

NO SECURITIES REGULATORY AUTHORITY HAS EXPRESSED AN OPINION ABOUT THESE SECURITIES AND IT IS AN OFFENCE TO CLAIM OTHERWISE. THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

## FINAL PROSPECTUS

Initial Public Offering

Date: October 27, 2021



# REGENCY SILVER CORP.

(the “Issuer”)

Offering of \$3,000,000 or 12,000,000 Common Shares  
Price: \$0.25 per Share  
(the “Offering”)

The Issuer is hereby offering, on a commercially reasonable efforts basis, in British Columbia, Alberta and Ontario through its agent, Research Capital Corporation (formerly, Mackie Research Capital Corporation) (the “Agent”), 12,000,000 common shares (the “Shares”) of the Issuer at a price of \$0.25 per Share (the “Offering”). This prospectus (the “Prospectus”) qualifies the distribution of the Shares.

	Offered Share Price <sup>(1)</sup>	Agent’s Commission <sup>(2)</sup>	Net Proceeds to the Issuer <sup>(3)</sup>
Per Share	\$0.25	\$0.02	\$0.23
Offering <sup>(4)</sup>	\$3,000,000	\$240,000	\$2,760,000

### Notes:

- (1) The price to the public was determined by arm’s length negotiation between the Issuer and the Agent.
- (2) In connection with the Offering, the Agent will receive a cash commission (the “Agent’s Commission”) of 8% of the gross proceeds from the Shares sold under the Offering, including any Shares sold pursuant to exercise of the Over-Allotment Option (as defined herein). In addition, the Agent will be granted warrants (the “Agent’s Warrants”) equal in number to 8% of the number of Shares sold under the Offering. Each Agent’s Warrant will entitle the Agent to purchase one common share of the Issuer (an “Agent’s Warrant Share”) at an exercise price equal to \$0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised at any time and from time to time, for a period of two (2) years from the Closing Date (as defined herein). This Prospectus qualifies the distribution of the Agent’s Warrants.
- (3) Before deducting the balance of the costs of the Offering which are estimated to be \$180,000. The Issuer must also pay to the Agent a corporate finance fee of \$30,000 (plus applicable taxes) (the “Corporate Finance Fee”), of which \$15,000 has already been paid to the Agent as a non-refundable deposit. The Issuer will pay the balance

of the Corporate Finance Fee in the sum of \$15,000 (plus applicable taxes) on the Closing Date. The Issuer will also pay the Agent the balance of its legal fees and disbursements estimated at \$25,000.

- (4) The Offering is subject to the Agent’s option (the “**Over-Allotment Option**”) to purchase up to an additional 1,800,000 Shares at the Offering price of \$0.25 per Share, for a period of 30 days after the Closing Date, to cover the Agent’s over-allocation position, if any, and for market stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Shares issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total gross proceeds will be \$3,450,000, the Agent’s Commission will be \$276,000 and the net proceeds to the Issuer will be \$3,174,000, before deducting the balance of the costs of the Offering. A purchaser who acquires securities forming part of the Agent’s over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purposes. See “*Plan of Distribution*”.

The TSX Venture Exchange (the “**Exchange**”) has conditionally approved the Issuer’s application to list its Common Shares on the Exchange. Listing is subject to the Issuer fulfilling all of the listing requirements of the Exchange which include completion of the distribution of the Shares to a minimum number of public shareholders. See “*Plan of Distribution*”.

As at the date of this Prospectus, the Issuer does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange).

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus. This may affect the pricing of the securities in the secondary market, the required transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. An investment in a natural resource issuer involves a significant degree of risk. The degree of risk increases substantially where the Issuer’s properties are in the mineral exploration stage as opposed to the development stage, as in the present instance. See “**Risk Factors**”.**

Further, investments in early stage businesses involve a high degree of risk and investors should not invest any funds in this Offering unless they can afford to lose their entire investment. Subscribers must rely upon the ability, expertise, judgment, integrity and good faith of the management of the Issuer. See “**Risk Factors**.”

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in this Prospectus in connection with this issue and the sale of the securities offered by the Issuer.

The following table sets out securities issuable to the Agent upon Closing of the Offering:

**Securities Issuable to Agent**

<b>Securities issuable to the Agent</b>	<b>Size or number of securities available</b>	<b>Exercise period or acquisition date</b>	<b>Exercise price or average acquisition price</b>
Over-Allotment Option	up to 1,800,000 Shares	Up to 30 days after the Closing Date	\$0.25 per Share
Agent’s Warrants	up to 960,000 <sup>(1)</sup>	Two (2) years from the Closing Date	\$0.25 per Agent’s Warrant Share

<b>Total securities issuable to the Agent</b>	<b>1,800,000 Shares</b>	<b>Up to 30 days after the Closing Date</b>	<b>\$0.25 per Share</b>
	<b>960,000 Agent's Warrants</b>	<b>Two (2) years from the Closing Date</b>	<b>\$0.25 per Agent's Warrant Share</b>

**Note:**

- (1) The Agent's Warrants are qualified for distribution pursuant to this Prospectus. See "Plan of Distribution". If the Over-Allotment Option is exercised the Agent may receive up to an additional 144,000 Agent's Warrants.

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in the Prospectus in connection with the issue and sale of the securities offered by the Issuer.

Unless otherwise noted, all currency amounts in the Prospectus are stated in Canadian dollars.

The Agent, as agent, conditionally offers the Shares qualified hereunder on a commercially reasonable efforts basis, if, as and when issued by the Issuer and accepted by the Agent in accordance with the conditions contained in the Agency Agreement (as defined herein) and subject to approval of certain legal matters on behalf of the Issuer by Miller Thomson LLP and on behalf of the Agent by Vantage Law Corporation. See "Plan of Distribution".

The Offering is subject to the receipt by the Agent of Subscriptions (as defined herein) for the Offering in the amount of \$3,000,000 (the "**Minimum Offering**"). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. If the Minimum Offering is not completed within 90 days of the issuance of a receipt for the final Prospectus, or if a receipt has been issued for an amendment to the final Prospectus, within 90 days of such receipt and in any event not later than 180 days from the date of the final Prospectus, the distribution will cease, and all subscription monies will be returned to the purchasers without interest or deduction, unless the purchasers have otherwise instructed the Agent.

The Shares will be issued and deposited in electronic form with the Canadian Depository for Securities Limited ("**CDS**") or its nominee in connection with the booked-based system and global certificates representing the Shares will be issued in the name of CDS or its nominee for the Shares to be held through the book-based system. A purchaser of Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Shares were purchased.

Mr. Gijsbert Groenewegen, the Chief Executive Officer, President and a director of the Issuer, Mr. Robert A. Lunceford, M. Sc. CPG, an author of the Technical Report (as defined herein) and Mr. Jesse W. Wellman, B. Sc., CPG, an author of the Technical Report, reside outside of Canada. Each of Mr. Groenewegen, Mr. Lunceford and Mr. Wellman has appointed the following agent for service of process:

<b>Name of Person</b>	<b>Name and address of agent for service of process</b>
Gijsbert Groenewegen	Regency Silver Corp. 1100-570 Granville Street Vancouver, B.C. V6C 3P1
Robert A. Lunceford	N/A
Jesse W. Wellman	N/A

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if such person has appointed an agent for service of process.

**AGENT**  
**Research Capital Corporation**  
1075 West Georgia Street, Suite 1920  
Vancouver, British Columbia  
V6E 3C9

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## **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Prospectus contains “forward-looking statements”. Forward-looking statements reflect the Issuer’s current views with respect to future events, are based on information currently available to the Issuer and are subject to certain risks, uncertainties, and assumptions, including those discussed above. 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 use of proceeds, 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 variations of such words and phrases or state that 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 and other factors which may cause the actual results, performance or achievements expressed or implied by the forward- looking statements.

