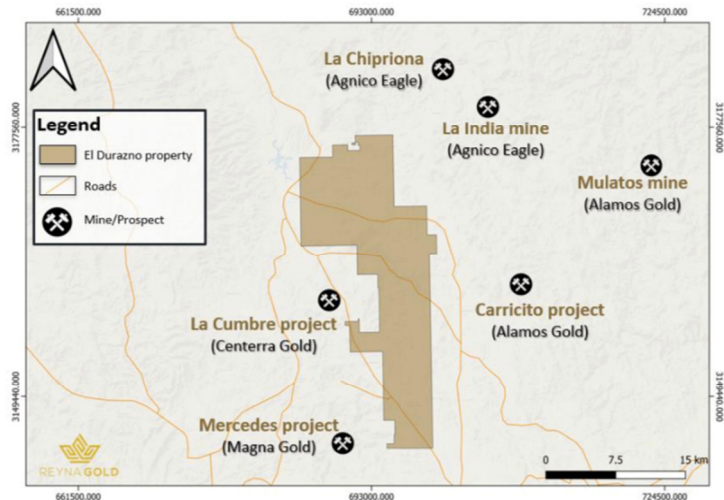


iii. El Durazno Property

On July 19, 2021, the Company entered into an option agreement with Reyna Silver Corp. (“RSLV”) whereby the Company has the option to earn 51% interest in the El Durazno property by paying RSLV \$20,000 (paid) and by incurring \$500,000 in exploration expenditures on the property before July 19, 2025.

RSLV and the Company have directors in common.

The El Durazno Property is located in the South Eastern part of the state of Sonora, Mexico. The property consists of 24,629 ha within Sierra Madre Occidental Gold & Silver Belt which is highly prospective for low sulfidation Au-Ag deposits. El Durazno is within the old Mulatos Mining District, which produced 300Koz of gold before 1903. The Geology & mineralization is similar to the deposits now under production at La India and Mulatos mines.



iv. La Centella Property

On August 30, 2021, the Company entered into a data transfer agreement whereby the Company obtained certain geological, geochemical and geophysical data related to the La Centella property by issuing 2,000,000 common shares of the Company (issued; Note 6(b)). These common shares are subject to a three-year lock-up agreement where they will be released as per 10% on the date that the Company obtains the Exchange’s bulletin regarding public listing; and 15% every six months thereafter.

On August 30, 2021, the Company also entered into an option agreement with the same party to earn 100% interest in the La Centella property by incurring US\$500,000 in exploration expenditures on the property over a period of four years.

The owner will retain a 2.0% net smelter returns royalty on the property. Upon commercial production, the owner will receive US\$2,000,000 payable in the Company’s shares.

The La Centella Property consists of 4,485 hectares, in the state of Sonora, Mexico, 60 km North East of Hermosillo on the South East part of the Mojave-Sonora Megashear. The property hosts several old artisanal mining works, as well as areas of significant alteration, which show the existence of Au-Ag, Pb-Zn, Cu mineralization. Two types of dominant mineralization exist: veins and stockworks of hydrothermal-mesothermal origin (Au-Ag, Pb-Zn, Cu) and skarn mineralization in Southwest part of the project.



	La Gloria	Don Porfirio	El Durazno	La Centella	Total
<b>Exploration and evaluation assets</b>					
<b>As of January 1, 2021</b>	\$ -	\$ -			\$ -
Acquisition during the period	515,804	12,337	20,000	240,000	788,141
<b>As of December 31, 2021</b>	\$ 515,804	\$ 12,337	\$ 20,000	\$ 240,000	\$ 788,141
<b>Mineral exploration expenses for the year ended December 31, 2021</b>					
Mineral taxes	\$ 4,328	\$ -	\$ -	\$ 87	\$ 4,415
Consulting and reporting	104,563	-	-	-	104,563
Geology and exploration	341,889	11,615	-	1,395	354,899
Mapping	71,257	-	-	-	71,257
Storage and equipment	23,330	-	-	-	23,330
Other expenses	15,150	2,124	-	-	17,274
	\$ 560,517	\$ 13,739	\$ -	\$ 1,482	\$ 575,738
<b>Cumulative mineral exploration expenses up to December 31, 2021</b>					
Mineral taxes	\$ 4,328	\$ -	\$ -	\$ 87	\$ 4,415
Consulting and reporting	104,563	-	-	-	104,563
Geology and exploration	341,889	11,615	-	1,395	354,899
Mapping	71,257	-	-	-	71,257
Storage and equipment	23,330	-	-	-	23,330
Other expenses	15,150	2,124	-	-	17,274
	\$ 560,517	\$ 13,739	\$ -	\$ 1,482	\$ 575,738

