

# SILVER SPRUCE RESOURCES INC.

## Management Discussion and Analysis For the three and six months Ended April 30, 2022

*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 June 29, 2022, and is a review of the financial condition as at April 30, 2022, and results of operations for the quarter ended April 30, 2022. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2021.*

*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.

As of April 30, 2022, cash reserves, totaled \$470,636. The Company continues to pursue its strategy to acquire and explore high potential mineral properties.

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, which has continued to spread, and any related adverse public health development, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. So far, the pandemic's effect on the Company has been minimal. We have raised over \$3,800,000 with three private placements since the onset of COVID-19 and increased our exploration activities. However, 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.

### 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.

	<b>April 30, 2022</b>	<b>January 31, 2022</b>	<b>October 31, 2021</b>	<b>July 31, 2021</b>
	\$	\$	\$	\$
Net loss	243,242	552,458	770,530	668,928
Net loss per share -basic and diluted	0.00	0.00	0.00	0.00
	<b>April 30, 2021</b>	<b>January 31, 2021</b>	<b>October 31, 2020</b>	<b>July 31, 2020</b>
	\$	\$	\$	\$
Net loss (profit)	510,383	437,016	352,940	245,200
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 April 30, 2022, the Company had a net loss of \$243,242 (April 30, 2021 – \$510,383) and a loss per share of \$0.00 (April 30, 2021 - \$0.00).

The decrease of \$267,141 in the net loss during the current quarter as compared to the same period last year is due mainly to the decrease in exploration activities. As indicated in the Projects below, there was not a lot of work done on the projects during the current quarter. As a result, exploration and evaluation expenditures decreased by \$180,704, from \$254,319 in 2021 to \$73,615 for the current quarter. Consulting fees decreased to \$61,875 for the quarter ended April 30, 2022 from \$93,360 for the same quarter of 2021. This decrease of \$31,485 is due to less exploration activity in the current quarter and additional fees in 2021 related to the OTCQB listing application. Stock based compensation also went down by \$38,559 in the current quarter compared to the same quarter of last year.

### Expenditures on Mineral Properties

During the quarter ended April 30, 2022, and the quarters ended January 31, 2022, October 31, 2021 and July 31, 2021 and the comparative periods, the Company incurred the following expenditures on exploration:

	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021
	\$	\$	\$	\$
<b>El Mezquite</b>	<b>6,125</b>	<b>24,965</b>	<b>165,238</b>	<b>312,863</b>
<b>Melchett Lake</b>	<b>4,021</b>	<b>136,950</b>	<b>185,067</b>	<b>17,755</b>
<b>Jackie</b>	<b>5,800</b>	<b>73,830</b>	<b>18,716</b>	<b>51,333</b>
<b>Mystery, Marilyn &amp; Till</b>	<b>44,978</b>	<b>135,312</b>	<b>160,307</b>	<b>-</b>
<b>Diamante</b>	<b>12,491</b>	<b>15,323</b>	<b>2,112</b>	<b>114,192</b>
<b>Pino de Plata</b>	<b>200</b>	<b>8,183</b>	<b>187</b>	<b>24,168</b>
<b>Other</b>	<b>-</b>	<b>125</b>	<b>1,900</b>	<b>1,475</b>

	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020
	\$	\$	\$	\$
<b>El Mezquite</b>	<b>50,128</b>	<b>24,559</b>	<b>144,443</b>	<b>32,787</b>
<b>Melchett Lake</b>	<b>137,998</b>	<b>119,250</b>	<b>11,025</b>	<b>1,500</b>
<b>Jackie</b>	<b>39,616</b>	<b>80,890</b>	<b>500</b>	<b>-</b>
<b>Diamante</b>	<b>23,722</b>	<b>1,900</b>	<b>-</b>	<b>-</b>
<b>Pino de Plata</b>	<b>2,855</b>	<b>12,700</b>	<b>3,791</b>	<b>-</b>

### 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.

## **El Mezquite, Mexico**

In June 2020, the Company signed a binding option agreement to acquire 50% interest in the El Mezquite Gold project, a drill-ready precious metal project 10 km northwest of the town of Tepoca, and 170 km southeast of the Capital city of Hermosillo, eastern Sonora, Mexico.