Forward-looking information in this document includes, but is not limited to:

- our business plan and investment strategy;
- general business strategies and objectives;
- completion of the recommended work program on the Dios Padre Project (as defined herein) as set forth in the Technical Report; and
- completion of the Offering.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general & administrative and other costs;
- general business, economic and market conditions;
- the ability of the Issuer to obtain the required capital to finance its investment strategy and meet its commitments and financial obligations;
- the ability of the Issuer to obtain services and personnel in a timely manner and at an acceptable cost to carry out activities;
- the timely receipt of required regulatory approvals; and
- that the regulatory framework for permitting of Mexican and Peruvian mineral resource assets will remain relatively consistent.

Although the Issuer believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as there can be no assurance that such expectations will prove to be correct. The Issuer 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 information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially than anticipated and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- meet current and future commitments and obligations;
- risks related to international operations;
- fluctuation of currency exchange rates;
- 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 mineral resources, grade or recovery rates;
- accidents, labour disputes and other risks of the mining industry;
- general business, economic and market conditions;
- the uncertainty of estimates and projections relating to future costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals and financing in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled “Risk Factors” herein. The forward-looking information contained in this Prospectus is made as of the date hereof and, except as required by applicable securities law, the Issuer undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise except as required under applicable securities laws.

### TECHNICAL INFORMATION

Technical information relating to the properties of the Issuer contained in the Prospectus is derived from, and in some instances is extracted from, technical reports prepared on certain of the Issuer’s properties. A Technical Report dated November 24, 2020 has been prepared on the Dios Padre Property (as defined herein) located in Yecora, Sonora, Mexico. The Technical Report has been prepared in accordance with NI 43-101 (as defined herein) and the Authors (as defined herein) are independent Qualified Persons (as defined herein) pursuant to NI 43-101.

### SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in the Prospectus. Purchasers should carefully consider, among other things, the matters discussed under “Risk Factors”.*

<b>Issuer or Regency</b>	The Issuer was incorporated under the laws of British Columbia on March 23, 2017. The Issuer was formed to acquire, explore and develop mining claims. See “Corporate Structure”.
<b>Agent</b>	Research Capital Corporation.
<b>Agent’s Warrants</b>	On the Closing Date of the Offering, the Agent will be issued Agent’s Warrants equal in number to 8% of the number of Shares sold under the Offering, including any Shares sold upon exercise of the Over-Allotment Option. Each Agent’s Warrant will entitle the Agent to purchase one Agent’s Warrant Share at an exercise price equal to \$0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised during a term of 24 months commencing on the Closing Date. The Prospectus qualifies the distribution of the Agent’s Warrants. See “Plan of Distribution”.
<b>Agent’s Commission</b>	The Agent will receive in cash the Agent’s Commission of 8% of the gross proceeds of the Offering (including any proceeds received from the exercise of the Over-Allotment Option).

<b>Fees and Expenses:</b>	<p>On the Closing Date, the Agent will be paid the Agent’s Commission in cash and the balance of the Corporate Finance Fee, being \$15,000 (plus GST).</p> <p>The Issuer shall pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid as of the date of this Prospectus and \$15,000 (plus GST) of which is due on the Closing Date of the Offering. The Issuer will also be responsible for all expenses and fees incurred in connection with the Offering, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the Offering; the fees and expenses of the Issuer’s counsel; and all costs incurred in connection with the preparation of documents relating to the Offering. See “Plan of Distribution”.</p>
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<b>Summary of Selected Financial Information</b>	<p>The following selected financial information has been derived from and is qualified in its entirety by the audited consolidated financial statements of the Issuer for the years ended December 31, 2020 and December 31, 2019 together with the auditor’s report thereon and the notes thereto, attached as Schedule 4 hereto, and the interim unaudited condensed consolidated financial statements for the six months ended June 30, 2021, attached as Schedule 2 hereto, and should be read in conjunction with the Management’s Discussion and Analysis included in this Prospectus at “Management’s Discussion and Analysis”. All financial statements are prepared in accordance with IFRS. The Issuer’s financial year end is December 31.</p> <table border="1" data-bbox="479 972 1505 1703"> <thead> <tr> <th></th> <th>As at June 30, 2021</th> <th>As at December 31, 2020</th> </tr> </thead> <tbody> <tr> <td><b>Revenue</b></td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Loss and Comprehensive Loss</b></td> <td>(\$367,357)</td> <td>(\$761,652)</td> </tr> <tr> <td><b>Loss per share (basis and diluted)</b></td> <td>(0.01)</td> <td>(0.02)</td> </tr> <tr> <td><b>Working capital deficiency</b></td> <td>(\$143,244)</td> <td>(\$204,684)</td> </tr> <tr> <td><b>Assets</b></td> <td></td> <td></td> </tr> <tr> <td>    <b>Current Assets</b></td> <td>\$72,165</td> <td>\$64,493</td> </tr> <tr> <td>    <b>Exploration and evaluation assets</b></td> <td>\$1,275,207</td> <td>\$1,155,179</td> </tr> <tr> <td>    <b>Deposit</b></td> <td>\$10,000</td> <td>\$10,000</td> </tr> <tr> <td>    <b>Total Assets</b></td> <td>\$1,357,372</td> <td>\$1,229,672</td> </tr> <tr> <td><b>Liabilities</b></td> <td></td> <td></td> </tr> <tr> <td>    <b>Current Liabilities</b></td> <td>\$215,409</td> <td>\$269,177</td> </tr> <tr> <td>    <b>Shareholders’ Equity</b></td> <td>\$1,141,963</td> <td>\$960,495</td> </tr> <tr> <td>    <b>Total Liabilities and Shareholders’ Equity</b></td> <td>\$1,357,372</td> <td>\$1,229,672</td> </tr> </tbody> </table>		As at June 30, 2021	As at December 31, 2020	<b>Revenue</b>	-	-	<b>Loss and Comprehensive Loss</b>	(\$367,357)	(\$761,652)	<b>Loss per share (basis and diluted)</b>	(0.01)	(0.02)	<b>Working capital deficiency</b>	(\$143,244)	(\$204,684)	<b>Assets</b>			<b>Current Assets</b>	\$72,165	\$64,493	<b>Exploration and evaluation assets</b>	\$1,275,207	\$1,155,179	<b>Deposit</b>	\$10,000	\$10,000	<b>Total Assets</b>	\$1,357,372	\$1,229,672	<b>Liabilities</b>			<b>Current Liabilities</b>	\$215,409	\$269,177	<b>Shareholders’ Equity</b>	\$1,141,963	\$960,495	<b>Total Liabilities and Shareholders’ Equity</b>	\$1,357,372	\$1,229,672
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<b>Business of the Issuer</b>	<p>The principal business of the Issuer is the acquisition, exploration and development of silver and gold projects in Mexico and Peru.</p> <p>The Issuer was formed to acquire, explore and develop silver and gold mining claims. See “Corporate Structure”. The Issuer, through its Mexican Subsidiary (as defined herein) currently has an option to purchase a 100% interest in the Dios Padre Property</p>																																										

