



REYNA GOLD

REYNA GOLD CORP.
(formerly R1 Capital Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022

(Unaudited)

REYNA GOLD CORP. (formerly R1 Capital Corp.)

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

REYNA GOLD CORP.

(formerly R1 Capital Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Presented in Canadian Dollars)

	Note	September 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
ASSETS			
Current			
Cash		\$ 6,523,666	\$ 10,869,053
Receivables		5,071	36,175
Prepaid expenses		217,033	341,676
		<u>6,745,770</u>	<u>11,246,904</u>
Non-current			
Exploration and evaluation assets	5	1,104,984	788,141
VAT receivables		520,188	110,581
		<u>1,625,172</u>	<u>898,722</u>
		<u>\$ 8,370,942</u>	<u>\$ 12,145,626</u>
LIABILITIES			
Current			
Trade and other payables		\$ 137,217	\$ 122,249
Due to related parties	7	39,128	27,598
		<u>176,345</u>	<u>149,847</u>
SHAREHOLDERS' EQUITY			
Common shares	6	13,384,418	13,384,418
Reserves	6	2,374,656	2,209,320
Deficit		(7,564,477)	(3,597,959)
		<u>8,194,597</u>	<u>11,995,779</u>
		<u>\$ 8,370,942</u>	<u>\$ 12,145,626</u>

Nature of operations and continuance of operations (Note 1)

Subsequent events (Note 11)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 23, 2022.

Approved by the Board of Directors:

"Alex Langer"

 Alex Langer
"Jorge Ramiro Monroy"

 Jorge Ramiro Monroy

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REYNA GOLD CORP.

(formerly R1 Capital Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Presented in Canadian Dollars)

	Note	For the		For the	
		three months ended September 30		nine months ended September 30	
		2022	2021	2022	2021
Exploration expenses	5	\$ 537,001	\$ 298,042	\$ 2,143,639	\$ 365,145
Administrative expenses					
Accounting and audit	7	34,822	24,401	116,339	55,352
Bank charges		376	1,569	2,627	2,572
Consulting		6,700	34,691	177,470	40,061
Legal		9,818	92,356	41,166	155,613
Listing fees		2,433	7,441	51,464	7,441
Management and director fees	7	142,003	216,000	484,497	376,000
Marketing		65,948	54,037	646,194	60,583
Office		82,266	20,010	221,012	27,788
Share-based payments		19,138	1,775,600	83,016	1,775,600
Foreign exchange (gain)		(4,540)	(9,397)	(768)	(6,083)
		<u>358,964</u>	<u>2,216,708</u>	<u>1,823,017</u>	<u>2,494,927</u>
Other items					
Interest income		-	(102)	(138)	(138)
Net loss before income taxes		<u>895,965</u>	<u>2,514,648</u>	<u>3,966,518</u>	<u>2,859,934</u>
Other comprehensive loss					
Cumulative translation adjustment		<u>(67,800)</u>	<u>22,775</u>	<u>(82,320)</u>	<u>38,784</u>
Total comprehensive loss for the period		<u>\$ 828,165</u>	<u>\$ 2,537,423</u>	<u>\$ 3,884,198</u>	<u>\$ 2,898,718</u>
Basic and diluted loss per share		<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Weighted average number of common shares outstanding		<u>66,756,221</u>	<u>38,240,769</u>	<u>66,756,221</u>	<u>31,846,133</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REYNA GOLD CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Presented in Canadian Dollars)

