

# SILVER SPRUCE RESOURCES INC.

## Management Discussion and Analysis For the three months Ended January 31, 2023

*This discussion and analysis (MD&A) of the financial position and results of operations of Silver Spruce Resources Inc. (the Company) is prepared and has been approved by the Board of Directors as at March 31, 2023. and is a review of the financial condition as at January 31, 2023, and results of operations for the quarter ended January 31, 2023. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2022.*

*Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. Several important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.*

*In particular, forward looking comments regarding both the Company's plans and operations included in the "Company Overview" with respect to management's planned exploration and other activities, and in "Liquidity", and "Commitments" regarding management's estimated ability to fund its projected costs of exploration work and general corporate costs of operations, and its ability to raise additional funding through placement of the Company's common shares, are plans and estimates of management only and actual results and outcomes could be materially different.*

*The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability; public health crises such as the COVID-19 pandemic and other uninsurable risks; actual results of current exploration activities; unanticipated reclamation expenses; fluctuations in prices of base and precious metals; fluctuations in foreign currency exchange rates; increases in market prices of mining consumables; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates, as well as other factors*

*Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available on the Company's website at [www.silverspruceresources.com](http://www.silverspruceresources.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).*

### Company Overview

Silver Spruce Resources Inc. (the "Company") is a junior exploration company headquartered in Bedford, Nova Scotia. The Company is focused on exploration for precious metals. The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "SSE", the OTCQB under the symbol "SSEBF and the Frankfurt Stock Exchange under the symbol "S6Q".

The Company is focusing its business activities on exploring and advancing properties to maximize benefit to shareholders.

- In 2015, the Company acquired a 100% interest in Pino de Plata, a 397-hectare property in the southwest corner of the state of Chihuahua, Mexico.
- In November 2019, the Company entered into a purchase agreement to acquire 100% interest in Melchett Lake Project, a precious and base metal project in Thunder Bay mining district, Northern Ontario, Canada.
- In June 2020, the Company signed a binding option agreement to acquire 50% interest in the El Mezquite Gold project, a drill-ready metal project 10 km northwest of the town of Tepoca, and 170 km southeast of the capital of Hermosillo, eastern Sonora, Mexico.
- In November 2020, the Company signed a definitive agreement with Colibri Resource Corp. to acquire 50% interest in the Jackie Gold Project in Sonora, Mexico.
- In April 2021, the Company signed a definitive agreement to acquire 50% interest in the Diamante 1 and 2 concessions in Sonora, Mexico.
- In September 2021, the Company entered into a purchase agreement to acquire 100% interest in the Mystery, Marilyn and Till Properties located in Newfoundland and Labrador, Canada comprising 360 claims and totaling 8,750 hectares.
- In April 2022, after completing the earn-in agreement, the Company signed a joint venture agreement with Colibri Resource Corp. to advance the Jackie Gold Project in Sonora, Mexico.
- In September 2022, the Company terminated its agreement to acquire 50% interest in the El Mezquite property from Colibri Resource Corp.
- In November 2022, the Company amended its definitive agreement with the Vendor to acquire 100% interest in three additional properties contiguous to the Marilyn and Till Properties located in Newfoundland and Labrador, Canada comprising 242 claims and totaling 6,040 hectares.
- In January 2023, the Company filed its technical report with the Vendor, earned a 25% interest in Diamante 1 and 2 with Colibri Resource Corp. via Yaque Minerales and has an option remaining to increase Silver Spruce ownership to 50%.
- In March 2023, the Company agreed to increase the Melchett Lake property by acquiring 237 contiguous claims staked by the Vendor. The amendment also includes an additional 179 claims staked by the Company east and west of the core claims from the Definitive Agreement.

As of January 31, 2023, cash reserves, totaled \$86,122. The Company continues to pursue its strategy to acquire and explore high potential mineral properties. Subsequent to the year end, on March 29, 2023, the Company closed a private placement for gross proceeds of \$1,135,507 (Note 15 (i)-January 31, 2023 financial statements).

The Company's future performance is largely tied to the outcome of future exploration and its financial markets. The recoverability of minerals from the Company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to continue to explore and develop its properties and upon future profitable production. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, and any related adverse public health development, has adversely affected workforces, economies, and financial markets globally, leading to economic uncertainty. The economic uncertainty could have a negative effect on the Company's ability to raise funds in the future, which could adversely affect future exploration.

## First Quarter Expenditures on Mineral Properties

The table below outlines project exploration expenditures for the quarters ended January 31, 2023 and 2022.

	2023	2022
	\$	\$
Pino de Plata	-	8,183
Melchett Lake	53,199	136,950
Jackie	-	73,830
El Mezquite	-	24,965
Diamante	-	15,323
Mystery, Marilyn & Till	10,136	135,312
Other	-	125
Total	63,335	394,688

## Selected Quarterly Information

The table below outlines selected financial information related to the Company's most recent eight quarters, accompanied by the applicable comparative period information.

	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022
	\$	\$	\$	\$
Net loss	211,644	238,957	509,371	243,242
Net loss per share -basic and diluted	0.00	0.00	0.00	0.00
	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021
	\$	\$	\$	\$
Net loss	552,458	770,530	668,928	510,383
Net loss per share -basic and diluted	0.00	0.00	0.00	0.00

Results of operations can vary significantly by quarter as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital and the availability of external financing.

For the three months ended January 31, 2023, the Company had a net loss of \$211,644 (January 31, 2022 – \$552,458) and a loss per share of \$0.00 (January 31, 2022 - \$0.00).

As a result of the economic uncertainties indicated above and the downturn in financial markets, the Company, in order to preserve cash, has lowered its expenditures. The decrease of \$211,644 in the net loss for the quarter ended January 31, 2023 is due mainly to reduction in the following expenses: exploration and evaluation expenditures, stock based compensation, and corporate relations.

Exploration and evaluation expenditures declined by \$331,353 from \$394,688 in 2022 to \$63,335 for the current quarter and corporate relations declined by \$30,867 from \$39,541 in 2022 to \$8,674 for the current quarter.

Consulting fees increased by \$20,343 from \$56,457 in 2022 to \$76,800 for the current quarter as a result of less consulting fees allocated to the exploration and evaluation expenditures.

Stock based compensation declined by \$16,194 from \$18,602 in 2022 to \$2,408 for the current quarter as a result of vesting terms on previously issued options and the fact that no new options were issued during the quarter.

For the quarter ended January 31, 2023, the Company recorded an allowance for bad debt of \$25,732 (2022 - \$1,579), related to VAT taxes paid in Mexico and recorded as receivable. The Mexican Government does not reimburse the VAT paid on expenses incurred. This tax receivable will be applied against future VAT payable if the Company earns revenue from mining activities in Mexico. The Company has therefore recorded an allowance against this VAT receivable, which will be reversed in the future if the Company earns taxable revenue in Mexico.