	(as defined herein) located in Yecora, Sonora, Mexico and the El Tule Property (as defined herein) located in Nayarit, Mexico. The Issuer through its Peruvian Subsidiary (as defined herein) holds title to the La Libertad Project (as defined herein) in Peru.																		
<b>Principal Property</b>	The Issuer's principal property is the Dios Padre Project, located in Yecora, Sonora, Mexico. The Dios Padre Project is comprised of three contiguous exploitation concessions and a fourth adjacent exploitation concession, all of which cover an area of 728 hectares centered at UTM coordinates 690,430E and 3,150,325N (WGS84, Zone 12 A). See "Description of the Business".																		
<b>Management and Directors</b>	<table border="0"> <tr> <td>Bruce Bragagnolo</td> <td>Executive Chairman and Director</td> </tr> <tr> <td>Gijsbert Groenewegen</td> <td>Chief Executive Officer, President and Director</td> </tr> <tr> <td>Michael Thomson</td> <td>Director</td> </tr> <tr> <td>Michael Tucker</td> <td>Director</td> </tr> <tr> <td>Mathew Lee</td> <td>Chief Financial Officer</td> </tr> </table>	Bruce Bragagnolo	Executive Chairman and Director	Gijsbert Groenewegen	Chief Executive Officer, President and Director	Michael Thomson	Director	Michael Tucker	Director	Mathew Lee	Chief Financial Officer								
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Mathew Lee	Chief Financial Officer																		
<b>Offering</b>	The Offering consists of 12,000,000 Shares at a price of \$0.25 per Share for gross proceeds of \$3,000,000. Pursuant to the Over-Allotment Option the Agent may purchase up to an additional 1,800,000 Shares at the Offering price of \$0.25 per Share, for a period of 30 days after the Closing Date, for additional gross proceeds of up to \$450,000, to cover the Agent's over-allocation position, if any, and for market stabilization purposes. The completion of this Offering is subject to a minimum subscription of 12,000,000 Shares. In the event the minimum subscription is not reached, all funds will be refunded to subscribers without interest or deduction. This Offering is being made on a commercially reasonable efforts basis by the Agent. This Prospectus qualifies the distribution of the Shares, including any Shares issued pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution".																		
<b>Use of Proceeds and Available Funds</b>	<p>As at September 30, 2021, the Issuer had a working capital deficiency of \$120,000. The Issuer will realize net proceeds of \$2,760,000 if the Offering is sold, after deducting the Agent's Commission of \$240,000 and assuming no exercise of the Over-Allotment Option. The Issuer anticipates that the remaining costs of the Offering and the Listing will be \$150,000. As a result, the Issuer will have \$2,490,000 in funds available for the purposes described below:</p> <table border="1"> <thead> <tr> <th colspan="2"><b>Use of Available Funds – Principal Purposes</b></th> </tr> </thead> <tbody> <tr> <td>Dios Padre Project drill program</td> <td>\$635,000<sup>(1)</sup></td> </tr> <tr> <td>Dios Padre exploration expenditures due by July 31, 2022</td> <td>\$317,500<sup>(2)</sup></td> </tr> <tr> <td>General and Administrative Expenses (12 months)</td> <td>\$650,000<sup>(3)</sup></td> </tr> <tr> <td>Other property costs, including property payments, taxes and minimum spend requirements (12 months)</td> <td>\$247,650<sup>(4)</sup></td> </tr> <tr> <td>Work programs on other properties</td> <td>\$250,000<sup>(5)</sup></td> </tr> <tr> <td>Repay promissory note (interest accrued to September 30, 2021)</td> <td>\$52,500<sup>(6)</sup></td> </tr> <tr> <td>Unallocated working capital</td> <td>\$337,350<sup>(7)</sup></td> </tr> <tr> <td><b>Total</b></td> <td><b>\$2,490,000</b></td> </tr> </tbody> </table> <p><b>Note:</b> (1) Representing the US\$500,000 recommended work program set forth in the Technical Report, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.</p>	<b>Use of Available Funds – Principal Purposes</b>		Dios Padre Project drill program	\$635,000 <sup>(1)</sup>	Dios Padre exploration expenditures due by July 31, 2022	\$317,500 <sup>(2)</sup>	General and Administrative Expenses (12 months)	\$650,000 <sup>(3)</sup>	Other property costs, including property payments, taxes and minimum spend requirements (12 months)	\$247,650 <sup>(4)</sup>	Work programs on other properties	\$250,000 <sup>(5)</sup>	Repay promissory note (interest accrued to September 30, 2021)	\$52,500 <sup>(6)</sup>	Unallocated working capital	\$337,350 <sup>(7)</sup>	<b>Total</b>	<b>\$2,490,000</b>
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<b>Total</b>	<b>\$2,490,000</b>																		

	<p>(2) Representing the US\$250,000 in exploration expenditures required to be expended on the Dios Padre Project by July 31, 2022, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.</p> <p>(3) See “Use of Proceeds” for more detailed breakdown of the General and Administrative Expenses.</p> <p>(4) Representing US\$195,000 in property option payments and taxes required to keep the agreements and properties in good standing for the next 12 months, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.</p> <p>(5) Represents an aggregate of C\$222,250 (which includes an approximate US\$150,000 to be expended on the El Tule Project and US\$25,000 to be expended on the La Libertad Project, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021 and C\$27,750 as a contingency amount.</p> <p>(6) On January 18, 2021, the Issuer issued a promissory note to an arm’s length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Issuer paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum, calculated from April 1, 2021 to July 30, 2021. On October 14, 2021, the promissory note was amended to extend the repayment date until January 31, 2022, with interest continuing to accrue at a rate of 10% per annum.</p> <p>(7) These unallocated funds will be added to the working capital of the Issuer.</p>
<b>Offering Jurisdictions</b>	The Offering will be made in the Provinces of British Columbia, Alberta and Ontario. See “Plan of Distribution”.
<b>Closing</b>	The Closing Date of the Offering is subject to the Issuer obtaining conditional approval of its listing application from the Exchange and other regulatory approvals. See “Plan of Distribution”.
<b>Risk Factors</b>	<p>The activities of the Issuer are subject to risks inherent in the mining industry as well as the risks normally encountered in a newly established business, including but not limited to: negative cash flow; lack of adequate capital; liquidity concerns and future financing requirements to sustain operations; dilution; no history of operations and revenues and no history of earnings or dividends; competition; economic changes; and uninsured risks. The properties of the Issuer do not have a recent history of commercial mining operations. The Issuer does not have a history of revenues, earnings or dividends. An investment in the Issuer’s securities is suitable only for those knowledgeable and sophisticated investors who are willing to risk a loss of their entire investment. Investors should consult with their professional advisors to assess an investment in the Issuer’s securities.</p> <p>There is currently no public market for the Shares and there can be no assurance that an active market for the Shares will develop or be sustained after the Listing (as hereinafter defined). The value of the Shares is subject to volatility in market trends and conditions generally, notwithstanding any potential success of the Issuer in creating revenues, cash flows or earnings. See “Risk Factors”.</p>

## CURRENCY RATES, METRIC EQUIVALENTS AND ABBREVIATIONS

All currency amounts in the Prospectus are stated in Canadian dollars unless otherwise indicated. All financial information with respect to the Issuer has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

The following table sets forth certain standard conversions from Standard Imperial Shares to the International System of Shares (or metric shares).

<b>To Convert from Metric</b>	<b>To Imperial</b>	<b>Multiply by</b>
Grams (g)	Grains	15.430
Grams (g)	Ounces (troy) (oz)	0.032
Grams per tonne (g/t)	Ounces (troy) per ton (oz/ton)	0.029
Hectares (ha)	Acres	2.471
Kilometres (km)	Miles (mi)	0.621
Square Kilometres (km <sup>2</sup> )	Square Mile (mi <sup>2</sup> )	0.386
Metres	Feet	3.281
Millimetres (mm)	Inches (in)	0.039
Tonnes (t)	Short tons (2000 lbs)	1.102
Hectares (Ha)	Acres	2.471

### **GLOSSARY TERMS**

The following is a glossary of certain defined terms used frequently throughout the Prospectus:

<b>“\$”</b>	all currency amounts are stated in Canadian dollars unless otherwise indicated.
<b>“affiliate”</b>	a company that is affiliated with another company as defined in the BCBCA.
<b>“Agency Agreement”</b>	the agency agreement entered into between the Issuer and the Agent dated for reference October 27, 2021 to act as agent for the Offering on a commercially reasonable efforts basis.
<b>“Agent”</b>	Research Capital Corporation.
<b>“Agent’s Commission”</b>	the commission payable in cash that the Agent is to receive equal to 8% of the gross proceeds from the Shares sold, including any Shares sold upon exercise of the Over-Allotment Option, such commission payable on the Closing Date.
<b>“Agent’s Warrants”</b>	the common share purchase warrants to be granted to the Agent on the Closing Date of the Offering equal in number to 8% of the number of Shares sold under the Offering (including any Shares sold pursuant to exercise of the Over-Allotment Option), each Agent’s Warrant exercisable into one Agent’s Warrant Share at a price of \$0.25 per Agent’s Warrant Share at any time and from time to time for a period of two (2) years following the Closing Date.
<b>“Agent’s Warrant Shares”</b>	the common shares issuable upon exercise of the Agent’s Warrants pursuant to their terms.