	Note	Common Shares		Shares subscribed	Reserves			Total	Deficit	Total shareholders' equity
		Number of shares	Amount		Equity-settled employee benefits	Finder's warrants	Foreign exchange reserve			
Balance as at December 31, 2020		1,500,001	\$ 75,001	\$ 1,202,997	\$ -	\$ -	\$ -	\$ -	\$ (26,469)	\$ 1,251,529
Shares issued:										
Private placements	6(b)	30,745,656	3,178,479	(1,202,997)	-	-	-	-	-	1,975,482
Acquisition of Minera Reyna Dorada S.A. de C.V.	4	4,500,000	225,000	-	-	-	-	-	-	225,000
Pursuant to exploration and evaluation asset agreement	6(b)	2,040,000	244,800	-	-	-	-	-	-	244,800
Management signing bonus	6(b)	300,000	36,000	-	-	-	-	-	-	36,000
In lieu of services rendered	6(b)	1,033,000	123,960	-	-	-	-	-	-	123,960
Finder's shares pursuant to subscription receipt financing		452,774	181,110	-	-	-	-	-	-	181,110
Subscription receipts financing		-	-	10,473,916	-	-	-	-	-	10,473,916
Share issue costs		-	(1,153,848)	-	-	487,846	-	487,846	-	(666,002)
Share-based payments		-	-	-	1,775,600	-	-	1,775,600	-	1,775,600
Net loss and comprehensive loss		-	-	-	-	-	(38,784)	(38,784)	(2,859,934)	(2,898,718)
Balance as at September 30, 2021		40,571,431	2,910,502	10,473,916	1,775,600	487,846	(38,784)	2,224,662	(2,886,403)	12,722,677
Shares issued:										
Subscription receipts financing		26,184,790	10,473,916	(10,473,916)	-	-	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	(15,342)	(15,342)	(711,556)	(726,898)
Balance as at December 31, 2021		66,756,221	13,384,418	-	1,775,600	487,846	(54,126)	2,209,320	(3,597,959)	11,995,779
Share-based payments		-	-	-	83,016	-	-	83,016	-	83,016
Net loss and comprehensive loss		-	-	-	-	-	82,320	82,320	(3,966,518)	(3,884,198)
Balance as at September 30, 2022		66,756,221	\$ 13,384,418	\$ -	\$ 1,858,616	\$ 487,846	\$ 28,194	\$ 2,374,656	\$ (7,564,477)	\$ 8,194,597

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REYNA GOLD CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Presented in Canadian Dollars)

		For the	
		nine months ended September 30	
	Note	2022	2021
Cash provided by (used for):			
Operating activities			
Net loss		\$ (3,966,518)	\$ (2,859,934)
Items not involving cash:			
Management fees		-	36,000
Consulting		-	123,960
Share-based compensation		83,016	1,775,600
Changes in non-cash working capital items:			
Receivables		31,104	(20,968)
Prepaid expenses		124,643	(200,000)
VAT receivables		(409,607)	(64,191)
Trade and other payables		14,968	(63,213)
Due to related parties		11,530	-
Foreign exchange		82,320	(42,330)
Cash used in operating activities		<u>(4,028,544)</u>	<u>(1,315,076)</u>
Investing activities			
Net expenditures on the exploration and evaluation assets	5	(316,843)	(211,546)
Net cash paid for the acquisition of Minera Reyna Dorada SA de CV	4	-	(4,744)
Cash used in investing activities		<u>(316,843)</u>	<u>(216,290)</u>
Financing activities			
Proceeds from issuance of common shares	6	-	12,449,398
Share issue costs		-	(428,768)
Loan receivable	7	-	30,000
Cash provided by financing activities		<u>-</u>	<u>12,050,630</u>
Net (decrease) increase in cash		(4,345,387)	10,519,264
Cash - beginning of the period		10,869,053	1,288,694
Cash - end of the period		<u>\$ 6,523,666</u>	<u>\$ 11,807,958</u>
Supplemental disclosure with respect to cash flows:			
Common share issuance pursuant to exploration and evaluation asset acquisition		\$ -	\$ 244,800
Common share issuance pursuant to acquisition of Minera Reyna Dorada S.A. de C.V.		\$ -	\$ 225,000
Common shares issuance pursuant to management fees		\$ -	\$ 36,000
Common shares issuance pursuant to consulting		\$ -	\$ 123,960
Common shares issuance pursuant to share issue costs		\$ -	\$ 181,110
Share issue costs included in accounts payable		\$ -	\$ 56,124