### Quarterly Expenditures on Mineral Properties

During the quarter ended January 31, 2023, and the quarters ended October 31, 2022, July 31, 2022 and April 30, 2022 and the comparative periods, the Company incurred the following expenditures on exploration:

	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022
	\$	\$	\$	\$
<b>Melchett Lake</b>	<b>53,199</b>	<b>49,914</b>	<b>8,844</b>	<b>4,021</b>
<b>Jackie</b>	-	<b>6,853</b>	<b>8,179</b>	<b>5,800</b>
<b>Mystery, Marilyn &amp; Till</b>	<b>10,136</b>	<b>76,120</b>	<b>19,397</b>	<b>44,978</b>
<b>Diamante</b>	-	<b>19,835</b>	<b>364,884</b>	<b>12,491</b>
<b>Pino de Plata</b>	-	-	<b>4,758</b>	<b>200</b>
<b>El Mezquite</b>	-	-	<b>1,107</b>	<b>6,125</b>
<b>Other</b>	-	-	-	-

	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021
	\$	\$	\$	\$
<b>Melchett Lake</b>	136,950	185,067	17,755	137,998
<b>Jackie</b>	73,830	18,716	51,333	39,616
<b>Mystery, Marilyn &amp; Till</b>	135,312	-	-	-
<b>Diamante</b>	15,323	160,307	114,192	23,722
<b>Pino de Plata</b>	8,183	2,112	24,168	2,855
<b>El Mezquite</b>	24,965	165,238	312,863	50,128
<b>Other</b>	125	187	1,475	-

### PROJECTS – METALS

Scientific and technical information regarding the projects or mineral exploration properties presented in this section of the MD&A has been prepared, reviewed and/or approved by James Gregory Davison, MSc, PGeo (EGBC) Vice-President Exploration and Director, a qualified person who by reason of education, affiliation with a recognized professional association as defined in National Instrument 43-101 (NI 43-101) and specifically

Engineers and Geologists British Columbia, and past relevant work experience, fulfills the requirement of a Qualified Person (QP) as defined in NI 43-101.

### **Melchett Lake, Ontario**

In September 2019, the Company signed a binding letter of intent with three parties to acquire 100% of the Melchett Lake zinc-gold-silver volcanogenic massive sulphide (VMS) project, an advanced precious and base metal project in the Thunder Bay mining district, Northern Ontario, Canada.

After completing due diligence, the Company entered into a purchase agreement on November 20, 2019 to acquire 100% of the property. As consideration, the Company will pay the vendors \$150,000 in cash and 5,000,000 common shares of the Company, spread over three years. As of January 31, 2023, the Company has paid \$100,000 to the vendors and has issued 500,000 common shares valued at \$0.04 per shares, 1,000,000 common shares valued at \$0.06 per shares, 1,500,000 common shares valued at \$0.05 per share and 2,000,000 common shares valued at \$0.015 per share to the vendors.

Given the logistical constraints due to the COVID-19 pandemic, the purchase agreement was amended on November 20, 2020 to modify the exploration expenditures for the first two years of the agreement as follows. Minimum work expenditures total \$1,000,000, with \$50,000 by the first anniversary, an additional \$250,000 by the second anniversary and an additional \$700,000 prior to the third anniversary. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$1,000,000 and the remaining 1% at market price.

Silver Spruce has increased the size of the property from the original size in the definitive agreement, comprising 2,124 hectares, to the current 5,002 hectares by adding through map staking of single cell 18-hectare mineral claims. The property now consists of 247 single cell mineral claims and two multi-cell mineral claims. The additional claims are subject to the Area of Interest terms in the definitive agreement.

The approved 2021 programs completed to date have met the requisite expenditures outlined in the contract for the second year of the Agreement and the Company is up to date with the amounts payable to the vendors.

In December 2020, the Company raised \$732,200 through a private placement of flow through shares and signed a geophysical services contract with Quantec Geoscience (“Quantec”) to conduct a SPARTAN Magnetotelluric (“MT”) Survey on the property.

In February 2021, the Company raised an additional \$93,000 through the second tranche of the above noted private placement of flow-through shares.

The property, located within the Melchett Lake greenstone belt of the English River sub province of the Archean-age Superior province, is underlain by a bimodal mafic-felsic sequence of pyroclastic, tuffs and flows with cherts and iron-lean (Fe) to Fe-rich iron formation. The Melchett Lake belt contains several occurrences of polymetallic zinc-lead-copper-silver-gold (Zn-Pb-Cu-Ag-Au) VMS mineralization similar to ore deposits exploited at Matabi, Winston Lake, Geco, Brunswick and Rouyn-Noranda. Base metal mineralization consisting of pyrite, sphalerite, chalcopyrite and galena occurs within the intermediate to felsic metavolcanic sequences of the property. There are locally high-grade lenses of Zn and Ag, with variable Cu, Au and Pb and historical gold grades to 28.8 g/t Au, silver grades to 560 g/t Ag and zinc grades to 19.1 per cent.

Highlights of the prospective geology, alteration and mineralization include multiple folded or stacked horizons of coincident alteration and metal mineralization, high Zn/Cu, Zn/Pb and Ag/Au ratios, extensive remobilization of major and trace elements with defined enrichment (Fe, magnesium (Mg), cobalt (Co), chromium (Cr) and cadmium (Cd)) and depletion (sodium (Na), strontium (Sr) and calcium (Ca)) zones and continuity, increased alteration, and anomalous metal values over large intervals with a strong electromagnetic offhole response. The mineralization is interpreted to occur as paleo-topographic accumulations related to fumarolic activity, forming polymetallic deposits overprinted by a later-stage gold-rich event.

The 2020-2021 Phase 1 winter exploration program was initiated during the second quarter though the surface exploration was delayed for the negotiation of two First Nations (FNs) agreements (as noted below), forest fires, COVID-19 issues and further discussions with three additional First Nations.

The Company initiated mobilization and construction of the remote camp in January 2021. The Quantec Geoscience MT survey was to include a total of 150-180 deep search geophysical soundings on 3.5 kilometer north-south lines with 250 meter spacing along and between lines over the area shown on the Property map and Survey Grid image. The grid survey specification is focused on data gathered from surface to 1500 meters depth. The Company was to initiate work on a cut grid for the survey as site logistics were developed. The completion of camp construction, grid preparation and Quantec survey was scheduled for four to eight weeks to complete the field activities.

The Company entered into two exploration agreements, in March 2021 and September 2021, by which Aroland First Nation and Ginoogaming First Nation respectively, in exercising their inherent jurisdictions, have issued their permits and approvals to Silver Spruce to undertake mineral exploration in part of their territory known as Melchett Lake.

