# MANTARO SILVER CORP.

**Management's Discussion and Analysis**
**For the period ended May 31, 2021**

**Dated as of August 6, 2021**

# *Management's Discussion and Analysis*

## For the period ended May 31, 2021 and dated as of August 6, 2021

The following management's discussion and analysis ("MD&A") has been prepared by Management. The following discussion of performance, financial condition and future prospects should be read in conjunction with the condensed interim consolidated financial statements for the period May 31, 2021 of Mantaro Silver Corp. ("Mantaro" or the "Company") and notes thereto. The information provided herein supplements but does not form part of the consolidated financial statements. This discussion covers the period ended May 31, 2021, the period from incorporation (May 25, 2020) to May 31, 2020 and the subsequent period up to the date of issue of this MD&A. Unless otherwise noted, all dollar amounts are stated in Canadian dollars.

The Company's condensed interim consolidated financial statements for the periods ended May 31, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is intended to help the reader understand Mantaro, its operations, financial performance, current and future business environment and opportunities and risks facing the Company. Certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding such statements in Appendix 1 of this MD&A.

## Description of Business and Overview

Mantaro Silver Corp. (the "Company", "Mantaro"), an exploration stage company focusing on five (5) silver-based mineral properties in Peru (the "Silver Properties"). The Company is listed on the TSX Venture Exchange under the symbol "MSLV". The Company's head and registered and records office is located at Suite 704, 595 Howe Street, Vancouver, BC V6C 2T5.

The Company has not commenced commercial operations. At present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete its development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

In December 2019, a novel strain of coronavirus, which causes COVID-19, surfaced in Wuhan, China and has reached multiple other regions and countries, including Lima Region, Peru, where the Company's Silver Properties are located. The coronavirus pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. The extent to which the coronavirus impacts the Company's ability to carry out exploration of its properties or those of its third-party partners, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that will emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The Company may be required to implement strict measures, or may be required to implement strict measures depending on the circumstances moving forward.

## Reverse Takeover Transaction

On May 21, 2021, the Company completed its acquisition of Mantaro Silver Corp. (the “Target”) pursuant to the terms of an amalgamation agreement dated October 23, 2020, among the Company, the Target and a subsidiary of the Company. Each holder of a Target common share received one (1) post-Consolidation common share of the Company (a “Resulting Issuer Share”) for each Target common share held. All currently outstanding convertible securities of the Target, specifically the Target warrants were exchanged or replaced with Resulting Issuer warrants based on a 1:1 ratio and on the same economic terms and conditions as previously issued.

A total of 26,311,145 Resulting Issuer Shares were issued to the Target Shareholders. After completion of the Transaction, the Target securityholders became securityholders of the Company.

In conjunction with closing of the Transaction, the Company completed a consolidation on the basis of two pre-consolidation common shares of the Company were exchanged for one post-consolidation common share of the Company (the “Consolidation”). The Company also changed its name to Mantaro Silver Corp. on closing of the Transaction (the “Name Change”).

The Target previously completed a non-brokered private placement, of 23,576,652 subscription receipts (each a “Subscription Receipt”) at a price of $0.35 per Subscription Receipt for gross proceeds of $8,251,828 (the “Concurrent Private Placement”).

As a result of closing of the Transaction, each Subscription Receipt automatically converted into one common share of the Target (an “Underlying Share”) and one-half of one share purchase warrant of the Target (an “Underlying Warrant”). Pursuant to the amalgamation agreement, the Underlying Shares and Underlying Warrants were exchanged into Resulting Issuer Shares and common share purchase warrants of the Company (“Resulting Issuer Warrants”). Each Resulting Issuer Warrant is exercisable into a Resulting Issuer Share at an exercise price of $0.55 until May 21, 2022.

Under the Concurrent Private Placement, the Target paid a cash commission of $298,810 to eligible finders and issued a total 943,407 non-transferable common share purchase warrants (each an “Broker Warrant”). Each Broker Warrant will be exercisable into one Resulting Issuer Share at a price of $0.55 for a period of one year from the date of issue.