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

(Presented in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Reyna Gold Corp. (the “Company” or “Reyna Gold”) was incorporated on October 10, 2017 under the name of R1 Capital Corp. and changed its name to Reyna Gold Corp. on January 28, 2021. The Company is domiciled in Canada under the Business Corporations Act (British Columbia). Its registered office is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5. On January 11, 2022, the Company completed its initial public listing and began trading on the TSX Venture Exchange (the “Exchange”) under the symbol “REYG”. On March 15, 2022, the Company began trading on the OTCQB Markets Exchange in the United States under the symbol “REYGF”.

The Company’s principal business activity is the acquisition and exploration of mineral properties.

These condensed consolidated interim financial statements (the “Financial Statements”) have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

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.

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statements of financial position. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue in existence.

	September 30,	December 31,
	2022	2021
Deficit	\$ (7,564,477)	\$ (3,597,959)
Working capital	\$ 6,569,425	\$ 11,097,057

2. BASIS OF PREPARATION**(a) Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

(Unaudited)

(Presented in Canadian Dollars)

2. BASIS OF PREPARATION *(Continued)***(b) Basis of preparation** *(Continued)*

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2022 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Presentation of financial statements

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended December 31, 2021.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2021. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2022.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

(Presented in Canadian Dollars)

4. ACQUISITION OF MINERA REYNA DORADA, S.A. de C.V.

On January 11, 2021, the Company acquired 100% interest in Minera Reyna Dorada S.A. de C.V. which has an option agreement to earn 100% interest in the La Gloria (DASA) gold property in Mexico (Note 5(a)) for \$40,000 and 4,500,000 common shares valued at \$0.05 per share (Note 6(b)) for a total purchase price of \$265,000. The Company has recorded the acquisition of Minera Reyna Dorada S.A. de C.V. as an asset acquisition as follows:

Fair value of consideration - purchase price	\$	<u>265,000</u>
Identifiable net assets of Minera Reyna Dorada, S.A. de C.V.		
Cash		35,256
Other current assets		12,819
Exploration and evaluation assets		332,017
Due to related party		<u>(115,092)</u>
Total fair value of identifiable net assets acquired	\$	<u>265,000</u>

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES**MEXICO****(a) La Gloria Property**

Under the terms of the option agreement acquired with Minera Reyna Dorada S.A. de C.V. (see Note 4), the Company can earn a 100% interest in the La Gloria (DASA) property by paying US\$1,200,000 over a 4-year period:

Period	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	(paid)
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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

(Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES *(Continued)***MEXICO** *(Continued)***(a) La Gloria Property** *(Continued)*

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 (paid in April 2022) and the issuance of up to a maximum of 250,000 common shares (subsequently issued in November 2022; Note 11). 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.

(b) 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 (currently the parties agreed to extend for another 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).

(c) 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 a 51% interest in the El Durazno property by paying \$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.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

(Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES *(Continued)***MEXICO** *(Continued)***(d) 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 January 11, 2022, 200,000 common shares were released pursuant to this lock-up agreement. Another 300,000 common shares were released pursuant to this lock-up agreement in July 2022.

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. Should the Company exercise the option and earn a 100% interest in the property, they will be responsible for the mining taxes owed on the claims in the amount of 6,637,467 Mexican pesos (approximately \$400,000).

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.