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

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

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

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

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

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

##### *Prices for gold and other commodities*

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

##### *Foreign currency risks*

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

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

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

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



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

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

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

#### *Competition*

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

#### *Financing*

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

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

The Company completed an impairment analysis as at December 31, 2021, which considered the indicators of impairment in accordance with IAS 36, "Impairment of Assets". Management concluded that no further impairment charges were required because:

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

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

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

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



	2021	2020	2019
Total revenues	\$ -	\$ -	\$ -
Expenses	\$ 3,571,773	\$ 14,834	\$ 80
Comprehensive loss for the year	\$ 3,625,616	\$ 14,834	\$ 80
Basic and diluted loss per share	\$ 0.10	\$ 0.01	\$ -
Total assets	\$ 12,145,626	\$ 1,318,694	\$ 32,820
Total long-term financial liabilities	\$ -	\$ -	\$ -
Cash dividend declared - per share	N/A	N/A	N/A

## 6(b) Summary of Quarterly Results

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

	Three months ended			
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenses	\$ 147,690	\$ 197,632	\$ 2,514,750	\$ 711,701
Comprehensive loss	\$ 145,490	\$ 215,805	\$ 2,537,423	\$ 726,898
Loss per share	\$ 0.01	\$ 0.01	\$ 0.08	\$ (0.02)

	Three months ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenses	\$ 18	\$ 12	\$ 24	\$ 14,780
Comprehensive loss	\$ 18	\$ 12	\$ 24	\$ 14,780
Loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

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

### For the three months ended December 31, 2021 compared with the three months ended December 31, 2020:

The Company's exploration expenses amounted to \$210,593 (2020 - \$Nil), an increase of \$210,593 as a result of the Company being more active in its exploration work on its properties in Mexico, including La Gloria, Don Porfirio, and La Centella properties. In fiscal 2020, the Company did not have any mineral properties.

Excluding the foreign exchange of (\$1,886) (2020 - \$Nil), the Company's administrative expenses amounted to \$502,994 (2020 - \$14,780), an increase of \$488,214 mainly due to: (a) legal fees of \$159,186 (2020 - \$12,711); (b) management fees of \$109,998 (2020 - \$Nil); (c) marketing expense of \$87,037 (2020 - \$Nil) and (d) accounting and audit fees of \$48,692 (2020 - \$Nil) as the Company was a shell company in fiscal 2020 while the Company was working on completing its IPO in the current fiscal period.

During the three months ended December 31, 2021, the Company recorded a net comprehensive loss of \$726,898 (loss per share - \$0.02) compared to a net comprehensive loss of \$14,780 (loss per share - \$0.01) for the three months ended December 31, 2020.





### **For the year ended December 31, 2021 compared with the year ended December 31, 2020:**

The Company's exploration expenses amounted to \$575,738 (2020 - \$Nil), an increase of \$575,738 as a result of the Company being more active in its exploration work on its properties in Mexico, including La Gloria, Don Porfirio, and La Centella properties. In fiscal 2020, the Company did not have any mineral properties.

Excluding the share-based payment of \$1,775,600 (2020 - \$Nil) and foreign exchange of (\$7,969) (2020 - \$Nil), the Company's administrative expenses amounted to \$1,228,404 (2020 - \$14,834), an increase of \$1,213,570 mainly due to: (a) legal fees of \$314,799 (2020 - \$12,711); (b) management fees of \$485,998 (2020 - \$Nil); (c) marketing expense of \$147,620 (2020 - \$Nil); (d) accounting and audit fees of \$104,044 (2020 - \$Nil); (e) consulting fee of \$50,011 (2020 - \$Nil) and (f) office expense of \$47,392 (2020 - \$Nil) as the Company was a shell company in fiscal 2020 while the Company was working on completing its IPO in the current fiscal period.