The Target also completed a non-brokered private placement financing of 1,072,142 units (each a “Unit”) at a price of $0.35 per Unit for total proceeds of $375,250 (the "Unit Financing"). Each Unit consists of one common share of the Target and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase a common share of the Target at a price of $0.55 per share for a period of twelve months from the date of closing. As a result of closing of the amalgamation agreement, shares and warrants issued under the Concurrent Financing and the Unit Financing were exchanged for Resulting Issuer Shares and Resulting Issuer Warrants.

As the shareholders of the Target owned in excess 50% of the outstanding shares of the Resulting Issuer, the Target is considered to be the accounting acquirer. As a result, the corporate merger is considered a reverse takeover. For financial reporting purposes, the Company is considered a continuation of the Target, being the legal subsidiary, except with regard to the authorized and issued share capital which is that of the legal parent. Consequently the comparative amounts in the financial statements and this MD&A are those of the Target unless otherwise noted.

The purchase price has been allocated as follows:

| | $ |
|---|---|
| 8,178,538 common shares of the Company at $0.35 per share | 2,862,488 |
| Fair value of consideration | 2,862,488 |
| Cash | 350,023 |
| Accounts receivable | 2,546 |
| Promissory note receivable | 1 |
| Accounts payable and accrued liabilities | (37,438) |
| Listing expense | 2,547,356 |
| | 2,862,488 |

**General Development of the Business**

The Company is a resource exploration company focused on the acquisition, evaluation and exploration of mineral resource properties. To date, the Company has focused its exploration activities in Peru. The Company owns a 100% undivided interest in the following five silver-focused Peruvian mineral properties, consisting of its flagship; Santas Gloria Silver Property, as well as the San Jose, La Purisima, Cerro Luque and Huaranay Properties.

**Santa Gloria Silver Property**

The Santas Gloria Silver Property is 100% owned by Mantaro. It comprises of three mineral concessions totaling 1,100 hectares and is located 55 kilometers directly east of Lima.

Silver is the main target commodity at Santas Gloria. In 2021, Mantaro carried out an extensive sampling program that resulted in high-grade underground channel samples of over 10,000 g/t Ag at the Tembladera Vein and 4,100 g/t Ag at the San Jorge Vein. The results also included high-grade gold sample of 56 gt at the Kelly Vein. See news release dated June 2, 2021 for additional information.

There are over 12 kilometers of intermediate sulphidation veins and vein splays arranged into a number of key target zones: the Tembladera Vein System, San Jorge Vein System, Kelly Vein, Paquita Vein and Rosario Vein.

*Tembladera Vein System*

The Tembladera Vein system is located in the central southern part of the concessions. The system comprises the east-west tending Tembladera Vein and the northeast-southwest striking Tembladera 1 and 2 veins. Collectively the Tembladera Veins have a cumulative strike length of at least 4 km. Veins dip steeply (78° to 88°) to the south and average between 0.7 to 2.0 m in width. Outcropping veins are strongly oxidized, crudely banded and strongly brecciated, and often weather recessively due to high base metal sulphide content. Veins are pervasively oxidized to at least 50 m vertical depth and display strong hydrothermal brecciation and minor cataclastic brecciation in underground drives. Secondary manganese oxides are common in weathered portions of the veins. Sulphide mineralization is common in the lower workings where it forms clots and crude bands. Quartz is the dominant gangue mineral, rhodocrosite and pyrite are common accessories. Economic minerals include argentite, sphalerite and galena, and native silver.

The Company collected 133 surface channel samples across the Tembladera veins. Assays returned grades ranging from <5 g/t Ag to 798 g/t Ag, many assays were above 150 g/t Ag. These assays results are considered highly significant given the extensively weathered nature of outcropping veins, which also explains the low base metal sulphide tenor.

Twenty one underground channel samples were taken within accessible drives. The average silver grade for all samples was 1149 g/t Ag over an average sample width of 0.45 m, silver grades ranged from <5 g/t to > 10,000 g/t Ag. The average base metals for samples was 2.23 % Pb (<0.5 % Pb to > 20 % Pb) and 1.18 g/t Zn (<0.1% to 9.1%). Small scale historical production was conducted over a vertical interval of approximately 160 m. Five drifts were developed along the vein from portals in the valley side, mineralized material was extracted by stoping upwards.

The Company plans to carry out 2,500 meters of diamond drilling at the Tembladera Vein System.