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(Unaudited)

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5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES *(Continued)*

	La Gloria	Don Porfirio	El Durazno	La Centella	Total
Exploration and evaluation assets					
As of January 1, 2021	\$ -	\$ -			\$ -
Acquisition during the year	515,804	12,337	20,000	240,000	788,141
As of December 31, 2021	515,804	12,337	20,000	240,000	788,141
Acquisition during the period	316,843	-	-	-	316,843
As of September 30, 2022	\$ 832,647	\$ 12,337	\$ 20,000	\$ 240,000	\$ 1,104,984
Mineral exploration expenses for the nine months ended September 30, 2022					
Mineral taxes	\$ 2,059	\$ 59	\$ -	\$ -	\$ 2,118
Geology and exploration	1,301,511	2,364	-	-	1,303,875
Storage and equipment	78,643	-	-	-	78,643
Drilling	759,003	-	-	-	759,003
	\$ 2,141,216	\$ 2,423	\$ -	\$ -	\$ 2,143,639
Mineral exploration expenses for the year ended December 31, 2021					
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	-	-	-	15,150
	\$ 560,517	\$ 11,615	\$ -	\$ 1,482	\$ 573,614
Cumulative mineral exploration expenses up to September 30, 2022					
Mineral taxes	\$ 6,387	\$ 59	\$ -	\$ 87	\$ 6,533
Consulting and reporting	104,563	-	-	-	104,563
Geology and exploration	1,643,400	13,979	-	1,395	1,658,774
Mapping	71,257	-	-	-	71,257
Storage and equipment	101,973	-	-	-	101,973
Drilling	759,003	-	-	-	759,003
Other expenses	15,150	-	-	-	15,150
	\$ 2,701,733	\$ 14,038	\$ -	\$ 1,482	\$ 2,717,253

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

(Presented in Canadian Dollars)

6. SHARE CAPITAL

(a) Authorized:

At September 30, 2022, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Share issuances:

During the year ended December 31, 2021:

On January 11, 2021, the Company issued 4,500,000 common shares at a price of \$0.05 per share for a fair value of \$225,000 pursuant to the acquisition of Minera Reyna Dorada, S.A. de C.V. including the La Gloria (DASA) property (Note 4).

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 May 28, 2021, the Company issued 40,000 common shares at a price of \$0.12 per share for a fair value of \$4,800 pursuant to the La Gloria (Canasta-Dorada) property agreement (Note 5(a)).

On July 1, 2021, the Company issued 100,000 shares to a company controlled by the Chairman of the Company and 200,000 shares to a company controlled by its Chief Executive Officer at a price of \$0.12 per share for a fair value of \$36,000 as management bonuses.

On August 30, 2021, the Company issued 2,000,000 common shares at a price of \$0.12 per share for a fair value of \$240,000 pursuant to the La Centella property agreement (Note 5(d)).

On August 31, 2021, the Company issued 1,033,000 shares at a price of \$0.12 per share for a fair value of \$123,960 as advisory shares.

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.

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6. SHARE CAPITAL *(Continued)*(b) Share issuances: *(Continued)*During the year ended December 31, 2021: *(Continued)*

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 an equal number of 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.

(c) Shares subscribed:

During the year-ended December 31, 2020, the Company received \$1,202,997 as share subscriptions for the private placements which were completed during the first quarter of fiscal 2021 (Note 6(b)).

(d) Escrow shares:

9,079,000 common shares were placed in escrow in accordance with the escrow agreement dated December 3, 2021, where 10% of the escrowed common shares were released on January 11, 2022, and 15% of the escrowed common shares were released on July 11, 2022. Moreover will be released 15% every six months thereafter. As at September 30, 2022, 6,809,250 common shares were held in escrow.

1,000,000 common shares were placed in escrow in accordance with the escrow agreement dated December 6, 2021, where 10% of the escrowed common shares were released on January 11, 2022, and 15% of the escrowed common shares were released on July 11, 2022. Moreover will be released 15% every six months thereafter. As at September 30, 2022, 750,000 common shares were held in escrow.

(e) Stock options and restricted share units:

The Company has a 10% rolling Security Based Compensation Plan ("SBC Plan") whereby a maximum of 10% of the Company's shares can be issuable under the SBC Plan. The SBC Plan consists of stock options and restricted share units ("RSUs"). The Board of Directors of the Company determines the number of options to be granted, exercise prices, expiry dates and vesting conditions. The Board of Directors of the Company also determines the number of RSUs to be granted and the vesting conditions with the minimum of one year vesting period on all RSUs. RSUs have no exercise price and will be converted into common shares upon vesting.