During the year ended December 31, 2021, the Company recorded a net comprehensive loss of \$3,625,616 (loss per share - \$0.10) compared to a net comprehensive loss of \$14,834 (loss per share - \$0.01) for the year ended December 31, 2020.

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

As at December 31, 2021, the Company had a working capital of \$11,097,057 (December 31, 2020 - \$1,251,529). With respect to working capital, \$10,869,053 was held in cash and cash equivalents (December 31, 2020 - \$1,288,694). The increase in cash and cash equivalents was mainly due to (a) the proceeds of \$12,449,398 from the private placements that the Company did in conjunction with the IPO and (b) the repayment of \$30,000 loan receivable; while being offset by (c) operating expenses including exploration expenses totaling \$2,198,079; (d) exploration and evaluation assets expenditures of \$211,324; (e) share issue costs of \$484,892; and (f) net cash paid for the acquisition of Minera Reyna Dorada S.A. de C.V. of \$4,744.

During the year ended December 31, 2021, the Company issued a total of 56,930,446 common shares for gross proceeds of \$13,652,395 pursuant to the private placements and subscription receipts financing (see "Summary and Outlook" section). In conjunction with these financings, the Company issued 452,774 common shares as finder's shares with a value of \$181,110 and granted 1,665,003 finder's warrants with an exercise price of \$0.40 expiring between September 3, 2023 to September 15, 2023. Upon the conversion of the subscription receipts financing to units, the Company also issued 13,092,394 warrants with an exercise price of \$0.65 expiring on December 14, 2023.

The Company also issued 2,040,000 common shares with a fair value of \$244,800 pursuant to exploration and evaluation asset agreement; 300,000 common shares with a fair value of \$36,000 pursuant to management signing bonus; 1,033,000 common shares with a fair value of \$123,960 to its consultants in lieu of services rendered; and 4,500,000 common shares with a fair value of \$225,000 for the acquisition of Minera Reyna Dorada S.A. de C.V.

During the year ended December 31, 2021, 4,825,000 options were granted to its directors, officers and consultants with an exercise price of \$0.40 expiring on September 22, 2026.

Management estimates that the current cash position and future cash flows from the exercise of warrants, finder's warrants and options will be sufficient for the Company to carry out its anticipated exploration and operating plans through fiscal 2022.



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

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## 6(e) Disclosure of Outstanding Share Data

### Common Shares

Authorized: unlimited number of common shares without par value.

Stock option transactions and the number of stock options, including the compensation options and advisor options, for the year ended December 31, 2021 are summarized as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>December 31, 2020</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired / Cancelled</b>	<b>December 31, 2021</b>
September 22, 2026	\$ 0.40	-	4,825,000	-	-	4,825,000
Options outstanding		-	4,825,000	-	-	4,825,000
Options exercisable		-	4,450,000	-	-	4,450,000
Weighted average exercise price	\$	-	\$ 0.40	\$	-	\$ 0.40

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

<b>Expiry date</b>	<b>Exercise price</b>	<b>December 31, 2020</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>December 31, 2021</b>
December 14, 2023	\$ 0.65	-	13,092,394	-	-	13,092,394
Warrants outstanding		-	13,092,394	-	-	13,092,394
Weighted average exercise price	\$	-	\$ 0.65	\$	-	\$ 0.65



The continuity of finder's warrants for the year ended December 31, 2021 is as follows:

Expiry date	Exercise price	December 31, 2020	Issued	Exercised	Expired	December 31, 2021
September 3, 2023	\$ 0.40	-	1,546,325	-	-	1,546,325
September 10, 2023	\$ 0.40	-	112,413	-	-	112,413
September 15, 2023	\$ 0.40	-	6,265	-	-	6,265
Finders warrants outstanding		-	1,665,003	-	-	1,665,003
Weighted average exercise price	\$	-	\$ 0.40	\$	-	\$ 0.40

The remaining outstanding stock options finder's warrants and warrants, if all exercised, would increase the Company's cash by \$11,106,057. However, if the strike prices of the options, finder's warrants and warrants are greater than the fair market price, this may influence whether options, finder's warrants and warrants that expire in the near future will be exercised.