*San Jorge Vein System*

The San Jorge vein is located in the southern part of the Santas Gloria Silver Property and is hosted in Rimac and Huarochiri Group volcano-clastic rocks. The San Jorge system has a strike length of approximately 3 km, strikes broadly east-west, and dips steeply (78° to 85°) to the north. On the surface, the San Jorge vein can be traced via colonial workings and outcrop for over 3 km. Veins form resistant outcrops that are between 1 to 2 m wide. Oxidation is pervasive at surface and extends to depths of between 50 to 100 metres in historical underground workings, where the vein is between 1 to 2 m wide and weakly brecciated. Black manganese oxides are common in the weathered portions of the vein. Sulphide mineralization is common in the lower workings where it forms clots and crude bands. Quartz is the dominant gangue mineral, rhodocrosite and pyrite are common accessories. Economic minerals include argentite, sphalerite and galena, and native silver.

The Company collected 36 surface channel samples across the San Jorge vein. Assay results returned average grades of 280 g/t Ag, ranging from < 5 g/t to 2500 g/t Ag. The average vein width was 0.9 m, but the vein swells to 5 m wide in some sections that have not yet been sampled.

Ninety underground channel samples were taken from level two and three of the historical San Jorge workings. The average grade across all samples was 520 g/t Ag, 0.96 % Pb and 0.67 % Zn. Samples had an average width of 0.43 m and ranged in grade from < 5 g/t to 4100 g/t Ag, <0.1 % to 9.7 % Pb and <0.1 % to 4.2 % Zn. Small scale historical production was conducted over a vertical interval of approximately 110 m. Three drifts were developed along the vein from portals in the valley side, mined material was extracted by stoping upwards.

The Company plans to carry out a 2,000 meter diamond drill program at the San Jorge Vein System.

*Kelly Vein*

The Kelly Vein crops out approximately 1 km north of the Tembladera Vein system. The vein is only exposed at surface where it presents as a steeply dipping quartz-dominant vein which ranges between 1 m and 4 m wide. The eastern half of the vein strikes broadly east-west and is hosted within the Rimac Group, to the west the vein rolls around to a northeast-southwest orientation and is hosted by the Huarochiri Group.

The Company collected 82 surface channel samples across the Kelly vein and associated vein splays. Assay results returned average grades of 2.3 g/t Au over an average 0.80 m, ranging < 0.05 g/t to 56.3 g/t Au. Silver and base metal values were of low tenor, which together with the quartz-dominant and sulphide-poor nature of the vein, and the presence of saccharoidal and cryptocrystalline quartz suggests low sulphidation affinity.

*Maribel Vein*

The Maribel vein crops out in the north of the Santas Gloria Silver Property over a strike length of almost 1 km. It is most likely hosted within the Rimac Group, but the area is covered by a thin veneer of Quaternary sediments and the bedrock geology is poorly understood. The Mirabel vein was never worked historically and is only exposed at surface where it is pervasively oxidised. It is generally between 1 to 1.5 m wide and steeply dipping. Hanging wall alteration extends up to 5 metres from the vein.

The Company collected 47 surface channel samples across the Maribel vein. Assay results returned average grades of 51 g/t Ag and 0.25 g/t Au and ranged from < 5 g/t to 585 g/t Ag and <0.05 g/t to 1.63 g/t Au. Average sample widths were 0.9 m.

*Paquita Vein*

The Paquita vein crops out in the north of the Santas Gloria Silver Property over a strike length of almost 1 km. It bifurcates into two sub-parallel veins in its western half. The Paquita vein is most likely hosted within the Rimac Group — but the area is covered by a thin veneer of Quaternary sediments and bedrock geology is poorly understood. At surface the Paquita vein is pervasively oxidised, generally between 1 to 3 m wide (locally up to 5 m wide) and steeply dipping. The vein is quartz-dominant, crudely banded and strongly brecciated. Hanging wall alteration extends up to 2 to 5 m from the vein as quartz stringers and veinlets, and areas of clay alteration. Several historical artisanal workings extracted material to a vertical depth of approximately 50 m where banded sulphides are abundant.

The Company collected 84 surface channel samples across the Paquita vein. Assay results returned average grades of 32 g/t Ag and 0.4 g/t Au and ranged from < 5 g/t to 502 g/t Ag and <0.05 g/t to 3.32 g/t Au. Average sample widths were 0.85 m.

