

**RANCHERO BC HOLDING CORP. (Formerly Rancho Gold Corp.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**GENERAL**

This discussion and analysis of financial position and results of operations is prepared as at November 26, 2021 and should be read in conjunction with the condensed consolidated interim financial statements of Rancho BC Holding Corp. formerly Rancho Gold Corp. (the "Company" or "Rancho") for the nine months ended September 30, 2021 and the related notes thereto.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following management's discussion and analysis ("MD&A") are in US dollars except where noted.

**FORWARD-LOOKING INFORMATION**

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate," and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Rancho's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties, and factors may include but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in market prices for commodities, difficulties in obtaining required approvals or permits for the development of a mineral project and other factors.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Rancho's operating plan is dependent on it being able to raise cash by issuing equity in order to fund exploration activities on the mineral concessions that it holds. Other factors that affect Rancho's operating plan are commodity prices, gaining access to exploration properties by securing or renewing concessions, and concluding agreements with local communities. If any of these factors impact the Company in a negative way, such as if the Company is unable to raise enough capital of its own, there will be a significant impact on the Company's operating plan and any forward-looking statements contained herein.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by securities law.

## **COMPANY OVERVIEW**

Ranchero has acquired a 100% interest in the 22,267-hectare exploration concessions in Mexico, known as the Santa Daniela Project. The mineral concessions had been consolidated by private Mexican interests beginning in 2012. The private owners entered into a joint-venture and work was completed under the direction of the partner from 2013 until 2019 when the joint-venture partner withdrew from the project. In 2020 the concessions and all associated rights and obligations were acquired by Minera y Metalurgia Paika S.A. de C.V. Ranchero acquired Minera y Metalurgia Paika S.A. de C.V. in an all-share transaction on June 5, 2020.

Historical work on the Santa Daniels Project, completed by previous owners included:

- Geochemical rock and sediment sampling.
- 19.7 line-kilometers of geophysical surveys in five separate areas.
- 3914 meters of diamond-core drilling at three separate prospects – Mesas Coloradas, El Rincon and Maíz Azul.
- Established and maintained a field camp

In addition, the joint venture has reached an agreement with the Mulatos Ejido and other landowners for surface access for exploration and mining over a fifty-year period in the Maíz Azul area. Water rights for 3 million cubic meters annually have also been granted. The Maíz Azul area is fully permitted for future drilling.

In 2020, under the direction of Ranchero exploration activity was re-initiated. The primary focus was to complete detailed mapping, sampling and other geologic studies at the Maíz Azul prospect. As a result, new drill targets have been identified and a drill program has been designed. Additionally, Ranchero began a reconnaissance effort of the entire concession bloc via the use of remote sensing data and follow-up field visits.

On October 7, 2021, The Company completed its previously announced reverse-takeover transaction (the “Transaction”) with Melior, Ranchero and Melior’s wholly-owned subsidiary 1274169 B.C. Ltd (“Newco”) completed an amalgamation agreement whereby Ranchero amalgamated with Newco to form Amalco and Melior issued Melior post-consolidation shares to the Ranchero shareholders on the basis of one Melior post-consolidation share for every Ranchero shares held. Prior to giving effect to the transaction, Melior completed the consolidation of outstanding Melior Shares. The deemed price of the transaction was \$0.55.

On October 7, 2021, the Company and 1274169 B.C. Ltd. were amalgamated as one company under the name Ranchero BC Holding Corp.

## **COMPANY HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

During the nine months ended September 30, 2021, the Company:

- Signed an Amalgamation Agreement with Melior Resources to complete an RTO in order to become a listed public company. Subsequent to the period ending September 30, 2021, the Company completed the Concurrent Financing and the RTO transaction with Melior Resources.
- The Company has filed a filing statement dated September 30, 2021 (the “Filing Statement”) on SEDAR under its profile relating to the Transaction.