The ground exploration remained on hiatus pending the receipt of operating permits from the Ontario Ministry of Energy, Northern Development and Mines (ENDM). The operating permits were received by the claimholder on January 14, 2022. No further ground exploration was conducted through the past quarter. Due to delays for winter, spring and summer weather conditions, three series of First Nations negotiations delayed by COVID-19, personal tragedies with the FNs, elections and council changes, ENDM permit applications and revisions due to additional FNs reporting to the region, forest fires, COVID-19 constraints, technical and labour shortages, scheduling constraints, and transport logistics, a portion of the planned preliminary program for 2020-2021 was completed but some of the operating aspects of the programs were deferred to 2022 and 2023 and an airborne survey was planned to advance the follow-up 2021 program.

The Company contracted MPX Geophysics in October 2021 which completed an airborne MAG/RAD/VLF geophysical survey over the entire claim package. The airborne survey is a non-prescribed activity which does not require an ENDM operating permit. The airborne survey comprised a 927 line-km along N-S flight lines with 100 metre nominal line spacing, and 91 line-km of E-W oriented tie lines with 1,000 metre nominal line spacing. The Property grid covered a total area of approximately 18 km E-W along the general strike of the VMS mineralization and 5km N-S with three 1 km steps to encompass the claim location. The report was received on November 5, 2021.

In February 2022, the Company with Aroland and Ginoogaming jointly engaged Western Heritage to conduct and complete an independent Phase 1 archeological and cultural study on the Melchett Lake area. The study was initiated with on-site interviews and a property visit in August 2022. The report draft remains pending and anticipated in Q2 2023 while awaiting First Nations and then regulatory review.

Limited GIS compilation and interpretation of the data was conducted through the last quarter. In3D Geoscience was contracted in December 2021 to prepare an interpretation report on all available geophysical data for the Melchett Lake property.

A brief summary presentation was received in April 2022 and a second interim report was received in July 2022. In3D clearly identified numerous structural details associated with folding, with tight, plunging and linear limb features, several generations of faulting and intrusions likely transecting the older base metal and gold mineralization, moderate to deep continuity of the magnetic features associated with the known areas of mineralization shown particularly well at Relf Lake, and several additional patterns coincident or along strike with 2002 EM anomalies.

The final report will be completed pending the results of the Quantec survey and full ArcGIS compilation of the geological data sets projected for Q2/3 2023.

The Agreement was amended as of October 31, 2022 to defer the \$50,000 November 2022 cash payment to November 20<sup>th</sup>, 2023 and add an additional payment of \$50,000 (to a total of \$100,000) and issuance of 2,000,000 additional shares in November 2023. All payments are up to date in terms of shares paid as of the 3<sup>rd</sup> anniversary on November 20, 2022.

The November 22, 2022 report, to the Ontario Ministry of Northern Development, Mines and Forestry (now Ontario Ministry of Mines), was prepared for filing assessment work performed on the property during 2021 and 2022 and includes logistical support of the ground exploration programs contracted to Pleson Geoscience and Quantec Geoscience, detailed geophysical (first-time) interpretation of the 2021 MPX Geophysics airborne survey and incorporation of all historical geophysics carried out without detailed consolidation of the potential targets by In3D Geoscience, airborne LiDAR by Eagle Mapping and subsequent re-processing by GeoCloud Analytics, and the Western Heritage archeological and cultural study carried out as per the Agreements with Aroland First Nation and Ginoogaming First Nation, these latter Agreements having been signed in 2021. Revisions to the assessment report were filed with the Ontario Ministry of Mines in March 2023. The 2021 MPX airborne geophysical survey discussed herein was documented in the previous assessment report by Davison (2021).

Further re-processing of the LiDAR data by GeoCloud Analytics is underway in addition to GIS compilation of the various data sets. The Western Heritage report is undergoing additional revisions and will be completed in final version shortly. Work permit applications for the peripheral claims were submitted to the Ministry of Mines and a decision is pending. Plans for the 2023 season are in development; completion of the Quantec ground geophysics, and initiation of mapping, sampling and targeted drilling are proposed.

All metal values disclosed herein for the Melchett Lake project by past operators and Silver Spruce are reported from grab, channel and drill core samples which may not be representative of the metal grades, or the metal grade distribution, and those from previous exploration efforts must be considered as historical in nature. The Company has reviewed the historical certificates, where available, and conducted data verification sampling on the known areas of mineralization to confirm the presence and tenor of metal values. The Company believes that the analytical protocols and data will withstand scrutiny for inclusion. Sample grades reported by element in the technical documentation and analytical certificates range from detection limit (based on the specific instrumentation and by element) to anomalous values which represent and include select samples and are reported as 'up to' the maximum values and/or ranges presented.

## **Jackie, Mexico**

On November 17, 2020, the Company signed a Definitive Agreement with Colibri Resource Corp. to acquire 50% interest in the Jackie Gold Project in Sonora, Mexico.

As consideration, on December 14, 2020, the Company issued 500,000 common shares at a price of \$0.05 per share to Colibri Resource Corp. and on January 5, 2021 paid US\$25,000. On November 15, 2021, the Company paid another US\$25,000 and on November 24, 2021, issued another 500,000 common shares at a price of \$.05 per share to Colibri. No further cash and share property payments are required.

There was a minimum work expenditure total of US\$100,000 over two years, with a minimum of US\$50,000 within 12 months of the TSX approval. During the earn in period, the Company was responsible for 100% payment of the surface rights agreements when exploration is active and 50% of the property taxes.

The Company incurred incremental work expenditures during the last quarter of fiscal 2021 and is up to date with the cash and share amounts payable to the vendors. The Company expended in excess of the requisite US\$50,000 on or before December 14, 2021 and a total of US\$100,000 was expended by December 14, 2022. The Company has fulfilled the exploration and payment terms to earn 50% interest in the Property.

In April 2022, the Company signed a 50:50 joint venture agreement with Colibri Resource Corp.

The 1,130-hectare Property is easily accessible from Hermosillo and heading south from Mexican Highway #16, and from Ciudad Obregón travelling north on Hwy. #17 with vehicles and pack teams along unpaved roads and trails.

The Property is situated approximately six kilometres northwest of the Nicho deposit currently under mine development by Minera Alamos. Other nearby large operating mines include Alamos Gold's Los Mulatos gold mine and Agnico Eagle's La India gold mine located 50-60 km to the northeast, Agnico Eagle's Pinos Altos Mine, 95 km southeast and Argonaut's La Colorada Mine, 100 km to the west. Exploration is very active with adjacent and nearby properties reported to be held by Minera Alamos, Newmont, Garibaldi, Evrim, Kootenay Silver and Peñoles.

The Jackie Project is located within the western portion of the Sierra Madre Occidental Volcanic Complex within the prominent northwest-trending "Sonora Gold Belt" of northern Mexico and parallel to the precious metals-rich Mojave-Sonora Megashear.

In January 2021, the Company started the Phase 1 exploration program on the Jackie property. The Company also contracted a LiDAR survey on the Jackie property which was completed in May 2021. After receiving positive results for the prospecting work, the Company mobilized the technical team to the Jackie property for Phase 2 mapping and sampling on June 11, 2021, and the receipt of assays and technical reporting for the program remained ongoing into the first quarter of 2022.