*Rosario Vein*

The Rosario vein crops out between the Kelly and Paquita veins and shares a similar northeast-southwest strike. It can be traced discontinuously as quartz vein outcrops and small artisanal workings over a strike length of approximately 2 km. The Rosario vein is between 0.5 to 3 m wide and is sub-vertical.

The vein is strongly silicified and brecciated — becoming increasingly banded to the southwest. Iron and manganese oxides are abundant as matrix between clasts.

The Company collected 33 surface channel samples across the Rosario vein. Assay results returned average grades of 25 g/t Ag and ranged from < 5 g/t to 110 g/t Ag. Average sample widths were 0.82 m. Gold grades were typically of low tenor— with the exception of two samples which assayed 0.5 m @1.77 g/t Au and 1.7 m @ 1.29 g/t Au.

*Acquisition of Extension Licenses*

On July 15, 2021, the Company entered into a purchase agreement with a third party vendor whereby the Company agreed to acquire a 100% interest in four concessions adjacent to and/or in the vicinity of the Santas Gloria Silver Property. In consideration of the new concessions, the Company agreed to pay US $50,000 and issue a total of 500,000 common shares of the Company. The transaction is subject to acceptance of the TSX Venture Exchange.

**San Jose Silver Property**

The San Jose Silver Property is 100% owned by Mantaro, comprised of five concessions totaling 3,300 hectares and located 180 kilometers directly north of Lima.

Mantaro will focus on detailed geological mapping and geochemical sampling of all veins and inferred vein extensions. This work will provide a much better understanding of key controls on mineralization and allow for most effective drill targeting.

**La Purisima, Cerro Luque and Huaranay Properties**

The La Purisima Property covers 1,075 hectares and reported historical assays of up to 8 ounces per tonne Ag and 2.5 grams per tonne Au.

The Cerro Luque Property covers 1,650 hectares, contains multiple historic adits within its alterations system and reported historic assays of 11 ounces per tonne Ag.

The Huaranay Property covers 2,000 hectares and includes two gold prospects (Corrales and Chinchango). It also has a historic silver mine with reported grades of up to 37 ounces per tonne Ag.

**QUALIFIED PERSONS**

Dr. Christopher Wilson, Ph. D., FAusIMM (CP), FSEG, Chief Executive Officer, Chairman and Director of the Company, is the Qualified Person for the Company.

**TRENDS**

There are significant uncertainties regarding the prices of precious and base metals and the availability of equity financing for the purposes of mineral exploration and development. For instance, the prices of silver and other minerals have fluctuated widely in recent years and wide fluctuations may continue. Management is not aware of any trends, commitments, events or uncertainties that could reasonably be expected to have a material adverse effect on the Company's business, financial condition or results of operations.

# Financial Results of Operations

## Quarterly Financial Results

As the Company completed a reverse takeover transaction with the Target, the historical financial information set forth in this section relates to the Target, being the accounting acquirer. The following selected financial data is derived from the financial statements prepared in accordance with IFRS:

| | Revenue | Net loss and comprehensive loss | Loss per share |
|---|---|---|---|
| | $ | $ | $ |
| May 31, 2021 | - | 4,210,605 | 0.15 |
| February 28, 2021 | - | 108,133 | 0.00 |
| November 30, 2020 | - | 38,388 | 0.00 |
| August 31, 2020 | - | 29,209 | 0.01 |
| May 31, 2020 | - | 5 | 0.00 |

The Company was incorporated on May 25, 2020 and February 28, 2021 was the Company's first fiscal year end. The Company did not record any revenues in any of the quarters.

During the period from the date of incorporation to May 31, 2020, the Company recorded a net loss of $5 which can be attributed to bank charges.

During the quarter ended August 31, 2020, the Company recorded a net loss of $29,209 as compared to $5 for the previous quarter. The increase can be attributed to legal and professional fees related to advisory services related to capital markets and management fees.

During the quarter ended November 30, 2020, the Company recorded a net loss of $38,388 as compared to $29,209 for the previous quarter. The increase can be attributed to advertising costs for marketing materials.

During the quarter ended February 28, 2021, the Company recorded a net loss of $108,133 as compared to $38,388 for the previous quarter. The increase can be attributed to consulting fees of $99,750.