- The Company also filed a technical report regarding the Santa Daniela property titled “CSA NI 43-101 Technical Report on the Santa Daniela Gold Project, Municipios of Sahuaripa and Yecora, Sonora, Mexico” with an effective date of August 24, 2020 (the “Technical Report”).
  - Completed all field studies and identified new drill targets for a planned 2021 drilling campaign.
  - Have prepared all drill roads and platforms for Phase I drilling
  - Completed a reconnaissance level alteration study of the entire claim block and identified 47 areas for follow-up field work.
- Contracted Resource Geosciences Inc. to complete a N.I. 43-101 report

## **EXPLORATION REVIEW**

The Santa Daniela project lies within the Sierra Madre Occidental (SMO) state, in Mexico. This is a regionally extensive Tertiary-age volcanic field that hosts gold mineralization at many near-by mines including Alamos Gold’s Mulatos gold mining complex. Most significant metal occurrences in the SMO are hosted by rocks known as the Lower Series volcanic unit or the underlying Mesozoic strata. These units are exposed in the Santa Daniela claim block most notably at Maíz Azul area.

Drilling by previous operators encountered sub-surface gold mineralization. Ranchero geologists interpret the historic and its own 2020 work as indicating an epithermal gold occurrence. Recent, detailed mapping has determined three parallel alteration zones. These are also coincident with surface rock gold mineralization. Ranchero intends to test all three zones by diamond-core drilling. Reconnaissance mapping and sampling is also being conducted on all areas identified by the regional alteration study to determine new prospects on the full claim block.

## **OUTLOOK**

Ranchero has completed plans to begin a new campaign to test drill targets in the Maíz Azul Area. An initial program of approximately 3000 meters is planned to test all major targets in the area. A subsequent 10,000-meter program will be planned to expand upon subsurface mineralization with a goal of providing basis for an initial resource estimate.

The coronavirus COVID-19 pandemic has had various effects on the Company’s activities, in Mexico, USA and Canada. Our executive team has been working from home. Nevertheless, a field crew has been active at its exploration camp. While it is not possible to predict the duration or magnitude of the COVID-19 outbreak and its effects on the Company’s business, we will continue to work to keep our team, the people around us, and the Company in good health.

## **MEXICO EXPLORATION**

The Company has 22,267 hectares of mineral concessions in the Sierra Madre Occidental region of eastern Sonora, Mexico. These are valid until 2057 and bestow the right to explore for and mine gold, silver and other metals. The Company operates through its 100%-owned subsidiary, Minera y Metalurgia Paika S.A. de C.V. (“Paika”), and is based in Hermosillo, Sonora, Mexico.

On April 1, 2021, Travis Miller resigned as a Director of the Company.

On March 31, 2021, David Miles resigned as the Chief Financial Officer (“CFO”) of the Company and as of April 1, 2021, Reena Sall was appointed as CFO of the Company.

### Qualified Person

William Pincus, Rancho's Chief Executive Officer, is a Fellow - Society of Economic Geologists and a Certified Professional Geologist - American Institute of Professional Geologists and is a Qualified Person as defined by NI 43-101 *Standards of Disclosure for Mineral Projects*, has reviewed and has approved the disclosure of the technical information in the MD&A regarding the Company's projects.

### RESULTS OF OPERATIONS

#### Three Months Ended September 30, 2021

For the three months ended September 30, 2021, the Company had a loss of \$339,945 or (\$0.01) per share compared to a loss of \$68,722 in the comparative period. Rancho incurred management fees of \$69,055 (2020 - \$65,126) for its CEO and CFO. Consulting fees of \$159,808 (2020 - \$Nil) and professional fees of \$23,996 (2020 - \$1,279) were incurred or accrued for legal assistance in completing various agreements. Transfer agent and filing fees of \$13,475 (2020 - \$Nil) were incurred for filing fees in relation to completion of the financing. Rancho incurred \$56,469 (2020 - \$Nil) of transaction costs in the three months ended September 30, 2021, after signing a Letter of Intent with Melior Resources Inc. to complete a business combination.