	Issued and outstanding	
	December 31, 2021	April 14, 2022
Common shares outstanding	66,756,221	66,756,221
Options	4,825,000	4,825,000
Warrants	13,092,394	13,092,394
Finder's warrants	1,665,003	1,665,003
Fully diluted common shares outstanding	86,338,618	86,338,618

#### 6(f) Commitment

None.

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

None.

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

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



For the year ended December 31, 2021

	Cash payments	Shares issued	Share-based payments	TOTAL
Jorge Ramiro Monroy <sup>(1)</sup> Director	\$ 229,998	\$ 12,000	\$ 294,400	\$ 536,398
Michael Wood <sup>(2)</sup> Chief Executive Officer, Director	\$ 220,000	\$ 24,000	\$ 368,000	\$ 612,000
Winnie Wong <sup>(3)</sup> Chief Financial Officer, Director	\$ 64,993	\$ -	\$ 88,320	\$ 153,313
Alex Langer Director	\$ -	\$ -	\$ 147,200	\$ 147,200
Steve Robertson <sup>(4)</sup> Director	\$ -	\$ 12,000	\$ 92,000	\$ 104,000
Castulo Molina Sotelo Director	\$ -	\$ 12,000	\$ 92,000	\$ 104,000

Related party transactions and balances:

Amounts included in Trade and other payables:	Services for:	For the years ended		As at	As at
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Emerging Markets Capital	Management fee and rent	\$ 249,407	\$ -	\$ 9,823	\$ -
Athena Jade Limited	Management fee	244,000	-	-	-
Reyna Silver SAPI S.A. de C.V. <sup>(5)</sup>	Expense reimbursement	-	-	2,574	-
Pacific Opportunity Capital Ltd.	Accounting	64,993	-	15,201	-
<b>Total</b>		<b>\$ 558,400</b>	<b>\$ -</b>	<b>\$ 27,598</b>	<b>\$ -</b>

- (1) Jorge Ramiro Monroy's cash payments were paid through Emerging Markets Capital, a company that Mr. Monroy has control.
- (2) Michael Wood's cash payments as the Chief Executive Officer were paid through Athena Jade Limited, a private company owned by Mr. Wood.
- (3) Winnie Wong was appointed as the Chief Financial Officer on May 1, 2021 and her cash payments were paid through Pacific Opportunity Capital Ltd., a private company where she is the vice president.
- (4) The common shares were issued to Steve Robertson's company Western Blue Sky Management Corp.
- (5) Reyna Silver SAPI S.A. de C.V. is a wholly-owned subsidiary of Reyna Silver Corp. ("RSLV"), a publicly listed company on the Exchange where RSLV and the Company have directors in common.

## 6(i) Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.



a) 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 bank account. The Company's bank account is held with major banks in Canada and Mexico; accordingly, the Company believes it is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at December 31, 2021, the Company had a cash balance of \$10,869,053 to settle current liabilities of \$149,847.

d) Currency risk

The Company's property interest in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and the Mexican pesos. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary liabilities of approximately 2,422,000 Mexican pesos. A 1% change in the absolute rate of exchange in Mexican pesos would affect its net loss by approximately \$4,380.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial assets measured at fair value.

## **6(j) Management of Capital Risk**

The Company manages its cash and cash equivalents, common shares, warrants, finder's warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital



structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

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

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

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

None other than disclosed already in other sections.

## **8. Policies and Controls**

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

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

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

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its subsidiaries in Mexico is the Mexican peso. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable;
- The determination of the value of the common shares issued pursuant to the acquisition of the exploration and evaluation assets and Minera Reyna Dorada S.A. de C.V.; and
- The determination that the Company will continue as a going concern for the next year.

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

### **Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada,



the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

#### Disclosure Controls and Procedures

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

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

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

##### **Directors:**

*Jorge Ramiro Monroy, Executive Chairman*  
*Michael Wood*  
*Alexander Langer*  
*Steve Robertson*  
*Cástulo Molina Sotelo*  
*Peter Jones*

##### **Audit Committee members:**

*Alexander Langer, Steve Robertson and Cástulo Molina Sotelo*

##### **Management:**

*Michael Wood – Chief Executive Officer*  
*Winnie Wong – Chief Financial Officer*  
*Ariel G. Navarro Herrera, MSc. – Vice President of Exploration*