As consideration, the Company has paid US\$82,500 before September 1, 2020, US\$27,500 before September 30, 2021 and will defer payment of US\$100,000 by July 1, 2022 as per an amendment to the Agreement with the Vendor and will also reimburse Colibri Resources Corp, \$500,000 for 50% of its debenture due in October 2023.

Minimum work expenditure total US\$600,000 over the four-year term of the agreement by September 1, 2024, with no specific annual requirement. During the period of the option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active, 50% of the property taxes and 50% of the interest due at 2.5% annually on the debenture.

The Company has incurred incremental work expenditures during the option period to date and is up to date with the cash amounts, property taxes and debenture interest payable to the vendors. As noted, there are no annual expenditure requirements.

El Mezquite is very well situated in terms of logistics for exploration and is located only twelve kilometres northwest of the Nicho deposit currently under mine development by Minera Alamos. The 180-hectare Property is easily accessible from Mexican Highway #16 via a southerly-trending unpaved road which traverses through the centre of the known gold mineralization. High voltage power lines are positioned along Highway #16.

The El Mezquite Project 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 mineralization in the region commonly consists of disseminated gold hosted in strongly argillized and moderately silicified andesite rocks, typical to the Sierra Madre geological model of the principal deposits. Four main zones of alteration on the Property have been identified. The principal El Mezquite target area is defined as an alteration zone that extends for about 2 km in a north/south direction and is about 1 km wide. There are at least four of these colorful, hydrothermally altered, contact zones within the El Mezquite prospect area. The yellow, orange and reddish colors of the highly altered area are caused by hydrothermal solutions oxidizing sulphides. The sulphides are related to gold and silver values and geochemical anomalies which are mostly associated with these zones of alteration. The major trends of the alteration zone are generally north-south; however, the major trend of mineralization within the Property is NE-SW.

The gold and silver mineralization appears to be related to the silicified feldspar porphyry, which outcrops along the southern bank in the bottom of the largest arroyo. Rhyolite breccias and multiphase breccia veins are also noted.

Assay results from 362 rock chip samples indicate that 22 of the samples report values of gold >0.5 g/t, averaging 1.35 g/t Au and 54.4 g/t Ag. These samples are distributed along an area that extends for 600 meters in a north-south direction and 300 meters E-W. The highest values of gold and silver reported are 3.41 g/t Au and 198 g/t Ag. The surface sampling campaign in 2019 confirmed the anomalous values, with precious metal values ranging up to 1.63 g/t Au and 155 g/t Ag. The 2021 exploration mapping reported on additional Au and multi-element analyses with elevated gold to 1.65 g/t Au and silver values to 387 g/t Ag.

The Company’s first-ever drilling program at El Mezquite was completed in July 2021 with samples being submitted to ALS Global in Hermosillo. The Phase 1 RC program comprised 20 holes with a combined depth of 2,485 metres and utilized eight drill pad locations focused around a 400m x 600m area with elevated surface precious metal values as noted above. The drilling reported encouraging precious metal assays in nineteen of the first twenty holes drilled at El Mezquite with gold values to 1.435 g/t Au.

As noted previously, the drilling data are consistent with our exploration expectations for a low-grade, heap-leachable target with mineralization in the range of 0.1 g/t Au to 1.0 g/t Au. Of importance to the geochemical interpretation, the pathfinder elements (Hg, Cu, Pb, Zn, Sb and As) with low grade Au often displayed well-defined metal haloes adjacent to notable Au values. These zones, which occurred in fourteen (14) drill holes, ranged from ten (10) to forty-three (43) metres, with seven intervals over 20 metres in apparent thickness downhole, within and peripheral to the multiple gold and silver-bearing intervals and potentially are indicative of a significant structurally-influenced, precious metal mineralizing system with vein, stockwork and disseminated sulphides and/or secondary oxides.