#### Nine Months Ended September 30, 2021

For the nine months ended September 30, 2021, the Company had a loss of \$650,720 or (\$0.01) per share compared to a loss of \$202,811 in the comparative period. Rancho incurred management fees of \$197,443 (2020 - \$82,261) for its CEO and CFO. Consulting fees of \$159,808 (2020 - \$Nil) and transfer agent and filing fees of \$13,475 (2020 - \$Nil) were related to costs associated to the financing and for filing fees. Professional fees of \$56,184 (2020 - \$18,626) were incurred for and legal and audit fees. Rancho also incurred transaction costs of \$191,634 (2020 - \$97,459) when Paika acquired Rancho Gold Corp. through a reverse take-over and as the Company pursued a business combination with Melior Resources Inc.

### SUMMARY OF QUARTERLY RESULTS

	2021		2021		2021	
Quarter Ended	Sep. 30	Jun. 30	Jun. 30	Mar. 31	Mar. 31	Mar. 31
General and administrative expenses	\$ 339,945	\$ 183,739	\$ 183,739	\$ 127,036	\$ 127,036	\$ 127,036
Net loss for the period	(339,945)	(183,739)	(183,739)	(127,036)	(127,036)	(127,036)
Net loss per share basic	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

  

	2020		2020		2020	
Quarter Ended	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Mar. 31	Mar. 31
General and administrative expenses	\$ 163,333	\$ 68,722	\$ 134,089	\$ -	\$ -	\$ -
Net loss for the period	(163,333)	(68,722)	(134,089)	-	-	-
Net loss per share basic	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

The summary of quarterly results for quarters prior to March 31, 2020 has not been presented because the Company was inactive, and all reportable values were \$Nil.

The net loss for each quarter is primarily based on the amount of administration expenditures incurred. The Company was inactive up to December 31, 2019 and did not incur any losses. In February 2020, the Company acquired the Santa Daniela mineral concessions in Mexico. However, it did not record any loss from operations in the quarter ended March 31, 2020 because it capitalized all of its expenditures to exploration and evaluation assets.

## **FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES**

The Company had a working capital of \$1,672,180 at September 30, 2021 compared to a deficit of \$810,769 as at December 31, 2020. Working capital decreased by \$861,411 during the period ended September 30, 2021, due to exploration and administrative expenditures. The Company currently will need to raise additional capital to fund its operations over the next twelve months.

During the nine months ended September 30, 2021, the Company completed a brokered and non-brokered private placement for the Melior amalgamation (the "Concurrent Financing") of 9,561,613 subscription receipts of Rancho (each, a "Subscription Receipt") at a purchase price of \$0.55 per Subscription Receipt for aggregate gross proceeds of \$5,258,887 held in escrow. A total amount of 9,561,613 Subscription Receipts and 741,611 Corporate Finance Subscription Receipts are outstanding. Each Subscription Receipt and Corporate Finance Subscription Receipt will automatically be converted to one Rancho Share prior to the Effective Time of the Amalgamation and then be immediately exchanged for one Resulting Issuer Share at the Amalgamation. Subsequent to the end of the period, on October 7, 2021, the funds relating to this financing that were held in escrow were released upon completion of the amalgamation and the satisfaction of the escrow release conditions.

In consideration for the services performed by Haywood Securities Inc. (the "Agent") and certain finders in connection with the concurrent financing, finder's fees of \$192,206 cash, applicable taxes payable and expenses of the Agent are held in escrow pursuant to the Subscription Receipt Agreement and will be released upon satisfaction of certain escrow release conditions and 10,400 broker warrants (each, a "Broker Warrant") and 308,693 finders warrants (each, a "Finder Warrant"). Each Broker Warrant and Finder Warrant will be exchanged for one warrant of the Resulting Issuer on completion of the Transaction, which will entitle the holder thereof to acquire one Resulting Issuer Share at an exercise price of \$0.55 per Resulting Issuer Share for a period of 24 months from the closing of the Transaction.

Each Subscription Receipt and Corporate Finance SR entitles the holder thereof to automatically receive, upon satisfaction of certain escrow release conditions, one Rancho Share, which shall immediately be exchanged for one Resulting Issuer Share upon completion of the Transaction.