<b>“Armenta Agreement”</b>	the exploration, exploitation with option to purchase mining concessions agreement between the Mexican Subsidiary and Mr. Alberto Marcos Carrillo Armenta dated August 14, 2020 for the option to purchase a 100% interest in the El Tule Project in Nayarit, Mexico.
<b>“Audit Committee”</b>	the audit committee of the Issuer, comprising of Michael Thomson, Gijsbert Groenewegen and Michael Tucker.
<b>“BCBCA”</b>	the <i>Business Corporations Act</i> (British Columbia).
<b>“Board of Directors”</b>	the board of directors of the Issuer.
<b>“CEO”</b>	Chief Executive Officer.
<b>“CFO”</b>	Chief Financial Officer.
<b>“Closing” or “Closing Date”</b>	the closing date of the Offering, which is subject to the Issuer obtaining approval of its listing application from the Exchange and other regulatory approvals.
<b>“common share”</b>	a common share without par value of the Issuer.
<b>“Dios Padre Project” or “Dios Padre Property”</b>	the Dios Padre Project is located in Yecora, Sonora, Mexico. The Dios Padre property is comprised of three contiguous exploitation concessions and a fourth adjacent claim, all of which cover an area of 728 hectares centered at UTM coordinates 690,430E and 3,150,325N (WGS84, Zone 12 A).
<b>“Effective Date”</b>	the date on which the final receipt is issued for the final Prospectus.
<b>“El Tule Project” or “El Tule Property”</b>	the El Tule Project is comprised of 6 adjacent concessions which in total cover an area of 10,286 ha in the State of Nayarit, Mexico.
<b>“Escrow Agreement”</b>	the escrow agreement among the Issuer, the Transfer Agent, the directors and officers of the Issuer and certain shareholders of the Issuer dated November 25, 2020.
<b>“Exchange”</b>	the TSX Venture Exchange.
<b>“IFRS”</b>	International Financial Reporting Standards.
<b>“Insider”</b>	an insider as defined in the <i>Securities Act</i> (British Columbia), which includes the directors and senior officers of the Issuer or any subsidiaries of the Issuer and any person that has direct or indirect beneficial ownership of, or control or direction over, securities of the Issuer carrying more than 10% of the voting rights attached to the Issuer’s outstanding voting securities.
<b>“Issuer”</b>	Regency Silver Corp.
<b>“La Libertad Project” or “La Libertad Property”</b>	the 5 claims located in La Libertad, Peru, which claims cover an area of 3,700 ha and are in proximity to the Lagunas Norte and La Arena mines, held through the Peruvian Subsidiary.

<b>“Listing”</b>	the listing for trading of the Issuer’s common shares on the Exchange.
<b>“Listing Date”</b>	the date of Listing.
<b>“Mexican Properties”</b>	the El Tule Property and the Dios Padre Property.
<b>“Mexican Subsidiary”</b>	Regency Silver S.A. de C.V., the wholly owned subsidiary of the Issuer incorporated pursuant to the laws of Mexico on October 26, 2017. The Issuer holds 99 shares of the Mexican subsidiary in its name and 1 share is held in trust for the Issuer by a Mexican national.
<b>“Minera Pena”</b>	Minera Pena Blanca, S.A. de C.V.
<b>“NI 43-101”</b>	National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects</i> .
<b>“NI 52-110”</b>	National Instrument 52-110 <i>Audit Committees</i> .
<b>“NP 46-201”</b>	National Policy 46-201 <i>Escrow for Initial Public Offerings</i> .
<b>“Offering”</b>	the proposed offering by this Prospectus of 12,000,000 Shares and up to an additional 1,800,000 Shares pursuant to exercise of the Over-Allotment Option.
<b>“Offering Price”</b>	\$0.25 per Share
<b>“Option to Purchase and Promise to Assignment Agreement”</b>	the agreement between Minera Pena and the Mexican Subsidiary dated November 27, 2017 as amended wherein Regency Silver, S.A. de C.V. was granted the option to purchase a 100% title to the mineral concessions comprising the Dios Padre Project in consideration for the payment of US\$145,000 and the incurrence of US\$1 million in exploration expenditures over four years. Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Issuer at any time for US\$1.5 million.
<b>“Over-Allotment Option”</b>	the over allotment option exercisable by the Agent, in full or in part, to purchase up to an additional 1,800,000 Shares at the Offering price of \$0.25 per Share, for a period of 30 days after the Closing Date.
<b>“Peruvian Subsidiary”</b>	Regency Mining SAC, the wholly owned subsidiary of the Issuer incorporated pursuant to the laws of Peru on April 4, 2018. The Issuer holds 306,859 shares of the Peruvian subsidiary in its name and 1 share is held in trust for the Issuer by a Peruvian national.
<b>“Plans”</b>	the RRIFs, RRSPs, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSA’s under the Tax Act.
<b>“Prospectus”</b>	this prospectus and any appendices, schedules or attachments hereto.
<b>“Qualified Person”</b>	means a qualified person as defined by NI 43-101.
<b>“Regulations”</b>	applicable regulations under the Tax Act.
<b>“RRIFs”</b>	registered retirement income funds.

“RRSPs”	registered retirement plans.
“Stock Option Plan”	the stock option plan of the Issuer dated June 1, 2020.
“Tax Act”	the <i>Income Tax Act</i> (Canada).
“Technical Report”	the technical report entitled “Geological Report and Resource Estimate, Dios Padre Property Municipality of Yecora, Sonora State, Mexico”, dated November 24, 2020 prepared on the Dios Padre Project by Robert Lunceford, M. Sc., CPG, Gordon Gibson, B. Sc., P. Geo., and Jesse Wellman, B.Sc. CPG in accordance with NI 43-101. Each of Messrs Lunceford, Gibson and Wellman are an independent Qualified Person pursuant to NI 43-101. A summary of the Technical Report is attached as Schedule 1 hereto.
“TFSA’s”	tax-free savings accounts.
“Transfer Agent”	Computershare Investor Services Inc.
“Shares”	the Shares of the Issuer offered for sale pursuant to the Offering.
“Warrants”	the currently outstanding share purchase warrants of the Issuer exercisable for up to 1,640,000 common shares of the Issuer at an exercise price equal to \$0.10 per common share for a period of two (2) years following the Closing Date.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Issuer was incorporated pursuant to the BCBCA on March 23, 2017 under the name Regency Silver Corp. The Issuer’s addresses are as follows:

Head Office and Mailing Address: 1100 – 570 Granville Street  
Vancouver, British Columbia  
V6C 3P1

Registered and Records Office: 1100 – 570 Granville Street  
Vancouver, British Columbia  
V6C 3P1

### Inter-corporate Relationships



The Issuer's Mexican subsidiary, Regency Silver, S.A. de C.V. was incorporated on October 26, 2017, pursuant to the laws of Mexico for the principal purpose of holding mineral concessions for the Issuer's Mexican Properties and to sign contracts and operate in Mexico. The Mexican Subsidiary holds an option to acquire a 100% interest in the Dios Padre Property located in Sonora, Mexico, and an option to acquire a 100% interest in the El Tule Property located in Nayarit, Mexico.

The Issuer's Peruvian Subsidiary, Regency Mining SAC was incorporated on April 4, 2018, pursuant to the laws of Peru for the principal purpose of holding the mineral concessions for the Issuer's Peruvian properties and also to sign contracts and operate in Peru. The Peruvian Subsidiary holds title to a 100% interest in 5 mining claims covering 3,700 hectares. All of these mining claims are located in the La Libertad Mining District of Peru and comprise the La Libertad Project.