All of the metal values disclosed herein for the El Mezquite project by past operators and the Company 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 has 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.

GIS compilation of the project data received through January 2022 remains in progress into the next quarter. Interpretation of the May 2021 LiDAR mapping was contracted to and completed by GeoCloud in Australia.

An environmental report was prepared and submitted for SEMARNAT permits required to undertake additional Phase 2 drilling. Phase 2 exploration plans were submitted for a 1,500-2,500-metre reverse circulation drill program to test existing and newly defined targets over precious metal anomalies with coincident structural, geochemical and geophysical features. Six drill pads remain available from the fourteen originally permitted in 2021 and twenty-four new pads were proposed for holes on the northern, northwestern and southeastern sections of Mezquite.

The permit from SEMARNAT was received in February 2022. Planning for a 2022 drilling program is underway.

### **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 April 30, 2022, 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 and 1,500,000 common shares valued at \$0.05 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 during the first year, \$250,000 in the second year and \$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 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 a 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 Mattabi, 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.

All of the 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.

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 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. The line cutting and Quantec Spartan survey were re-scheduled until Q3/4 2022 pending contractor availability and additional funding.

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 and forwarded for interpretation to In3D Geoscience.

GIS compilation and interpretation of the data received through April 2022 remains in progress into the next 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 the final report remains in progress through the next quarter.

### **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 is 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 of the Option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active and 50% of the property taxes.

The Company has 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 has expended in excess of the requisite US\$50,000 on or before December 14, 2021 and a total of US\$100,000 will be 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 (shown below) 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 will remain 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.

All of the 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.

No additional fieldwork was conducted during the current quarter. Interpretation of the LiDAR mapping was contracted to and completed by GeoCloud in Australia. GIS compilation remained ongoing through the second quarter of 2022 and will continue as exploration activities are defined into the following quarter.

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 SEMARNAT permit was received in March 2022. The trenching program will proceed in the following quarter. The maiden drilling program will proceed pending results of the trenching sample analysis in Q4 2022. 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.

### **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 finders 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.

The Company has paid the vendors \$40,000 cash and issued 1,000,000 common shares valued at \$0.04 that were due upon the TSX's approval of the agreement. The Company also issued 70,000 common shares valued \$0.04 per shares and paid \$2,800 as finders 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 ATV.

The Company has staged plans to complete, with its receipt, in the current quarter, 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 Q3/Q4 2022.

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.

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. Data interpretation will be carried out during the current quarter.

The till sampling survey is expected to be re-initiated in the Q3 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. A portion of the till sample data remains in process. The results will be released pending completion and processing of the remaining sampling sites for the Mystery block during Q3 2022.

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.

All of the 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.

GIS management of the project data remains ongoing through the current and next quarters.

## **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 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%).

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 Company has incurred incremental work expenditures through the current quarter and is up to date with the cash amounts payable to the vendors.

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 Silver Spruce's 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 were 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 in discussions.

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 current quarter. Rock samples collected during the program were submitted to ALS Global in North Vancouver for precious metals and multi-element analysis and results are anticipated 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 will be performed at ALS Global for the project. Program mobilization is expected in May 2022 with completion of drilling and analyses in June and August 2022, respectively.

All of the 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 (US\$125,000 (CDN\$168,459) paid);
- 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 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 but has been 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 continue.

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, shows very promising results resulting in the Company focusing 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.

The Company has continued with desktop studies during the current quarter. During the second quarter of 2021, the Company contracted a LiDAR survey on the Pino de Plata property which was completed in May 2021. .During the current quarter, interpretation of the LiDAR mapping from that survey was contracted to and completed by GeoCloud in Australia.