The gross proceeds of the Concurrent Financing less 50% of the cash fee payable to the Agent, applicable taxes and expenses of the Agent incurred in connection with the Concurrent Financing are being held in escrow by proceeds will be released to the Agent and Rancho, respectively, upon the satisfaction of certain escrow release conditions

## **OUTSTANDING SHARE DATA**

As at September 30, 2021, there were 47,559,098 shares outstanding. On October 7, 2021, all of the Rancho shares outstanding immediately prior to the amalgamation were cancelled, and holders of Rancho Shares outstanding immediately prior, other than Melior, Newco and dissenting shareholders, received, in exchange for their Rancho shares so cancelled, one fully paid and non-assessable Melior post-consolidation share for every Rancho Share so cancelled. Neither Melior nor Newco received any repayment of capital in respect of any Rancho Shares held by them that were cancelled pursuant to the amalgamation agreement.

As at the date of these financial statements, there are no shares outstanding.

## RELATED PARTY TRANSACTIONS

The aggregate value of transactions paid or accrued to key management personnel and directors was as follows:

<b>For the nine months ended September 30</b>	<b>2021</b>	<b>2020</b>
Chief Executive Officer	\$ 150,000	\$ 66,937
Chief Financial Officer	38,654	-
Ex -Chief Financial Officer	8,789	15,324
	<b>\$ 197,443</b>	<b>\$ 82,261</b>

The CEO receives half of his management fees in common shares. The above payments for management compensation are payments made in the normal course of business. The amounts paid for these services are negotiated in good faith by both parties and fall within normal market ranges. The Compensation Committee reviews executive compensation annually. The Board of Directors considers any changes to executive compensation recommended by the Compensation Committee and approves these changes if appropriate. The consulting contract with senior management is ongoing. All balances due to related parties are included in accounts payable and accrued liabilities, except for \$75,000 due to the CEO, which is payable in common shares.

The outstanding balances due to or from related parties are as follows:

<b>Related party assets and liabilities</b>	<b>Service or items</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Amounts due to:			
Companies controlled by a director	Exploration and Evaluation Assets	\$ 481,831	\$ 371,622
Chief Executive Officer	Fees	100,000	25,000
Chief Financial Officer	Fees	31,499	-
Ex-Chief Financial Officer	Fees	3,691	353

The Company also has a commitment to issue common shares to the Chief Executive Officer, in the amount of \$25,000. Certain companies controlled by a director, paid expenses incurred by Paika and these balances are included in accounts payable and accrued liabilities.

## FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

<b>Amortized Costs</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Cash	\$ 1,436	\$ 56,476
Prepays	49,708	-
Receivables	20,843	1,899
Accounts payable and accrued liabilities	(1,744,167)	(869,144)
	<b>\$ 1,672,180</b>	<b>\$ (810,769)</b>

### Fair Value

The carrying value of cash, restricted cash, receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **Significant Accounting Judgments and Estimates**

The preparation of consolidated financial statements in conformance with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### *Critical Accounting Estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

#### Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

### *Critical Accounting Judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

#### Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the currency of the main economic environment in which the Company and its subsidiary operate.

#### Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial resources. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

## **Change of Accounting Policy and Future Pronouncements**

There are no changes of accounting policies and future pronouncements.

### **Name Change and Consolidation**

On October 7, 2021, the Company and 1274169 B.C. Ltd. were amalgamated as one company under the name Rancho BC Holding Corp (“RHC”).

On October 7, 2021, as part of an amalgamation agreement with the private entity Rancho BC Holding Corp Melior Resources Inc. changed its name to “Rancho Gold Corp.” and consolidated its common shares on the basis of 32.6764 pre-consolidation common shares for one post-consolidation common share of the Corporation.

### **Reverse Takeover Transaction**

Subsequent to the period end, on October 7, 2021, Melior, Rancho and Melior’s wholly-owned subsidiary 1274169 B.C. Ltd (“Newco”) completed an amalgamation agreement whereby Rancho amalgamated with Newco to form Amalco and Melior issued Melior post-consolidation shares to the Rancho shareholders on the basis of one Melior post-consolidation share for every Rancho shares held. Prior to giving effect to the transaction, Melior completed the consolidation of outstanding Melior Shares. The deemed price of the transaction was \$0.55.