Our Hermosillo-based geological team completed tightly-spaced 25-50 metre grid sampling and mapping which successfully increased the target to 200m x 400m. The intense silicate and oxide alteration with high-grade precious metal values ranging up to 9.65 g/t Au and 515 g/t Ag during Phase 1, and up to 4.15 g/t Au and 100 g/t Ag in separate samples during Phase 2, verified and extended the target area anomaly. Geochemical analyses clearly identified a strong Au-Ag anomaly, commonly though not exclusively, associated with elevated Hg, Pb, Zn, Cd, As, Sb and Cu with spatial distribution and trends similar to the multi-element data recorded for the nearby El Mezquite property. This distinct northwesterly trend of anomalous precious metal and typical heavy metal pathfinder elements runs parallel to several local and regional lineaments which provide new untested targets for follow-up sampling.

Preparation of an environmental report for permitting of trenching and drilling programs was initiated in the first quarter of 2022 and submitted to SEMARNAT. The current 12-month SEMARNAT permit was received in March 2022. The trenching program and the maiden drilling program were deferred to 2/3 2023. Exploration plans were submitted for a 500-1,000-metre trenching program followed by a 1,000-2,000-metre reverse circulation drill program to evaluate the principal targets located near the centre of the concession. High grades of mineralization to 9.65 g/t Au and 515 g/t Ag, with coincident alteration and geochemical features, are transected by a NW-trending faults.

Interpretation of the LiDAR mapping was contracted to and completed by GeoCloud in Australia. ArcGIS compilation was deferred through the three months ended April 30, 2023 and will continue as exploration activities are defined.

No additional project work was conducted during the three months ended January 31, 2023. Preparation of an updated environmental report for permitting of trenching and drilling programs will be required and submitted to SEMARNAT to obtain new permits to allow work programs to continue after March 2023. Scheduled plans for the Q3 2023 exploration program are pending discussions with the joint venture partner.

All metal values disclosed herein for the Jackie project from current exploration by the Company are reported from grab and channel samples which may not be representative of the metal grades, or the metal grade distribution, and given the absence of historical exploration, there are no data from previous exploration efforts to be considered as historical in nature. Sample grades reported by element in the technical documentation and analytical certificates



range from detection limit (based on the specific instrumentation and by element) to anomalous values which represent and include select samples and are reported as 'up to' the maximum values and/or ranges presented.

### **Mystery, Marilyn and Till Properties, Newfoundland and Labrador**

In August 2021, the Company signed a binding letter of intent with two parties to acquire 100% of the three early-stage gold exploration properties, Mystery, Till and Marilyn located near Grand Falls, Newfoundland, Canada, 20-25 kilometres west of New Found Gold Corp.'s Queensway project and 15-35 kilometers south of Sokomon Minerals Corp.'s Moosehead gold project.

After completing a site due diligence program in August 2021, the Company entered into an option and purchase agreement on September 7, 2021 to acquire 100% of the properties. As consideration, the Company will pay the vendors \$615,000 in cash and 10,000,000 common shares of the Company, spread over five years. The Company also has to pay a finder's fee of 7% of the total amount of cash paid, and issue 7% of the common shares issued to the vendors. The Vendors will retain a two percent Net Smelter Return royalty ("NSR") of which 1% can be purchased by the Company for \$2,000,000 and the remaining 1% at market price. An advance royalty of \$15,000 per annum would be payable upon and subsequent to the 6<sup>th</sup> anniversary.

Minimum work expenditure total \$1,500,000 over the five-year term of the agreement by September 7, 2026, with \$150,000 during the first year, \$200,000 during the second year, \$250,000 during the third year, \$300,000 during the fourth year and \$600,000 during the fifth year. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$2,000,000 and the remaining 1% at market price.

As at January 31, 2023, the Company has paid the vendors \$40,000 cash and issued 1,000,000 common shares valued at \$0.04 per share and 1,000,000 common shares valued at \$0.02 per share to the vendors. . The Company also issued 70,000 common shares valued \$0.04 per shares and 70,000 common shares valued at \$0.025 per share and paid \$2,800 as finder's fees.

The 8,750-hectare project is located strategically within the Exploits Subzone, an extensive area of mineral exploration activity and discoveries over the past two years. The Properties are well situated in logistics for exploration, located close to each other and <10-25 kilometres southeast and south by road from Grand Falls, Newfoundland. The Properties are located <50 kilometres from the Gander International Airport and are easily accessible from major paved roads and local logging and bush roads and trails largely by vehicles and more remote areas by all-terrain vehicles.

The Company has staged plans to complete, with its receipt of exploration approvals from the Mineral Lands Division of the Government of Newfoundland and Labrador, regional till sampling for gold grain analysis and soil geochemistry, prospecting, airborne geophysics, QA/QC program development, ArcGIS geological and geophysical data compilation and as warranted by the Phase 1 results, submit additional permit applications to undertake a detailed geological mapping and sampling program, grid soil sampling and planning for our first exploration drill campaign during Q2/Q3 2023.

During October 2021, Silver Spruce signed a technical services agreement with MPX Geophysics Ltd. to conduct an airborne survey of the Mystery Au project and contracted Quinlan to carry out soil and till sampling over the three claim blocks. Both contracts which started in November 2021 were subject to early closure due to winter weather conditions with >50% completion of field-based activities.

During November 2021, the Company reported the results of its due diligence sampling to confirm the analytical data from the key outcrops identified on the properties. The due diligence samples were collected from five readily accessible areas on Mystery and Marilyn. The seventeen samples, 4 from Marilyn and 13 from Mystery Lake verified the historical grades and the Au-As±Sb±Bi geochemical association. Gold assays for the seventeen due diligence samples ranged up to 8.0 g/t Au and >1% As consistent with historical samples to 12.5 g/t Au and anomalous As.

The airborne survey was restarted and completed during January 2022. The airborne survey comprised three grids totaling 1,691 line-km along E-W (Marilyn and Till) and N-S (Mystery) flight lines with 100 metre nominal line spacing, and 180 line-km of orthogonal tie lines with 1,000 metre nominal line spacing (Figures 3, 4 and 5). The final report was received in March 2022. The initial property assessment report was completed and filed during Q4 2022.

The gold grain in till program was started with B zone soil geochemical sampling over a planned 184 locations and screened tills will be shipped to Nepean, Ontario and submitted to Overburden Drilling Management (“ODM”) for processing and gold grain analysis. The soil samples were shipped to ALS Global in North Vancouver for precious metal and multi-element analysis. A total of ninety-five of the planned locations were sampled through November and December 2021 and till and soil samples were shipped in January 2022 to laboratories in Nepean, ON and North Vancouver, BC., respectively. Most of the sample data for the first batch were received in April and May 2022.

The till sampling survey, as described above, was re-initiated in July 2022 and completed in Q4 2022. The geochemical and gold grain in till results were received in December 2022 from two third party commercial laboratory facilities.