Limited GIS compilation activities remained ongoing through the current quarter and will continue as potential exploration activities are defined in the following quarter pending the ongoing land access negotiations. Further, given the land access issues, the Company has deferred its discussions with several drilling companies prior to awarding a contract for services for the Phase I drill program at Pino de Plata.

All of the 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.

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

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$697,343 for the six months ended April 30, 2022 (April 30, 2021 - \$805,342). The operating cash flows represent the net cash loss for the period offset by the changes in the accounts payable, prepaid expenses and HST receivable.

### **Financing Activities**

The Company had a net cash outflow from financing activities of \$10,442 for the six month ended April 30, 2022 (April 30, 2021 inflow of - \$781,754). Financing activity for 2022 reflects the repayment of the lease liability.

### **Liquidity**

The Company had cash of \$470,636 as at April 30, 2022 (October 31, 2021 - \$1,178,421). The change in non-cash operating working capital as at April 30, 2022 was a cash outflow of \$48,760 (April 30, 2021 - \$42,493).

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At April 30, 2022, the Company had 189,119,500 issued and outstanding common shares (October 31, 2021 – 187,119,500). The Company also has 86,360,508 warrants outstanding (October 31, 2021 – 91,250,508).

### **Going Concern (Note 2 – April 30, 2022 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, or 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.

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 development, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. So far, the pandemic's effect on the Company has been minimal. The Company has raised over \$3,800,000 with three private placements since the onset of COVID-19 and increased its exploration activities. However, the economic downturn could have a negative effect on the Company's ability to raise funds in the future, which could adversely affect future exploration.

While the condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions, however, cast significant doubt on the validity of this assumption. The Company has incurred a net loss of \$795,700 during the six months ended April 30, 2022, has an accumulated deficit of \$43,732,738 and has no source of revenue. The Company was successful in raising funds during the previous year, which resulted in a working capital surplus of \$482,016 as at April 30, 2022. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to successfully complete further financings. 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 consolidated financial statements. Such adjustments could be material.

## **RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at April 30, 2022 is \$19,837 (October 31, 2021 - \$16,521) owing to directors and companies controlled by directors or officers of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the six months ended April 30, 2022, key management personnel compensation consisted of services provided by directors or companies owned by directors or officers of \$116,250 (2021 - \$142,825), which are classified as \$61,750 (2021 - \$96,075) for consulting fees, \$nil (2021 - \$1,100) as office expense and \$54,500 (2021 - \$45,650) 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, 2021. 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: Amendments were made to IAS 1, Presentation of financial statements in order to clarify how to classify debt and other liabilities as either current or non-current. IAS 1 is required to be applied for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

IAS 37 – Onerous Contracts (as early application is permitted)

Provisions, contingent liabilities, and contingent assets under IAS 37 will be amended for annual reporting periods beginning on or after January 1, 2022. The amendments include determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous and the allocation of other costs that relate directly to fulfilling contracts.

This new amendment will be applied to contracts for which the Company has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

## **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. The fair value of long-term debt approximates its carrying value based on current borrowing rates.

## **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 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's 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 April 30, 2022 is \$31,980 (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 \$3,198 in the comprehensive 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 have improved and are expected to remain strong for 2022. The Company is excited about the Diamante, Jackie, Pino de Plata, El Mezquite and Mystery silver/gold prospects for this reason.

## **OUTLOOK**

The Company is currently concentrating its efforts on mineral projects that need focused exploration and short-term investment. As at April 30, 2022, the Company's cash is \$470,636. 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.

## **OUTSTANDING SHARE DATA**

<b>As at</b>	<b>Common Shares</b>	<b>Warrants</b>	<b>Stock Options</b>	<b>Fully Diluted</b>
<b>April 30, 2022</b>	189,119,500	86,360,508	6,416,667	281,896,675
<b>June 29, 2022</b>	189,119,500	73,301,667	6,416,667	268,837,834

## **SUBSEQUENT EVENTS**

- i. On May 27, 2022, 13,058,841 Company warrants expired.