### **Amalgamation**

Under the terms of the amalgamation agreement the Corporation acquired all of the issued and outstanding Rancho Shares by way of an amalgamation (“Amalco”) of Rancho and Newco under the provisions of the Business Corporations Act (British Columbia) (“BCBCA”) pursuant to the terms of the amalgamation agreement. The following are the principal steps to the transaction:

- a. Newco and Rancho amalgamated and continued as one company, being Amalco, pursuant to the provisions of Section 269 of the BCBCA; and
- b. (i) all of the Rancho shares outstanding immediately prior to the amalgamation were cancelled, and holders of Rancho Shares outstanding immediately prior, other than Melior, Newco and dissenting shareholders, received, in exchange for their Rancho shares so cancelled, one fully paid and non-assessable Melior post-consolidation share for every Rancho Share so cancelled. Neither Melior nor Newco received any repayment of capital in respect of any Rancho Shares held by them that were cancelled pursuant to the amalgamation agreement;  
  
(ii) Melior received one fully paid and non-assessable common share in the capital of Amalco for each one common share in the capital of Newco held by Melior, following which all such common shares of Newco were cancelled; and  
  
(iii) each Rancho compensation option outstanding immediately prior to the amalgamation were exchanged for one resulting issuer replacement option.

As a result of the Amalgamation:

- a. in accordance with section 282 of the BCBCA, among other things, the property, rights and interests of each of Rancho and Newco continued to be the property, rights and interests of Amalco, and Amalco continued to be liable for the obligations of each of Rancho and Newco; and
- b. Amalco is a wholly-owned subsidiary of Melior.

## **Concurrent Financing**

In conjunction with the proposed amalgamation, Rancho must complete a financing of not less than \$5,000,000 Canadian dollars. There is no certainty that these transactions will complete. During the nine months ended September 30, 2021, the Company has incurred transaction costs of \$191,634 in pursuit of this amalgamation with Melior.

During the nine months ended September 30, 2021, the Company completed a brokered and non-brokered private placement for the Melior amalgamation (the "Concurrent Financing") of 9,561,613 subscription receipts of Rancho (each, a "Subscription Receipt") at a purchase price of \$0.55 per Subscription Receipt for aggregate gross proceeds of \$5,258,887. A total amount of 9,561,613 Subscription Receipts and 741,611 Corporate Finance Subscription Receipts are outstanding. Each Subscription Receipt and Corporate Finance Subscription Receipt will automatically be converted to one Rancho Share prior to the Effective Time of the Amalgamation and then be immediately exchanged for one Resulting Issuer Share at the Amalgamation. Subsequent to the end of the period, on October 7, 2021, the funds relating to this financing that were held in escrow were released upon completion of the amalgamation and the satisfaction of the escrow release conditions.

In consideration for the services performed by Haywood Securities Inc. (the "Agent") and certain finders in connection with the concurrent financing, finder's fees of \$192,206 cash, applicable taxes payable and expenses of the Agent are held in escrow pursuant to the Subscription Receipt Agreement and will be released upon satisfaction of certain escrow release conditions and 10,400 broker warrants (each, a "Broker Warrant") and 308,693 finders warrants (each, a "Finder Warrant").

Each Broker Warrant and Finder Warrant will be exchanged for one warrant of the Resulting Issuer on completion of the Transaction, which will entitle the holder thereof to acquire one Resulting Issuer Share at an exercise price of \$0.55 per Resulting Issuer Share for a period of 24 months from the closing of the Transaction

Each Subscription Receipt and Corporate Finance SR entitles the holder thereof to automatically receive, upon satisfaction of certain escrow release conditions, one Rancho Share, which shall immediately be exchanged for one Resulting Issuer Share upon completion of the Transaction.