The widely-spaced gold grain in till sampling results identified anomalous sites with >20 gold grains on each of the three original Properties, Marilyn, Till East and Mystery Lake. Three sites containing anomalous gold grains (Figures 3 and 4) occurred primarily within the Botwood Group metasediments and another within the marginal phases of the intrusion. A total of twenty-two (22) sites contained elevated calculated ppb Visible Gold and pristine gold particle morphologies (12 samples). Modified gold grains were reported from twenty-five (25) sampling sites including eight (8) accompanied by pristine grains distributed across the Properties. Soil geochemistry also showed Arsenic anomalies in Marilyn transecting from north to south, proximal to the gold grain trend occurring on a southwesterly linear parallel to regional geological and magnetic structure (Figures 5 and 6). The western area of the Marilyn claims and the south Till claims contain overlapping gold grain and Au-As-Sb geochemical signatures. Mystery Lake also showed a cluster with elevated Arsenic and Antimony adjacent to the highest Au grain data.

The completed data will be released pending geophysical interpretation and ArcGIS compilation.

Detailed interpretation of the airborne geophysical study will be carried out by In3D Geoscience during the Q2 2023. ArcGIS management and analysis of the project data remained ongoing through the current and next quarters.

The initial property assessment report was completed and filed with the Newfoundland and Labrador Ministry of Industry, Energy and Technology during Q4 2022. The report was approved and accepted by the regulatory agency in December 2022. The current Property expenditures fully cover the first two years of the payments (to the 2<sup>nd</sup> anniversary Sep 2023) required (\$350,000) for exploration in the Agreement. The Agreement was amended to accept the cash portion (\$50,000) of the 1<sup>st</sup> anniversary Sep 22 payment (shares fully paid) upon pending return of the security deposits placed on the Properties in 2021 to allow the Company adequate time to carry out the permitted exploration programs.

The Company also announced the acquisition by staking of 6,040 hectares (“ha”) of claims contiguous to the Marilyn and Till properties of the Mystery Au project. The new properties cover a total of 242 claims in three property blocks which effectively doubles our overall property coverage to 148 square kilometres (14,790 ha). These new claims follow to the south along the principal metasedimentary structural trend and geological contacts on the west margin of the Mount Peyton intrusive complex.

The Company is preparing a fiscal 2023 exploration program to focus on the new Property acquisitions and areas targeted around potential coincident anomalous geochemical, gold grain in till and geophysical data sets.

All metal values disclosed for the Mystery project by past operators and Silver Spruce are reported from grab and channel samples from surface exposures which may not be representative of the metal grades, or the metal grade distribution, and those from previous exploration efforts must be considered as historical in nature. The Company

has reviewed the historical certificates, where available, and initiated data verification sampling on the known areas of mineralization to confirm the presence and tenor of metal values. The Company believes that the analytical protocols and data will withstand scrutiny for inclusion. Sample grades reported by element in the technical documentation and analytical certificates range from detection limit (based on the specific instrumentation and by element) to anomalous values which represent and include select samples and are reported as 'up to' the maximum values and/or ranges presented. Average values may be reported for select suites of samples, including the due diligence samples, in which the sample frequency is indicated and which only represent metal grades from those samples.

## **Diamante, Mexico**

The Company completed its due diligence site visit to the Diamante 1 and 2 properties during March and April 2021 after signing the Letter of Intent with Colibri Resource Corp., Silver Spruce sent a team of two geologists to verify several known targets and carry out preliminary rock sampling from the artisanal workings. The assays, which range from 0.127 g/t Au to 1.195 g/t Au associated with up to 837 g/t Ag and 6.87% Zn for the small suite of five samples collected, compared favorably with historical values reported and validated the Company's interest in the property.

On April 27, 2021, the Company signed a Definitive Agreement with Colibri Resource Corp. and its wholly owned Mexican subsidiary, Yaque Minerales, to acquire 50% interest in the Diamante 1 and Diamante 2 Au-Ag concessions in Sonora Mexico.

As consideration, to earn its initial 25% interest in the Property, the Company paid an initial cash amount of US\$75,000, directed to the Vendor's US\$100,000 initial property payment whereupon Silver Spruce and Yaque each will hold a 25% interest in the Property and manage the Property as equal partners ("Partners").

Silver Spruce will be the designated operator of the Property during the earn-in period with the Vendor. The Partners will direct the exploration program via a Project Oversight Committee.

To earn its initial 50% of the Diamante project, Silver Spruce and Yaque also agree to design, permit and drill a minimum of 2,000 metres on the Property within 24 months from the Execution Date of Yaque's final agreement with the Vendor; including any requisite exploration leading to the drill program, submit a final drilling report to meet NI 43-101 reporting guidelines and pay approved exploration costs at a ratio of Silver Spruce (75%) and Yaque (25%). Per the requirements of the acquisition, a total of 2,005 metres of drilling was completed in July 2022.

The Partners will pay to the Vendor 50% of the bi-annual property taxes and surface rights payments.

Upon completion of the initial earn-in, Silver Spruce and Yaque will become equal joint venture partners with the Vendor in BIMCOL, a private Mexico company holding the concessions, pay to the Vendor 50% of the bi-annual property taxes and surface rights payments and pay approved prorata exploration costs at a ratio of Silver Spruce (50%) and Yaque (50%).

The Property is located within the west-central portion of the Sierra Madre Occidental Volcanic Complex within the prominent northwest-trending "Sonora Gold Belt" of northern Mexico and parallel to the well-known, precious metals-rich Mojave-Sonora Megashear.

The Diamante gold-silver (Au-Ag) project ("Diamante" or the Property") is a drill-ready precious metal project located 5 km northwest of the town of Tepoca, and 165 km southeast of the capital city of Hermosillo, eastern Sonora, Mexico.

Diamante 1 is situated adjacent to the west boundary of the 180-ha El Mezquite project. Diamante 2, 700 meters south of Diamante 1, is located 1.6 kilometres northwest of the Company's 1,130-ha Jackie project. The acquisition nearly doubles the Company's land holdings in the area to 2,367 hectares.

The Company contracted a LiDAR survey on the Diamante 1 and 2 properties which was completed in May 2021. During the previous quarter, interpretation of the LiDAR mapping from that survey was contracted to and completed by GeoCloud in Australia.

A focused geological mapping program, environmental permitting and maiden drilling programs was deferred to the first quarter of 2022 pending signing of negotiated land access agreements. Agreements were signed for several ranches in May 2022. One additional ranch agreement remains under discussion as at January 31, 2023.

With pending land access agreements, the Company proceeded with a short-term geological mapping program in January 2022. With our geological mapping and sampling team already on the ground at Diamante, the Company completed and filed the drill permitting documents with SEMARNAT. The filings described the geological planning and all pertinent environmental parameters requisite to the maiden drilling program proposed for Diamante. Exploration plans were submitted for a minimum 2,000 metre reverse circulation drill program on Diamante 1 and 2 to evaluate four to seven of the principal targets exhibiting high grades of polymetallic Au-Ag-Pb-Zn-Cu mineralization with coincident alteration, shearing and veining.