### **DESCRIPTION OF THE BUSINESS**

The business objective of the Issuer is to identify, evaluate, acquire and explore mineral properties. The Issuer's current focus is on its material property, the Dios Padre Property, but it may consider the acquisition of additional properties in the future. Subject to market conditions and the availability of funds and other resources, the Issuer may review and assess possible property acquisitions in Mexico and Peru.

#### **Three (3)-Year History**

Since incorporation, the Issuer has taken the following steps to develop its business:

- (a) sought, acquired and explored a portfolio of prospective silver and gold properties in Mexico and Peru;
- (b) recruited directors, officers and advisors with skills required to operate a publicly listed exploration company;
- (c) raised gross proceeds of approximately \$2,958,260 through the sale of common shares. The funds raised have provided sufficient capital to carry on the Issuer's business to date, and to cover the costs associated with the Offering; and
- (d) engaged the Agent to assist the Issuer in completing the Offering and the Listing on the Exchange.

#### **Significant Acquisitions**

##### *Dios Padre Property*

The Issuer's Mexican Subsidiary entered into the Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 with Minera Pena, a company duly incorporated and validly existing as a corporation pursuant to the laws of Mexico pursuant to which the Issuer was granted the exclusive option to purchase (the "**Dios Padre Option**") 100% title to the mineral concessions comprising the Dios Padre Property located in Yecora, Sonora, Mexico in consideration for:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
  - US\$25,000 on the date of signing (paid);
  - US\$30,000 on or before November 27, 2018 (paid);

- US\$30,000 on or before November 27, 2019 (paid);
  - US\$30,000 on or before November 27, 2020 (paid); and
  - US\$30,000 on or before November 27, 2021 (by paying US\$7,500 on February 27 (paid), May 27 (paid), August 27 (paid) and November 27, 2021).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
- US\$250,000 on or before November 27, 2018; (incurred)
  - US\$500,000 on or before June 30, 2021;
  - US\$250,000 on or before February 28, 2022.

Pursuant to the Option to Purchase and Promise to Assignment Agreement, upon exercise of the Dios Padre Option, Minera Pena will retain a 3% net smelter return royalty from the proceeds of first-hand sale of minerals extracted from the mineral concessions, 2% of which can be purchased by the Issuer for US\$1.5 million.

An underlying 2.5% net smelter return royalty has been filed against the Dios Padre Property in favour of third parties. The Issuer is reviewing the status of the underlying royalty to determine its validity and impact on the royalty in favour of Minera Pena Blanca. In the event the underlying royalty is valid, the Issuer may not be able to purchase 2% of the royalty in favour of Minera Pena. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to the third parties.

During the four-year option period, the Issuer is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (the “**DGM**”). The agreement also stipulates a two km area of influence (“**Area of Influence**”) requiring that any third-party concession(s) acquired by Minera Pena by filing or contract within the Area of Influence be made a part of the Option to Purchase and Promise to Assignment Agreement, at the discretion of the Issuer.

The Option to Purchase and Promise to Assignment Agreement will be terminated if the Issuer has not exercised the Dios Padre Option within the contract term, and on other stated terms.

The Option to Purchase and Promise to Assignment Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted the Mexican Subsidiary an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Issuer issued 250,000 common shares to James Kennemur, the nominee of Minera Pena.

The Option to Purchase and Promise to Assignment Agreement was further amended by a 2020 Extension Agreement dated November 24, 2020 (the “**2020 Extension Agreement**”) wherein Minera Pena granted the Mexican Subsidiary an extension until June 30, 2021 for the expenditure of the balance of the \$500,000 in aggregate exploration expenditures due for the period ending November 27, 2020. In addition, the time for the expenditure of the balance of \$250,000 in exploration expenditures due by November 27, 2021 was extended until February 28, 2022.

The Option to Purchase and Promise to Assignment Agreement was further amended by two extension agreements dated June 10, 2021 and October 12, 2021, respectively (collectively, the “**2021 Extension Agreements**”) wherein Minera Pena granted the Mexican Subsidiary an extension until November 27, 2021 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures due by February 28, 2022 was extended until July 31, 2022. As consideration for the extension, the Issuer has agreed to

pay the sum of US\$10,000 to Minera Pena on the earlier of the date which is 10 days from the Listing Date or January 31, 2022.

All option payments have been paid up to date and the Option to Purchase and Promise to Assignment Agreement is in good standing.

To acquire necessary surface access and use, the Issuer executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017 (the “**Ejido Agreement**”). The Ejido Agreement allows for the Issuer’s work operations to be conducted on 600 hectares of the total 2,191 Ha of the Ejido. To maintain the Ejido Agreement, the Issuer is required to make annual payments of US\$6,000.

**Technical Disclosure of the Dios Padre Project**

The Dios Padre Property is comprised of three contiguous concessions and one adjacent concession covering an area of 728 hectares, centered at UTM coordinates 690,430E and 3,150,325N (WGS84, Zone 12 A). It is accessible via paved Highway 16 from either Hermosillo or Chihuahua. It is approximately 235 km southeast of Hermosillo near the town of Yecora.



The Dios Padre Property is the subject of the Technical Report prepared by Mr. Robert Lunceford, Mr. Gordon Gibson, and Mr. Jesse Wellman, the authors of the Technical Report, each of whom is a “qualified person” within the meaning of NI 43-101 and each is independent of the Issuer.

A summary of the relevant technical disclosure concerning the Dios Padre Project is attached as Schedule 1 to this Prospectus, which summary has been derived from the Technical Report.

For readers to fully understand the technical information in this Prospectus, they should read the Technical Report (available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Issuer’s profile) in its entirety, including all qualifications, assumptions and exclusions that relate to the technical information set out in this Prospectus. The Technical Report intended to be read as a whole, and sections should not be read or relied upon out of context. The technical information in the Technical Report is subject to the assumptions and qualifications contained in the report.

## **Other Properties**

### *El Tule Property*

The El Tule Property is comprised of 6 adjacent concessions which in total cover an area of 10,286 ha in the State of Nayarit, Mexico. The geological setting is comparable to that of the numerous precious metal mining districts along the west flank of the Sierra Madre Occidental from Sonora to central Nayarit. The style of precious metal mineralization at El Tule includes structurally controlled vein systems and more extensive subvolcanic breccias within low sulfidation systems. Numerous gold and silver prospects over a 15km by 5km region comprising the property are controlled by structural intersections (N and NE trending). Textural and alteration evidence at some of the prospects appears to be high level suggesting precious metals depositional zones have not been eroded out. Sampling during late January 2018 returned significant gold mineralization exceeding 1 ounce of gold per tonne. The El Tule Property contains extensive old mining operations and current small scale and artisanal mining operations.

The Issuer has the option to purchase the El Tule Property through the Armenta Agreement dated August 14, 2020, between the Mexican Subsidiary and Mr. Alberto Marcos Carrillo Armenta, a person dealing at arm’s length with the Issuer.

Pursuant to the Armenta Agreement, Mr. Armenta granted the Mexican Subsidiary the right to acquire a 100% interest of the El Tule Project (the “**El Tule Option**”) for a period of 48 months from the execution of the agreement (the “**Option Term**”), in consideration for the Issuer making payments of US\$600,000 over four years (the “**Purchase Price**”), payable in accordance with the terms set out below pursuant to the Amended Armenta Agreements (as defined below).

Mr. Armenta further agreed to assign to the Mexican Subsidiary all rights to use and access the surface so that the Mexican Subsidiary can perform its mining activities. Within five (5) business days of exercising the El Tule Option, the Mexican Subsidiary and Mr. Armenta must enter into an assignment agreement (the “**El Tule Assignment Agreement**”), which agreement will be submitted for registration before the PRM.