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6. SHARE CAPITAL (Continued)

(e) Stock options and restricted share units:

Stock option transactions and the number of stock options for the nine months ended September 30, 2022 are summarized as follows:

Expiry date	Exercise price	December 31, 2021	Granted	Exercised	Expired / Cancelled	September 30, 2022
September 22, 2026	\$ 0.40	4,825,000	-	-	-	4,825,000
June 9, 2027	\$ 0.40	-	670,000	-	-	670,000
Options outstanding		4,825,000	670,000	-	-	5,495,000
Options exercisable		4,575,000	420,000	-	-	4,995,000
Weighted average exercise price	\$ 0.40	\$ 0.40	\$ 0.40	\$ -	\$ -	\$ 0.40

As at September 30, 2022, the weighted average contractual remaining life of options is 4.07 years (December 31, 2021 – 4.73 years). The weighted average fair value of stock options granted during the nine months ended September 30, 2022 was \$0.40 (September 30, 2021 - \$0.40).

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

Expiry date	Exercise price	December 31, 2020	Granted	Exercised	Expired / Cancelled	December 31, 2021
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 weighted average assumptions used to estimate the fair value of options for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
Expected dividend yield	n/a	n/a
Expected stock price volatility	132.8632%	n/a
Risk-free interest rate	3.14%	n/a
Forfeiture rate	n/a	n/a
Expected life of options	5 years	n/a

RSU transactions and the number of RSUs for the nine months ended September 30, 2022 are summarized as follows:

Vesting date	December 31, 2021	Granted	Vested and converted to common shares	September 30, 2022
July 13, 2023	-	100,000	-	100,000
RSUs outstanding	-	100,000	-	100,000

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6. SHARE CAPITAL *(Continued)*(e) Stock options and restricted share units: *(Continued)*

As at September 30, 2022, the weighted average contractual remaining life of RSUs is 0.78 years (December 31, 2021 – Nil years).

The weighted average assumptions used to estimate the fair value of RSUs for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
Expected dividend yield	n/a	n/a
Expected stock price volatility	51.38%	n/a
Risk-free interest rate	3.27%	n/a
Forfeiture rate	n/a	n/a
Expected life of RSUs	1 year	n/a

(f) Warrants:

The continuity of warrants for the nine months ended September 30, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	September 30, 2022	
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

As at September 30, 2022, the weighted average contractual remaining life of warrants is 1.21 years (December 31, 2021 – 1.95 years).

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

Expiry date	Exercise price	December 31, 2020	Issued	Exercised	Expired	December 31, 2021
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

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6. SHARE CAPITAL (Continued)

(g) Finder's warrants:

The continuity of finder's warrants for the nine months ended September 30, 2022 is as follows:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	September 30, 2022		
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

As at September 30, 2022, the weighted average contractual remaining life of finder's warrants is 0.93 years (December 31, 2021 – 1.68 years).

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 weighted average assumptions used to estimate the fair value of finder's warrants for the nine months ended September 30, 2022 and 2021 were as follows:

	2022	2021
Expected dividend yield	n/a	n/a
Expected stock price volatility	n/a	n/a
Risk-free interest rate	n/a	n/a
Forfeiture rate	n/a	n/a
Expected life of finder's warrants	n/a	n/a

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7. DUE TO 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 nine months ended September 30, 2022:

	Cash payments	Shares issued	Share-based payments	TOTAL
Jorge Ramiro Monroy ⁽¹⁾ Director	\$ 199,992	\$ -	\$ -	\$ 199,992
Michael Wood ⁽²⁾ Chief Executive Officer, Director	\$ 240,000	\$ -	\$ -	\$ 240,000
Winnie Wong ⁽³⁾ Chief Financial Officer	\$ 90,000	\$ -	\$ -	\$ 90,000
Alex Langer ⁽⁵⁾ Director	\$ 15,000	\$ -	\$ -	\$ 15,000
Steve Robertson ⁽⁶⁾ Director	\$ 11,250	\$ -	\$ -	\$ 11,250
Castulo Molina Sotelo ⁽⁷⁾ Director	\$ 11,250	\$ -	\$ -	\$ 11,250
Peter Jones ⁽⁸⁾ Director	\$ 7,005	\$ -	\$ 38,100	\$ 45,105