During the quarter ended May 31, 2021, the Company recorded a net loss of $4,210,605 as compared to $108,133 for the previous quarter. The increase can be attributed to an increase in consulting fees of $153,899, an increase in share-based payment expense of $1,413,294 as a result of stock options granted during the quarter, and listing expense of $2,547,356 as result of the reverse takeover.

## Results of Operations

During the period ended May 31, 2021, the Company recorded a net loss of $4,210,605 (2020 - $5). The net loss in the period is largely attributed to consulting fees to management and geologists, advertising costs for marketing materials, share-based payment expense of $1,413,294 as a result of stock options granted during the quarter, and listing expense of $2,547,356 as result of the reverse takeover.

Consulting fees of $153,899 relate to management fees and geological consulting fees of the Company.

Advertising expenses of $21,756 related to marketing materials.

Property investigation costs of $58,071 related to exploration activities of the Company.

The Company recorded an expense of $1,413,294 from the fair value of the stock options granted during the quarter ended May 31, 2021.

Listing expense of $2,547,356 was recorded as result of the reverse takeover of the Company by the Target. This is a non-cash item that is recorded to the accounting treatment of the reverse takeover.

## Liquidity and Capital Resources

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At May 31, 2021, the Company had a working capital(1) of $8,016,280 which included cash of $8,330,373 available to meet short-term business requirements and current liabilities of $326,487. The working capital increased from the fiscal year ended 2021, being $272,183, as a result of closing of the reverse takeover transaction and release of the funds held in escrow under the Subscription Receipt Financing.

(1) Non-GAAP Financial Measure:
The Company uses "working capital" to assess liquidity and general financial strength and is calculated as current assets less current liabilities. Working capital does not have any standardized meaning prescribed by IFRS and is referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies. Working capital is calculated as current assets (May 31, 2021 – $8,397,410), less current liabilities (May 31, 2021 – 8,519,544).

The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has no long-term debt.

At present, the Company has no current operating income. Without additional future financing, the Company may not be able to fund its ongoing operations and complete future development activities including Phase II of the exploration program. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

On May 25, 2020, Mantaro issued a total of 3,285,001 common shares for nominal consideration of $5.

On June 1, 2020, Mantaro issued a total of 2,490,000 common shares at a price of $0.005 per share for total proceeds of $12,450.

On August 31, 2020, Mantaro issued a total of 7,650,000 common shares at a price of $0.05 per share for total proceeds of $382,500.

On September 23, 2020, Mantaro issued a total of 11,814,000 units ("Units") under the Mantaro Unit Financing, at a price of $0.125 per Unit for total proceeds of $1,476,500. Each Unit consists of one Mantaro common share and one-half of one share purchase warrant (each whole share purchase warrant, a "Warrant"), with each whole Warrant exercisable at $0.35 per share for a period of one year from the date of issue. The share purchase warrants were fair valued at $202,800 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance $0.125; risk-free interest rate of 0.23%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies.

On November 27, 2020, Mantaro issued a total of 15,484,094 Subscription Receipts at $0.35 per Subscription Receipt for gross proceeds of $5,419,533.

On December 4, 2020, Mantaro issued a total of 6,926,058 Subscription Receipts at $0.35 per Subscription Receipt for gross proceeds of $2,424,120.

On December 18, 2020, Mantaro issued a total of 285,000 Subscription Receipts at $0.35 per Subscription Receipt for gross proceeds of $99,750.

On January 22, 2021, Mantaro issued a total of 881,500 Subscription Receipts at $0.35 per Subscription Receipt for gross proceeds of $308,525.

In connection with the Subscription Receipts issued, the Company issued 943,407 finder's warrants on November 27, 2020 which are exercisable at $0.55 per share for a period of one year from the date of issue, fair valued at $134,300 using the Black-Scholes option pricing model with the following assumptions: share price at the time of issuance $0.35; risk-free interest rate of 0.24%; expected life of one year; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 140%. As the Company does not have a significant history of trading prices, the Company utilized annualized volatility of comparable exploration stage mining companies.

On closing of the reverse takeover transaction, the proceeds from the Subscription Receipt private placement were released to the Company.

On March 1, 2021, the Company made the final US $50,000 payment under the agreement to acquire the Santas Gloria Property.