Approval of the SEMARNAT permits was received in March 2022.

The preliminary field program report was completed in the Q2 2022. Rock samples collected during the program were submitted to ALS Global in North Vancouver for precious metals and multi-element analysis and results were received and released in June 2022.

The Company is continuing with its ArcGIS compilation for layout and development of access routes, logistics planning and geological staffing for the upcoming drill program. Contracts were signed in May 2022 with a heavy equipment services company (TRAX) for road and pad preparation, and a drilling services company (Minera Drilling). Geochemical analyses were performed at ALS Global for the project.

Program mobilization occurred in June 2022 with completion of drilling at El Pillado and La Prieta in July 2022 and analyses reported through August 2022. The results for the El Pillado drilling were released on September 7, 2022 and the La Prieta results on September 29, 2022.

The initial five holes at El Pillado targeted E-W trending, shallow-dipping mineralization straddling two normal faults or shear zones with one of the holes aimed to undercut the mineralization looking for stacked zones or structural dilation targets parallel to the shallow exposures and oblique to the shear/fault motion. Two holes were drilled from the northwest toward the western extension of the known mineralization and several near-surface showings proximal to N-S faulting and potential offsets of the main zone. The final two holes were proposed to test both western extensions and southerly south-dipping targets beyond the initial geochemical sampling window.

Promising shallow intersections of base metal, silver and gold values were identified from the maiden 2,005 metre reverse circulation drilling program. Geological logging and quantitative assays reported from one to six sulphide-bearing zones per hole consistent with pXRF analyses conducted during the drill program. Our first target, El Pillado, exhibited intervals of Pb and Zn sulphide mineralization up to a combined 13.1 wt.% Pb+Zn, with elevated Ag to 397 g/t and Au to 0.934 g/t, in variably altered andesite locally with shear/fault controls, comprising polymetallic vein-style occurrences within and adjacent to historical artisanal mining.

Highlights of the drill intersections are noted below.

- DIA22-01 intersected five intervals to 3 metres with two sections exceeding 1% Zn.
- DIA22-02 cut six intervals to 3 metres with one section containing 3.89% Zn.
- DIA22-05 hit five intervals with significant metal values, including 24-30 metres (high silver to 251 g/t Ag, Zn to 1.9 wt.%), 33-36 metres (Ag to 397 g/t, Pb+Zn to combined 11.2 wt.%), 43.5-51 metres (Ag to 257 g/t, Pb+Zn to 13.07 wt.%), 78-81 metres (Ag to 35.8 g/t, Pb+Zn to 8.5 wt.%).
- DIA22-06 hit one zone of 3 metres (Ag to 60.4 g/t and Pb to 1.21 wt.%).

- DIA22-08 reported the highest gold of 0.934 g/t Au at a depth of 13.5 metres with low Ag and base metal values.

The drilling confirmed the indicated El Pillado mine target, both shallow and at depth, and given the promising metal grades in DIA22-05 (AZ 105°, -45°) remains open to the east.

Ten (10) holes were drilled in the 2,005-metre program at the La Prieta (10) Au-Ag-Pb-Zn-Cu targets. The R/C holes were oriented to intersect depth projections of known surface and shallow underground workings, stockwork zones and traces of surface lineaments associated with mineralized occurrences. The drill holes were inclined between -55° and -75° and drilled to depths ranging from 72 metres to 126 metres.

The highest-grade samples returned from La Prieta drilling include 12.75% Zn, 5.6 % Pb, 239 g/t Ag, and 5.62 g/t Au. All holes intersected mineralization with intersection lengths ranging from 1.5 m to 13.5 and with variable metal abundances and ratios. Highlights of the results include:

- 2.48 grams per tonne (“g/t”) Au + 56.7 g/t Ag over an intersection length of 9.0 m
- 1.76% Zn + 38.5 g/t Ag + 0.56 g/t Au over an intersection length of 13.5 m
- 1.61% Zn + 38.5 g/t Ag + 0.63 g/t Au over an intersection length of 10.5 m

Quantitative assays identified from one to four sulphide-bearing zones per hole consistent with pXRF analyses conducted during the drill program. Anomalous values of pathfinder elements including As, Cd, Cu, Hg and Sb were verified. The initial drilling confirmed that the indicated La Prieta mine target, both in shallow intersections and at depth, and given the promising metal grades, particularly in DIA22-17, warrants further work programs for the polymetallic, intermediate sulphidation mineralization.

In January 2023, the Company filed its technical report with the Vendor, earned a 25% interest in Diamante 1 and 2 with Colibri Resource Corp. via Yaque Minerales and has an option remaining to increase Silver Spruce ownership to 50%.

Stemming from these promising results, the Companies are discussing the scope and timing for the next phase of exploration. Further ground truthing will be prioritized for structural analysis and potential displacement vectors of projected mineralization peripheral to underground workings. Other high priority targets at Calton, Aguaje, El Chon, Mezquite Raizudo and several others await ground-based activities. The current 12-month SEMARNAT permit was received in March 2022. Preparation of an updated environmental report for permitting of trenching and drilling programs will be required and submitted to SEMARNAT to obtain new permits to allow work programs to continue after March 2023.

All metal values disclosed for the Diamante project by past operators and Silver Spruce are reported from grab and channel samples from surface and underground workings which may not be representative of the metal grades, or the metal grade distribution, and those from previous exploration efforts must be considered as historical in nature. The Company has reviewed the historical certificates, where available, and initiated data verification sampling on the known areas of mineralization to confirm the presence and tenor of metal values. The Company believes that the analytical protocols and data will withstand scrutiny for inclusion. Sample grades reported by element in the technical documentation and analytical certificates range from detection limit (based on the specific instrumentation and by element) to anomalous values which represent and include select samples and are reported as ‘up to’ the maximum values and/or ranges presented. Average values may be reported for select suites of samples, including the due diligence samples, in which the sample frequency is indicated and which only represent metal grades from those samples.

### **Pino de Plata, Mexico**

On February 29, 2016, the Company signed an amended agreement (further amended on July 15, 2019) that supersedes the original purchase agreement and enables the Company to purchase a 100% interest in the Pino de Plata property. The revised financial terms are as follows:

- Total cash payments reduced to US\$500,000 over two years from the execution date (US\$125,000 (CDN\$168,459) paid); US\$375,000 remains to be paid over an 18 month period upon end of force majeure (signing of land access agreement);
- One share issuance of 2,500,000 common shares, based on par value of \$0.10, issued on June 15, 2016 and valued at \$0.07 per common share based on the quoted market value of the common shares on that date. One payment of \$250,000 remains to be paid in common shares in lieu of cash, at a share price equal to the 20-day average closing price of the Company's shares on the TSXV, subject to exchange approvals;
- A three percent (3%) gross production royalty capped at US\$4 million, which can be purchased for US\$1,333,333 per percentage point at any time and are reduced by the total amount of advanced royalty payments; and
- The Company is subject to advanced Royalty payments of US\$10,000 per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

As a result of a delay in being able to access the property, an addendum to the purchase agreement was made in November 2016 to suspend the terms of the agreement until access is gained to the property. Access was granted again in June 2018 was revoked in June 2019 due to a force majeure.