In the event that the Issuer becomes a publicly traded company on the Exchange or the Toronto Stock Exchange, Mr. Armenta may, at his sole option (the “**Conversion Option**”), elect to take payment of up to US\$200,000 of the Purchase Price by the issuance of common shares of the Issuer based on the price per share equal to the closing price of the day immediately prior to the date of receiving a notice of conversion. Mr. Armenta must exercise this Conversion Option within the first twelve months of the Option Term.

The Mexican Subsidiary may advance the aforementioned payment schedule of the Purchase Price set forth above, at its sole discretion to accelerate the exercise of the El Tule Option.

There is no royalty payable pursuant to the Armenta Agreement, however, Mr. Armenta has the right to receive a contingent bonus of US\$1 million upon publication of a NI 43-101 report which contains a mineral resource estimate of 1 million ounces of gold in the measured or indicated categories excluding any contained resources on the Aztlan 8-B title number 218318.

The Issuer signed amendment agreements dated December 14, 2020 and April 5, 2021 (the “**Amended Armenta Agreements**”) to amend the terms of the Armenta Agreement as follows:

- The Issuer must pay US\$6,000 per month for the months of December 2020 to June 2021 (paid up to date).
- The Issuer must pay US\$42,000 by July 14, 2021 (outstanding).
- The Issuer must also pay US\$50,000 by October 14, 2021 and every 6 months thereafter until a further US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

As a result of the Amended Armenta Agreements, the Purchase Price increased from US\$600,000 to US\$604,000. The Issuer paid a total of US\$20,000, prior to the execution of the Amended Armenta Agreements, pursuant to the terms of the Armenta Agreement. Due to a lack of access to the El Tule Property due to COVID-19, on August 18, 2021 the Issuer claimed force majeure under the Armenta Agreement and has suspended payments. The Issuer is currently negotiating a further extension to the payments due pursuant to the Amended Armenta Agreements as it has not made the payment of US\$42,000 which was due by July 14, 2021. The Issuer plans to make the payment of US\$42,000 which was due by July 14, 2021, the subsequent payments of US\$50,000 due by October 14, 2021, and US\$50,000 due by April 14, 2022, from the proceeds of this Offering. It also plans to expend US\$100,000 on a first phase mapping and sampling program. See “Use of Proceeds” and “Risk Factors”.

#### *La Libertad Project*

The Issuer through its Peruvian Subsidiary holds title to 5 claims located in the La Libertad Mining District in north-central Peru. The claims cover an area of 3,700 ha and are in proximity to the Lagunas Norte and La Arena mines. The Issuer must pay an annual fee of US\$3 per ha to keep the claims in good standing.

The Issuer does not consider the El Tule Property or the La Libertad Project to be material for the purposes of NI 43-101.

## **USE OF PROCEEDS**

### **Funds Available**

As at September 30, 2021, the Issuer had a working capital deficiency of \$120,000. The Issuer will realize net proceeds of approximately \$2,610,000 following completion of the Offering, after deducting the Agent’s Commission of \$240,000 assuming no exercise of the Over-Allotment Option. The expected available funds upon completion of the Offering is set out in the table below.

	<b>Offering</b>	<b>Offering (Over-Allotment Option Exercised in Full)</b>
Gross Proceeds <sup>(1)</sup>	\$3,000,000	\$3,450,000
Less: Agent's Commission	(\$240,000)	(\$276,000)
Less: Issuer's estimated expenses of the Offering (includes the balance of the Agent's Corporate Finance Fee)	(\$150,000)	(\$150,000)
Net Proceeds	\$2,610,000	\$3,024,000
Working capital deficiency as at September 30, 2021	(\$120,000)	(\$120,000)
Funds Available	\$2,490,000	\$2,904,000

(1) Assuming that the Over-Allotment Option is not exercised.

### Principal Purposes

The Issuer intends to use the funds available on completion of the Offering as follows:

<b>Use of Proceeds</b>	
Dios Padre Project recommended work program	\$635,000 <sup>(1)</sup>
Dios Padre exploration expenditures due by July 31, 2022	\$317,500 <sup>(2)</sup>
General and Administrative Expenses (12 months)	\$650,000 <sup>(3)</sup>
Other property costs, including property payments, taxes and minimum spend requirements (12 months)	\$247,650 <sup>(4)</sup>
Work programs on other properties	\$250,000 <sup>(5)</sup>
Repay promissory note (interest accrued to September 30, 2021)	\$52,500 <sup>(6)</sup>
Unallocated working capital	\$337,350 <sup>(7)</sup>
<b>Total</b>	<b>\$2,490,000</b>

#### Notes:

- (1) Representing the US\$500,000 recommended work program in the Technical Report, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.
- (2) Representing the US\$250,000 in exploration expenditures required to be expended on the Dios Padre Project by February 28, 2022, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.

- (3) A summary of the estimated annual general and administrative costs for the 12 months following listing of the Issuer's common shares on the Exchange is as follows:

Item	Amount
Management Fees to Bruce Bragagnolo and Gijsbert Groenewegen	\$216,000
Directors Fees	\$30,000
Consulting and Administrative Assistant Fees	\$94,000
Accounting and Audit	\$60,000
Legal Fees	\$70,000
Marketing	\$100,000
Transfer Agent and Regulatory Fees	\$30,000
Office, Miscellaneous and Travel	\$50,000
<b>TOTAL</b>	<b>\$650,000</b>

- (4) Representing US\$195,000 in property option payments and taxes required to keep the agreements and properties in good standing for the next 12 months, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021.
- (5) Represents an aggregate of C\$222,250, which includes an approximate US\$150,000 to be expended on the El Tule Project and US\$25,000 on the La Libertad Project, based on the exchange rate of C\$1.27 = US\$1.00, being the daily exchange rate posted by the Bank of Canada as at October 1, 2021 and C\$27,750 as a contingency amount.
- (6) On January 18, 2021, the Issuer issued a promissory note to an arm's length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Issuer paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum, calculated from April 1, 2021 to July 30, 2021. On October 14, 2021, the promissory note was amended to extend the repayment date until January 31, 2022 with interest continuing to accrue at a rate of 10% per annum.
- (7) Any additional funds obtained from the exercise of the Over-Allotment Option will be put under unallocated working capital.

Given that the Issuer is still in the exploration phase and has not earned any revenue since its inception, while the Issuer intends to spend its current working capital and the net proceeds of the Offering, as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable. The actual amount that the Issuer spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above, and will depend on many factors, including, but not limited to, those listed under the heading. See "Risk Factors".

The Issuer has not yet achieved positive operating cash flow and had negative cash flow from operating activities, as disclosed in its annual financial statements for the year ended December 31, 2020. There are no assurances that the Issuer will not experience negative cash flow from operations in the future.

### **Business Objectives and Milestones**

The business objective of the Issuer is to identify, evaluate, acquire and explore mineral properties. The Issuer's current focus is on the Dios Padre Property, but it may consider the acquisition of additional properties in the future. Subject to available funds, the Issuer may review and assess possible property acquisitions in Mexico and Peru.

The Issuer's primary objectives over the next 12 months are as follows:

- **(1) Closing of the Offering and Listing on the Exchange**

- **(2) Dios Padre Project**

- To make property payments totalling US\$17,500 and taxes and filing costs of US\$4,000, to spend a minimum of US\$500,000 on drilling of the Dios Padre Project (the drill program is expected to be completed by January 31, 2022) and to incur US\$250,000 in exploration expenditures required to be expended by July 31, 2022 on the Dios Padre Project.

- **(3) El Tule Project**

- To make property payments totalling US\$142,000 and taxes and filing costs of US\$14,000, and to complete a first phase mapping and sampling program estimated to cost a minimum of US\$100,000. The first phase mapping and sampling program is expected to be completed within 6 months of the Closing Date.

- **(4) La Libertad Project**

- To complete a first phase reconnaissance program estimated to cost US\$25,000 and to pay taxes and filing costs of US\$11,000. The first phase reconnaissance program is expected to be completed within 6 months of the Closing Date.