For the nine months ended September 30, 2021:

	Cash payments	Shares issued	Share-based payments	TOTAL
Jorge Ramiro Monroy ⁽¹⁾ Director	\$ 180,000	\$ 12,000	\$ 294,400	\$ 486,400
Michael Wood ⁽²⁾ Chief Executive Officer, Director	\$ 160,000	\$ 24,000	\$ 368,000	\$ 552,000
Winnie Wong ⁽³⁾ Chief Financial Officer, Director	\$ 36,010	\$ -	\$ 88,320	\$ 124,330
Alex Langer Director	\$ -	\$ -	\$ 147,200	\$ 147,200
Steve Robertson ⁽⁴⁾ Director	\$ -	\$ 12,000	\$ 92,000	\$ 104,000
Castulo Molina Sotelo Director	\$ -	\$ 12,000	\$ 92,000	\$ 104,000

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7. DUE TO RELATED PARTIES (Continued)

Related party transactions and balances:

Amounts included in Trade and other payables:	Services for:	For the nine months ended		As at	As at
		September 30, 2022	September 30, 2021	September 30, 2022	December 31, 2021
Emerging Markets Capital	Management fee	\$ 199,992	\$ 192,000	\$ 2,374	\$ 9,823
Athena Jade Limited	Management fee	240,000	184,000	-	-
Michael Wood	Expense reimbursement	-	-	17,562	-
Reyna Silver SAPI S.A. de C.V. ⁽⁴⁾	Expense reimbursement	-	-	-	2,574
Andros Capital Corp. ⁽⁵⁾	Director's fee	15,000	-	-	-
Alexander Langer	Expense reimbursement	-	-	8,693	-
Western Blue Sky Management Corp. ⁽⁶⁾	Director's fee	11,250	-	-	-
San Miguel Exploration SC. ⁽⁷⁾	Director's fee	11,250	-	-	-
Peter Jones ⁽⁸⁾	Director's fee and share-based compensation	45,105	-	-	-
Pacific Opportunity Capital Ltd.	Accounting	90,000	36,010	10,500	15,201
Total		\$ 612,597	\$ 412,010	\$ 39,128	\$ 27,598

(1) Jorge Ramiro Monroy's cash payments were paid through Emerging Markets Capital, a company of which 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) 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.

(5) Alex Langer's director fee was paid to his company Andros Capital Corp.

(6) Steve Robertson's director fee was paid to his company Western Blue Sky Management Corp.

(7) Cacho Molina Sotelo's director fee was paid to his company San Miguel Exploration SC.

(8) Peter Jones became a director of the Company on April 13, 2022.

All related party transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 September 30, 2022, the Company had a cash balance of \$6,523,666 to settle current liabilities of \$176,345.

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 assets of approximately 10,020,000 Mexican pesos. A 1% change in the absolute rate of exchange in Mexican pesos would affect its net loss by approximately \$22,000.

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.

9. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

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10. SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment, being the acquisition and exploration of mineral properties and all its non-current assets and mineral exploration expenses are in one geographic location being Mexico.

11. SUBSEQUENT EVENTS

On October 3, 2022, the Company granted 950,000 options to its consultants, pursuant to the Company's long-term incentive plan. Each option entitles the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of five years expiring on October 3, 2027.

On November 8, 2022, the Company issued 250,000 common shares at a price of \$0.145 per share for a fair value of \$36,250 pursuant to the La Gloria (Canasta-Dorada) property agreement (Note 5(a)).