The ongoing interest in the property is subject to satisfactory resolution of the access restriction. In June 2020, the Company engaged a Mexican legal counsel to engage in discussions with landowner representatives.

On November 7, 2019, the Option Agreement with the concession title owner was fully processed by the Registro Publico de Minería (Public Mining Registry). The Company has directed its attention to the landowner negotiations.

As of the current date since July 2019, negotiations with the landowner representatives are being monitored by the Board and management of the Company's Mexican subsidiary through its legal counsel in Hermosillo, Mexico.. No advances are reportable for the past quarter though contacts remain ongoing.

The property is 397 hectares located approximately fifteen kilometers from Coeur Mining Inc.'s Palmarejo open pit and underground operations. This Property shows historical small-scale surface mining of high-grade silver (> 1,000 g/ton) dating back to approximately the 1600's and the entire project sits on top of an intrusive system with widespread anomalous mineralization. The mining concessions on the Property have been held by the same family since 1984 and have never been drilled or fully explored by modern methods.

The initial NI 43-101, detailed below, showed very promising results and at that time, the Company was focused on exploring and developing Pino de Plata.

In May 2015, Silver Spruce completed an initial National Instrument 43-101 exploration assessment report which identified three areas for follow-on exploration and drilling. The 43-101 involved on-site field examination which systematically sampled areas of known small-scale historical production. Of note, the areas sampled for the 43-101 only represent approximately one-quarter of the total area of the Property. Approximately ninety-two samples were taken during the field examination and show widespread intrusive epithermal mineralization at surface with silver values, on average, of greater than 50 grams per tonne (g/t), that is 1.6 ounces per ton (opt), over an area of more than 1 square km (>100 Ha). Within the area examined, specific targets were sampled with silver (Ag) assays of up to 557 g/t or 17.9 opt. The following are the three target areas identified in the 43-101.

The Terrero target was identified as having an area of over 20,000 square meters (>2 Ha), where the replacement epithermal mineralization in igneous rocks contains good silver grades at surface in unoxidized rock. Seven out of nine samples, taken at surface, contained > 1 opt Ag to as much as 17.9 opt Ag with an average silver grade of 250 g/t (8 opt) Ag. Little additional work in the way of mapping and sampling is required prior to drilling this prospect.

The Santa Elena, a Gossan target area, presents a viable target for replacement Ag-Pb-Zn-Cu deposits. Unoxidized replacement mineralization from the Santa Elena Mine approaches 200 g/t (6.4 opt) Ag. This area has the potential for relatively shallow replacement mineralization over an area of > 20 Ha. The sampling in the Santa Elena – Gossan target area also revealed elevated values of >2-3% Zn and anomalous Au, Cu and Pb.

Vein targets comprise the Sierpe and Theodora veins which are open on strike and have significant values of Ag (>250 g/t or 8 opt Ag) and potentially minable widths (>= 1 m). Newly exposed, Ag mineralized quartz veins in road cuts to the west along with favorable alteration west of the Sierpe and Theodora mines make these attractive vein targets. The sampling in the Sierpe I, Sierpe II and Theodora vein target areas also revealed elevated values of up to 5% Pb and up to 7% Zn, with anomalous Au values up to 0.461 g/t.

During the period ended July 31, 2019, the Company completed a field program that:

- Expanded areas of intrusion-related alteration and mineralization to 50-plus hectares;
- Confirmed that high silver grades are present on surface at the El Terrero and Gossan areas;
- Added three new vein targets at the La Perla, Santa Clara and El Muro vein systems; and,
- Refined drill collar locations and orientations to optimize targeting.

During the second quarter of 2021, the Company contracted a LiDAR survey on the Pino de Plata property which was completed in May 2021. Interpretation of the LiDAR mapping from that survey was contracted to and completed by GeoCloud in Australia. The results were incorporated into the ArcGIS database.

No further on-site or remote activities were carried out during the recent quarter to March 2023. The Company deferred its desktop studies through the past and current quarters. Limited ArcGIS compilation activities will be required as potential exploration activities are defined pending the ongoing land access negotiations underway since July 2019. Further, given the land access issues, the Company has conducted no on-site ground-based activities since June 2019 and has deferred its discussions with drilling companies prior to awarding a contract for services for the Phase I drill program at Pino de Plata.

All metal values disclosed herein for the Pino de Plata project by past operators and Silver Spruce are reported from grab and channel samples which may not be representative of the metal grades, or the metal grade distribution, and those from previous exploration efforts must be considered as historical in nature. The Company has reviewed the historical certificates, where available, and conducted data verification sampling on the known areas of mineralization to confirm the presence and tenor of metal values. The Company believes that the analytical protocols and data will withstand scrutiny for inclusion. Sample grades reported by element in the technical documentation and analytical certificates range from detection limit (based on the specific instrumentation and by element) to anomalous values which represent and include select samples and are reported as ‘up to’ the maximum values and/or ranges presented. Average values may be reported for select suites of samples in which the sample frequency is indicated and which only represent metal grades from those samples.

### **El Mezquite, Mexico**

The option to acquire 50% interest was terminated in September 2022 with no further attributable costs to the Company. The Property was returned to Colibri Resource Corp. prior to the scheduled payment of US\$100,000 on or before September 30, 2022 and the \$500,000 for 50% of its debenture due in October 2023, and any annual interest or property tax payments due to Colibri Resource Corp.

## **LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES**

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$130,840 for the quarter ended January 31, 2023 (January 31, 2022 - \$402,850). The operating cash flows represent the net cash loss for the period offset by the changes in the trade payables and accrued liabilities, prepaid expenses and receivables.

## **Financing Activities**

The Company had a net cash outflow from financing activities of \$4,967 for the quarter ended January 31, 2023 (January 31, 2022- \$4,725). Financing activity for 2023 reflects the repayment of the lease liability.

## **Liquidity**

The Company had cash of \$86,122 as at January 31, 2023 (October 31, 2022 - \$221,929). The change in non-cash operating working capital as at January 31, 2023 was a cash inflow of \$44,305 (January 31, 2022 - \$25,329).

## **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At January 31, 2023, the Company had 202,759,500 issued and outstanding common shares (October 31, 2022 – 200,759,500). The Company also has 77,770,000 warrants outstanding (October 31, 2022 – 83,871,667).

## **Going Concern (Note 2 – January 31, 2023 Financial Statements)**

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company is an exploration stage company and does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date, the Company has not earned revenues from mining activities and does not have a firm timeline until such revenues can be reasonably expected to be realized. The Company's interests in exploration properties are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company's continued existence is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, and future profitable production. It is not possible to predict whether financing efforts will be successful.