The proceeds of this Offering are intended to be used to further explore the Dios Padre Property and to make the necessary minimum payments to keep its other properties in good standing. However, the Issuer reserves the right to redirect any portion of the funds in such manner as it considers to be in the best interest of the shareholders of the Issuer.

The Issuer expects to complete its drill program on the Dios Padre Property within 3 months of the Closing Date. There are currently COVID-19 related travel restrictions in place which recommend against non-essential travel outside of Canada and impose quarantine restrictions upon return to Canada. These travel restrictions may impact upon the ability of qualified personnel to travel to the Dios Padre Property in order to conduct the drill program. In addition, while entry into Mexico is not currently restricted, there is a risk that more restrictive COVID-19 related travel restrictions may be imposed in the future that may further impact on the ability of the Issuer to complete the drill program. Management of the Issuer intends to monitor all COVID-19 related restrictions and revise the Issuer's objectives as may be necessary. See "*Risk Factors*".

Management's intention is to proceed with the recommended exploration as soon as practically possible once the Issuer has completed its initial public offering under the Prospectus. It is possible that some portions of the net proceeds allocated for such work programs will be devoted to other acquisition, development or exploration opportunities identified by the Issuer from time to time.

In response to the COVID-19 pandemic, exploration and development in the Mexico may be impacted by government restrictions on the Issuer's operations. Potential stoppages on exploration activities could result in additional costs, delays and cost overruns. The Issuer's ability to complete its primary objectives, the total amount of funds that the Issuer needs to carry out these objectives, together with the timing to complete such objectives, may be negatively impacted as a consequence of the COVID-19 pandemic.

Any unallocated funds will be added to the working capital of the Issuer.

## **DIVIDENDS OR DISTRIBUTIONS**

The Issuer has not paid out any dividends or distributions and does not have a policy regarding dividends or distributions. The Issuer does not face any restrictions which would prevent it from paying dividends.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial information in this Prospectus, unless otherwise indicated, is presented in Canadian dollars and derived from information contained in the Issuer's financial statements and related notes thereto included in this Prospectus, which were prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").**

The management's discussion and analysis (the "MD&A") for the six months ended June 30, 2021, and the year ended December 31, 2020 are attached to this Prospectus as Schedules 3 and 5, respectively. Such MD&As include financial information from and should be read in conjunction with the interim unaudited condensed consolidated financial statements for the six months ended June 30, 2021 attached to this Prospectus as Schedule 2, and the annual audited consolidated financial statements for the years ended December 31, 2020, and 2019 and the audit reports thereon, attached to this Prospectus as Schedule 4, as well as the disclosure contained throughout this Prospectus.

## DESCRIPTION OF THE SECURITIES DISTRIBUTED

### Share Capital

The authorized capital of the Issuer consists of an unlimited number of common shares without par value.

### Common Shares

As of the date of the Prospectus, 49,653,368 common shares were issued and outstanding as fully paid and non-assessable securities. Holders of common shares are entitled to one (1) vote per share upon all matters on which they have the right to vote. The common shares do not have pre-emptive rights and are not subject to redemption. Holders of the common shares are entitled to receive such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of dissolution or winding up of the affairs of the Issuer, holders of the common shares are entitled to share rateably in all assets of the Issuer remaining after payment of all amounts due to creditors.

Subscriptions for Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

### Stock Options

As of the date of this Prospectus, the Issuer has granted non-transferable Incentive Stock Options to purchase 4,100,000 common shares at \$0.25 per common share to officers, directors, employees and consultants of the Issuer for a five year term commencing on the Listing Date. The Issuer has agreed to grant a total of an additional 750,000 Incentive Stock Options to its directors subject to the completion of the Offering.

### Share Purchase Warrants

As of the date of the Prospectus, there are 3,140,000 Warrants issued and outstanding. Of the Warrants outstanding, 1,640,000 warrants entitle the holder thereof to purchase one common share of the Issuer at an exercise price equal to \$0.10 per common share, and 1,500,000 warrants entitle the holder thereof to purchase one common share of the Issuer at an exercise price equal to \$0.30 per common share in the first year, and \$0.35 per common share in the second year. The Warrants may be exercised at any time and from time to time, for a period of two (2) years from the Closing Date.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the share capital of the Issuer as at the dates below. The table should be read in conjunction with and is qualified in its entirety by the Issuer's financial statements attached hereto as Schedules 2 and 4.

	As of December 31, 2019 (audited)	As of December 31, 2020 (audited)	As of June 30, 2021 (unaudited)	As of the date of the Prospectus (unaudited)	After giving effect to the Offering (unaudited) <sup>(1)</sup>
Common Shares	31,776,201	43,871,201	48,396,701	49,653,368	61,653,368

Note:

(1): After the issuance of the 12,000,000 Shares pursuant to the Offering and does not include any Agent's Warrant Shares issuable upon the exercise of the Agent's Warrants, or Shares issuable upon exercise of the Over-Allotment Option.

### Fully Diluted Share Capitalization

Common Shares	Offering <sup>(1)</sup>		Offering (assuming exercise of the Over- Allotment Option in full) <sup>(2)</sup>	
	Number of Securities	Percentage of Total (%)	Number of Securities	Percentage of Total (%)
Issued and Outstanding as at the date of the Prospectus	49,653,368	71.08%	49,653,368	69.16%
Common Shares Reserved for Issuance Pursuant to the Offering	12,000,000 <sup>(1)</sup>	17.18%	13,800,000	19.22%
Common Shares Reserved for Issuance upon Exercise of the Agent's Warrants	960,000	1.37%	1,104,000	1.54%
Common Shares Reserved for Issuance upon Exercise of the Incentive Stock Options	4,100,000	5.87%	4,100,000	5.71%
Common Shares Reserved for Issuance upon Exercise of the Warrants	3,140,000	4.50%	3,140,000	4.37%
<b>Total Fully Diluted Share Capitalization after the Offering</b>	<b>69,853,368</b>	<b>100%</b>	<b>71,797,368</b>	<b>100%</b>

Note:

(1) After the issuance of the 12,000,000 Shares pursuant to the Offering and does not include any Shares issuable upon exercise of the Over-Allotment Option.

(2) After the issuance of the 12,000,000 Shares pursuant to the Offering and the 1,800,000 Shares issuable upon exercise of the Over-Allotment Options and on a fully diluted basis.

## OPTIONS TO PURCHASE SECURITIES

### Stock Options Outstanding

As at the date of this Prospectus, the Issuer has granted the following non-transferable incentive stock options (“**Incentive Stock Options**”) to purchase 4,100,000 common shares of the Issuer to its officers, directors, employees and consultants in accordance with its stock option plan (the “**Stock Option Plan**”):

Category of Option Holders (number of people)	Number of Options held as of the date of the Prospectus	Number of Options held upon completion of Offering <sup>(1)</sup>	Exercise Price	Expiration Date
Directors and Officers (6)	Nil	2,250,000	\$0.25	5 years from the Closing Date
Consultants (5)	Nil	1,500,000	\$0.25	5 years from the Closing Date
Advisory Board (1)	Nil	250,000	\$0.25	5 years from the Closing Date
Charity (1)	Nil	100,000	\$0.25	5 years from the Closing Date
<b>TOTAL</b>		4,100,000	\$0.25	5 years from the Closing Date

**Note:**

(1) Upon completion of the Offering and the Listing of the Issuer’s common shares on the Exchange, the directors and officers of the Issuer will hold an aggregate of 3,000,000 Incentive Stock Options, which figure includes an additional 750,000 Incentive Stock Options to be issued upon the completion of the Offering. The details regarding the Incentive Stock Options are set out below.