## **RISKS AND UNCERTAINTIES**

### **Financial Risk Management**

Rancho's strategy for cash is to safeguard this asset by investing any excess cash in very low-risk financial instruments such as term deposits or by holding funds in the highest yielding accounts with a major Canadian bank. By using this strategy, the Company preserves its cash resources and can earn a low risk return through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, and interest rate risk.

### **Foreign Currency Risk**

The Company operates mainly in Canada and Mexico and is therefore exposed to financial risk related to the fluctuation of foreign exchange rates. The Company funds cash calls to its subsidiary company outside in Mexico in US dollars, and a portion of its expenditures are incurred in the local currencies. The risk is that a significant change in the exchange rate of the Mexican peso relative to the US dollar could have an adverse effect on the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations. The Company is exposed to currency risk through assets and liabilities denominated in these foreign currencies. A 5% change in the currency exchange rates between the Canadian dollar and the Mexican peso relative to the U.S. dollar could increase or decrease the loss from operations by \$51,155.

### **Market and Interest Rate Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in values of quoted market prices.

Interest rate risk is the risk that the fair value of cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's cash is currently kept in a non-interest-bearing operating accounts, and therefore there is currently minimal interest rate risk.

#### **Credit Risk**

Credit risk is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents. The Company's cash and cash equivalents are mainly held through a large Canadian financial institution therefore credit risk is minimized.

#### **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 manages liquidity risk through the management of its capital resources. The Company's objective is to ensure that there are sufficient committed financial resources to meet its business requirements for a minimum of twelve months.

#### **Mineral Property Exploration and Mining Risks**

The business of mineral deposit exploration involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's mineral concessions do not have a known commercial ore deposit. The main responses to operating risks include ensuring ownership of and access to mineral properties by confirming that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities.

The Company's mineral properties are located within or near local communities. In these areas, it may be necessary as a practical matter to negotiate surface access with these local communities. There can be no guarantee in the future that, despite having the legal right to access a mineral property and carry on exploration activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners or communities for this access. Therefore, the Company may be unable to carry out exploration activities on a property. In those circumstances where a local community or landowner has denied access, the Company may need to rely on the assistance of local officials or the courts to gain access, or it may be forced to abandon the property.

#### **Commodity Price Risk**

Ranchero is exposed to commodity price risk. Declines in the market prices of gold may adversely affect Ranchero's ability to raise capital or attract joint venture partners to participate in its various exploration projects. Gold price declines could also reduce the amount the Company would receive on the disposition of its mineral properties.

#### **Financing and Share Price Fluctuation Risks**

Ranchero has limited financial resources, has no reliable source of operating cash flow, and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's project may be dependent upon the Company's ability to obtain financing through equity issues. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its project, which could result in the loss of its property.

#### **Political and Currency Risks**

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the way the Company operates. The Company's equity financings are sourced in US dollars, but for the most part, it incurs its expenditures in local currencies. There are no currency hedges in place. Therefore, a weakening of the US dollar against the Mexican peso could have an adverse impact on the amount of exploration conducted.

#### **Insured and Uninsured Risks**

During exploration, development, and production on mineral properties, the Company is subject to many risks and hazards in general, including adverse environmental conditions, operational accidents, labour disputes, unusual or

unexpected geological conditions, changes in the regulatory environment and natural phenomena such as severe weather conditions, floods, and earthquakes.

Such occurrences could result in damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to mineral properties, delays, monetary losses, and possible legal liability.

Although the Company may maintain insurance to protect itself against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results, and cause a decline in the value of the Company's securities.

Some work is carried out through independent consultants, and the Company requires that all consultants carry their insurance to cover any potential liabilities because of their work on a project.

#### **Key Personnel Risk**

Ranchero's success is dependent upon the performance of key personnel working in management and administrative capacities or as consultants. The loss of the services of senior management or key personnel could have a material and adverse effect on the Company, its business, and results of operations.

#### **Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees.

There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Ranchero's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

#### **Competition**

The Company competes with many other companies and individuals that have substantially greater financial and technical resources for the acquisition and exploration of projects as well as for the recruitment and retention of qualified employees.

#### **COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.