Although the Company has taken steps to verify title to mineral exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory, social and environmental requirements and may be affected by undetected defects.

While the condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions, cast significant doubt on the validity of this assumption. The Company has incurred a net loss of \$221,644 during the quarter ended January 31, 2023, has an accumulated deficit of \$44,692,710 and has no source of revenue. The Company has a working capital deficit of \$164,795 as at January 31, 2023. However, subsequent to the quarter end (Note 15 (i)-January 31, 2023 financial statements), on March 29, 2023, the Company closed a private placement for gross proceeds of \$1,135,507. Although the Company has been successful in raising funds in the past and during the year, there is no assurance that it will be able to successfully complete further financing. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed consolidated interim financial statements. Such adjustments could be material.

## **RELATED PARTY TRANSACTIONS**

Included in trade payable and accrued liabilities as at January 31, 2023 is \$89,075 (October 31, 2022 - \$35,075) owing to directors and companies controlled by directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.



During the period ended January 31, 2023, key management personnel compensation consisted of services provided by directors or companies owned by directors or officers of \$65,250 (2022 - \$60,750), which are classified as \$54,000 (2022 - \$31,500) for consulting fees, and \$11,250 (2022 - \$29,250) as exploration and evaluation expenditures on the condensed consolidated interim statement of operations.

## **OFF-BALANCE-SHEET TRANSACTIONS**

There are no off-balance sheet transactions contemplated at this time.

## **COMMITMENTS**

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive.

The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has indemnified the subscribers of current and past flow-through share subscriptions from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

## **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, third party advice and financial reporting requirements. However, actual outcomes can differ from these estimates.

The Company has identified the following areas under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

### *Share-based payments*

The Company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life, forfeiture rates and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such

differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

## **RECENTLY ADOPTED ACCOUNTING STANDARDS**

There were no new standards adopted in the current period.

### **Recent accounting pronouncements not yet adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

#### *IAS 1 – Presentation of Financial Statements*

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2024 (for the Company’s annual period ended October 31, 2024) and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

#### *IAS 1 - Disclosure of Accounting Policies*

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

#### *IAS 8 - Definition of Accounting Estimates*

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

## FINANCIAL INSTRUMENTS

### Fair Value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, accounts payable and accrued liabilities on the balance sheets approximate fair value due to their short-term maturity.

## RISKS AND UNCERTAINTY

The Company's financial success is dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the section on liquidity, financings and capital resources.

### *Dependance on Management*

The success of the operations of the Company is also dependent to a significant extent on the efforts and abilities of its management team. The Company depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Company's business and financial condition.

### *Potential conflict of interest*

Certain directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies, including activities involving mining and mineral activities. As a result of these and other activities, such directors and officers may become subject to conflicts of interest.

### *Financial risk*

Global markets have been adversely impacted by the Covid-19 pandemic and could be impacted by other emerging infectious diseases and/or the threat of outbreaks of viruses, other contagious or epidemic diseases in the future. The Covid-19 pandemic has resulted in a widespread crisis that has adversely affected the economies and the financial markets of many countries, resulting in an economic downturn which could adversely affect the Company's business and the market price of its securities.

### *Credit Risk*

The Company's credit risk is primarily attributable to cash and other receivables. The Company's cash is held with highly rated financial institutions.

The Company has concluded that credit risk with regards to other receivables, except Mexican VAT receivable on which the Company has recorded an allowance, is minimal.

### *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 has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

### *Interest rate risk*

The Company has no loan payable, therefore is not subject to interest rate risk. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank.

### *Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. However, the Company has operations outside of Canada, and therefore could be at risk for currency translations. The Company's property acquisition obligation (Note 7) is denominated in United States Dollars ("US\$") and is subject to fluctuations in that currency's value relative to the Canadian dollar. The value of the obligation at January 31, 2023 is \$33,375 (US\$25,000), therefore a 10% rise or fall in the Canadian dollar against the US dollar would have resulted in a decrease (increase) of \$3,337 in the net loss.

### *Mexican Operating Risk*

The Company's operations in Mexico are exposed to various levels of political, economic and other risks and uncertainties and any changes in the political or economic climate in Mexico, even if minor in nature, may adversely affect the Company's exploration activities. These risks and uncertainties vary from time to time and include, but are not limited to: labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, potential for bribery and corruption, high risk of inflation, currency devaluation, high interest rates, sovereign risk, military repression, civil disturbances and terrorist actions, arbitrary changes in laws or policies, consents or rejections, granting of waivers, corruption, arbitrary foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, difficulty obtaining key equipment and components for equipment and inadequate infrastructure.

### *Exploration risk*

There is no assurance that the activities of the Company will be successful and result in economic deposits being discovered and in fact, most companies are unsuccessful due to the low probability of discovering an economic deposit. Once mineralization is discovered, it may take several years until production is possible during which time the economics of a project may change. Substantial expenditures are required to establish reserves through drilling. The Company's ability to establish a mining operation is subject to a host of variables, such as the physical, technical and economic attributes of a deposit, availability of capital, cyclical nature of commodity markets and government regulations.

Exploration activities involve risks which even a combination of experience, knowledge and prudence may not be able to overcome. Exploration activities are subject to hazards and risks which could result in injury or death, property damage, adverse environmental conditions and legal liability. Fires, power disruptions and shortages and the inability to access land or obtain suitable or adequate equipment or labour are some of the hazards and risks involved in conducting an exploration program.

## **CURRENT MARKET CONDITIONS**

The fundamentals for gold and silver are expected to maintain strong pricing for 2023 though the general market conditions, which more directly affect the Company, remain challenging. The Company remains optimistic about the potential upside of the Diamante, Jackie, Pino de Plata, and Mystery silver/gold prospects.

## **OUTLOOK**

The Company is currently concentrating its efforts on mineral projects that need focused exploration and short-term investment. As at January 31, 2023, the Company's cash is \$86,122. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. Failure to obtain sufficient and timely financing may result in delaying or indefinitely postponing exploration or development activities. If the Company obtains debt financing, it

may expose its operations to restrictive loan and lease covenants and undertakings. If the Company obtains equity financing, existing shareholders may suffer dilution. See subsequent event for private placement.

## OUTSTANDING SHARE DATA

As at	Common Shares	Warrants	Stock Options	Fully Diluted
January 31, 2023	202,759,500	77,770,000	6,416,667	286,946,167
March 31, 2023	278,459,999	152,695,499	6,416,667	437,572,165

## SUBSEQUENT EVENTS

- i. On March 29, 2023, the Company closed a private placement consisting of 75,700,499 units at a price of \$0.015 per unit for gross proceeds of \$1,135,507. Each unit consist of one common share and one warrant to purchase an additional common share at an exercise price of \$0.05 per share, expiring March 28, 2028.
- ii. On February 5, 2023, 775,000 Company warrants expired.