On March 17, 2021, the Company issued a total of 1,072,142 Units at $0.35 per Unit for gross proceeds of $375,250. Each unit consists of one common share and one-half of a Warrant, with each whole Warrant entitling the holder to acquire one additional common share at a price of $0.55 per share for a period of one year from the date of closing the reverse takeover transaction.

On May 21, 2021, 8,178,538 common shares were deemed to be issued by the Target as a result of the reverse takeover transaction. The fair value of the 8,178,538 common shares deemed issued ($2,862,488) was estimated using a fair value of $0.35 per share.

On May 21, 2021, the Company issued 375,000 shares with a fair value of $131,250 and 125,000 warrants related to the acquisition of the San Jose Silver Property. The fair value of the warrants has been estimated to be $29,711 using the Black-Scholes option pricing model using the following assumptions: share price at the time of issuance $0.35; risk-free interest rate of 0.49%; expected life of three years; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 100%.

The capital raised from the private placement financings are being used for exploration programs on the Santas Gloria Silver Property, the funding of the Transaction and for general working capital.

## Outstanding Share Data

As at the date of this report, the Company has 59,611,333 issued and outstanding common shares, 18,054,808 share purchase warrants and 5,440,000 stock options.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related Parties

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the period ended May 31, 2021, the Company paid or accrued management fees of $nil to Exploration Alliance S A and Penguin Resources, companies controlled by Christopher Wilson, the Company's Chairman and CEO.

During the period ended May 31, 2021, the Company paid legal fees of $nil to O'Neill Law LLP, a company related to Charles Hethey, a Director.

As at May 31, 2021, accounts payable and accrued liabilities include $29,700 to Penguin Resources Ltd., a company controlled by the Company's Chairman and CEO and $44,898 payable to O'Neill Law LLP, a company related to a Director of the Company.

Amounts owed to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

## Subsequent Event

On July 15, 2021, the Company entered into a purchase agreement with a third party property vendor to acquire four mineral concessions adjacent and/or in close proximity to the Santas Gloria Property. Subject to TSX Venture Exchange acceptance, the Company agreed to pay US $50,000 and issue a total of 500,000 common shares for these additional concessions.

On June 16, 2021, the Company announced the appointment of Ms. Humphreys as director of the Company and granted Ms. Humphreys options to purchase 250,000 common shares at a price of $0.49 for a period of five years from the date of grant.

## Critical Accounting Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management estimates and judgments include:

*Going concern*
The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

*Capitalization of mineral properties*
The application of the Company's accounting policy for mineral properties requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company's required expenditures not being fulfilled.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Significant areas requiring the use of management estimates include:

- the determination of asset retirement and environmental obligations; and
- the utilization of deferred income tax assets.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

*Accounting Policies*
The Company's significant accounting policies are disclosed in note 3 of the Company's audited financial statements for the period ended February 28, 2021.

## Financial Instruments

The Company's risk exposures and the impact on the Company's consolidated financial statements are summarized below.

The Company’s financial assets and financial liabilities are classified and measured as follows:

| Financial instrument | Category |
|---|---|
| Cash | Fair value through profit or loss |
| Accounts payable | Amortized cost |
| Subscriptions payable | Amortized cost |
| Share subscription receipts | Amortized cost |

The carrying values of financial assets and liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below:

(a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

As at May 31, 2021, the Company had cash of $8,330,373 available to apply against short-term business requirements and current liabilities of $326,487. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of May 31, 2021.

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

## Management’s responsibility for financial statements

The information provided in this report, including the financial statements is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

August 6, 2021

On behalf of the Board of Directors,

*“Christopher Wilson”*
Chairman, CEO and Director

**APPENDIX 1**

**Cautionary Note Regarding Forward-Looking Statements**

This MD&A contains “forward-looking statements”. Forward-looking statements reflect the Company’s current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed elsewhere in this MD&A. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as “intends”, “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “anticipates” or “does not anticipate”, or “believes”, or various of such words and phrases or state certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ. Such factors include, among others, risks related to actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in minerals resources, grade or recovery rates, accidents, labour disputes, title disputes and other risks of the mining industry, fluctuation of currency exchange rates, delays in obtaining, or inability to obtain, required governmental approvals or financing or in the completion of development or construction activities, claims limitations on insurance coverage, as well as other factors discussed under “Risk Factors”. Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this MD&A are made as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not assume the obligations to update forward-looking statements, except as required by applicable law.