The Incentive Stock Options that are held or will be held upon the completion of the Offering are as follows:

Optionee	Number of Incentive Stock Options	Exercise Price	Expiry
<b>Executive Officers and Directors</b>			
Bruce Bragagnolo	750,000 <sup>(1)</sup>	\$0.25	5 years from the Listing Date
Gijsbert Groenewegen	750,000 <sup>(1)</sup>	\$0.25	5 years from the Listing Date
Michael Thomson	750,000 <sup>(1)</sup>	\$0.25	5 years from the Listing Date

<b>Optionee</b>	<b>Number of Incentive Stock Options</b>	<b>Exercise Price</b>	<b>Expiry</b>
Michael Tucker	250,000	\$0.25	5 years from the Listing Date
Mathew Lee	250,000	\$0.25	5 years from the Listing Date
Anjula Trikala	250,000	\$0.25	5 years from the Listing Date
<b>Consultants</b>	1,500,000	\$0.25	5 years from the Listing Date
<b>Advisory Board</b>	250,000	\$0.25	5 years from the Listing Date
<b>Canadian Cancer Society</b>	100,000 <sup>(2)</sup>	\$0.25	5 years from the Listing Date
<b>TOTAL:</b>	<b>4,850,000</b>		

**Notes:**

- (1) Includes 250,000 Incentive Stock Options that will be granted upon completion of the Offering. Each of these 250,000 Incentive Stock Options will be exercisable to purchase one common share of the Issuer at \$0.25 per common share for a period of 5 years from the Listing Date.
- (2) The Issuer has granted charitable stock options to the Canadian Cancer Society (the “CCS”) under the “Option to Give” program developed by the CCS and the TSX Venture Exchange.

**Stock Option Plan**

The following is a summary of the material terms of the Issuer’s Stock Option Plan:

- (a) directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan;
- (b) the maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan;
- (c) options granted under the Stock Option Plan are non-assignable and non-transferable and exercisable for a period of up to ten (10) years;
- (d) an optionee’s options expire no later one (1) year following the date of the termination of optionee’s employment or engagement by the Issuer; and
- (e) notwithstanding the foregoing, if an optionee dies, the legal representative of the optionee may exercise any outstanding portion of the optionee’s options within one (1) year after the date of the optionee’s death.

Under the Stock Option Plan, the number of common shares which may be reserved for issue: (i) to any one individual in any twelve month period shall not exceed 5% of the issued and outstanding common shares calculated at the date the option was granted; (ii) to any one consultant in a twelve month period shall not exceed 2% of the issued and outstanding common shares calculated at the date the option was granted; and (iii) to all employees and consultants who perform investor relations activities shall not exceed 2% of the issued and outstanding common shares calculated at the date the option was granted.

**The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange.**

### **Agent's Warrants**

Upon completion of the Offering, the Agent will be issued the Agent's Warrants entitling it to acquire that number of Agent's Warrant Shares equal to 8% of the aggregate number of Shares sold pursuant to the Offering (including any Shares sold upon exercise of the Over-Allotment Option), at \$0.25 per Agent's Warrant Share at any time on or before 5:00 p.m. (Vancouver time) on the date that is twenty-four (24) months following the Closing Date. This Prospectus qualifies the issuance of the Agent's Warrants pursuant to the Offering.

### **Warrants**

As of the date of this Prospectus, the Issuer had 3,140,000 Warrants outstanding. Of the Warrants outstanding, 1,640,000 warrants entitle the holder thereof to purchase one common share of the Issuer at an exercise price equal to \$0.10 per common share, and 1,500,000 warrants entitle the holder thereof to purchase one common share of the Issuer at an exercise price equal to \$0.30 per common share in the first year, and \$0.35 per common share in the second year. The Warrants may be exercised at any time and from time to time for a period of two (2) years following the Closing Date.

### **PRIOR SALES**

The following table contains details of the prior sales of securities during the 12 months preceding the date of this Prospectus:

<b>Date of Issuance</b>	<b>Number of Securities</b>	<b>Price</b>	<b>Gross Proceeds</b>
July 9, 2020	1,000,000 common shares	\$0.10	\$100,000
July 29, 2020	250,000 common shares	\$0.10 (deemed)	\$25,000 (deemed)
August 6, 2020	50,000 common shares	\$0.10	\$5,000
August 21, 2020	450,000 common shares	\$0.10	\$45,000
November 26, 2020	100,000 common shares	\$0.10	\$10,000
December 7, 2020	700,000 common shares	\$0.10	\$70,000
January 27, 2021	2,300,000 common shares	\$0.10	\$230,000
January 27, 2021	1,500,000 warrants	\$0.30 in year 1 and \$0.35 in year 2 (exercise price)	\$450,000 (upon exercise in year 1)
March 30, 2021	680,000 common shares	\$0.15	\$102,000
April 6, 2021	467,000 common shares	\$0.15	\$70,500
April 11, 2021	82,500 common shares	\$0.15	\$12,375
April 14, 2021	100,000 common shares	\$0.15	\$15,000

April 15, 2021	80,000 common shares	\$0.15	\$12,000
May 27, 2021	666,000 common shares	\$0.15	\$99,900
May 31, 2021	150,000 common shares	\$0.15	\$22,500
August 12, 2021	600,000 common shares	\$0.15	\$90,000
September 3, 2021	150,000 common shares	\$0.15	\$22,500
September 13, 2021	316,667 common shares	\$0.15	\$47,500
September 15, 2021	40,000 common shares	\$0.15	\$6,000
September 22, 2021	150,000 common shares	\$0.15	\$22,500
<b>TOTAL</b>	<b>8,3332,167 common shares and 1,500,000 warrants</b>		

**Note:**

- (1) Issued pursuant to the Extension Agreement

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL  
RESTRICTION ON TRANSFER**

In accordance with National Policy 46-201 *Escrow for Initial Public Offerings* (“NP 46-201”), all common shares of the Issuer held by a principal of the Issuer prior to the Offering are subject to escrow restrictions. A principal who holds securities carrying less than 1% of the voting rights attached to the Issuer’s outstanding securities immediately after the Offering is not subject to the escrow requirements under NP 46-201. Under NP 46-201, a “principal” is defined as:

- (a) a person or company who acted as a promoter of the issuer within two (2) years before the Prospectus;
- (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the Prospectus;
- (c) a 20% holder – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the Offering; or
- (d) a 10% holder – a person or company that (i) holds securities carrying more than 10% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the Offering and (ii) has elected or appointed, or has the right to elect or appoint, one (1) or more directors or senior officers of the issuer or any of its material operating subsidiaries.

A principal’s spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

Escrowed shares may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the Exchange, except as permitted by the Escrow Agreement entered into substantially in the form of NP 46-201F1.

The following is a table indicating the total number of common shares escrowed and their respective percentages both prior to and upon completion of the Offering.

<b>Designation of class</b>	<b>Number of securities held in escrow</b>	<b>Percentage of class prior to completion of Offering</b>	<b>Percentage of Class upon completion of Offering</b>
Common Shares	17,750,001 <sup>(1)</sup>	35.75% <sup>(2)</sup>	28.79% <sup>(3)</sup>

**Notes:**

- (1) The common shares to be held in escrow by the Transfer Agent pursuant to the terms as described below.
- (2) Based on the 49,653,368 common shares currently issued and outstanding.
- (3) Based on the 61,653,368 common shares issued and outstanding upon completion of the Offering (assuming the Over-Allotment Option is not exercised).

The following are particulars of the common shares of the Issuer subject to escrow requirements pursuant to NP 46-201 as of the date of the Prospectus:

<b>Shareholder <sup>(1)</sup></b>	<b>Number of Common Shares</b>	<b>Percentage of class at the date of the Prospectus<sup>(1)</sup></b>	<b>Percentage of class upon completion of the Offering<sup>(2)</sup></b>
Bruce Bragnolo	7,500,001	15.10%	12.16%
Gijsbert Groenewegen	5,000,000	10.07%	8.11%
Michael Thomson	2,500,000	5.03%	4.05%
Olivier Tielens	1,250,000	2.52%	2.03%
Anjula Trikala	500,000	1.01%	0.81%
Alexander Tsakumis	250,000	0.50%	0.41%
Leighton Bocking	250,000	0.50%	0.41%
Michael Tucker	250,000	0.50%	0.41%
Mathew Lee	250,000	0.50%	0.41%
<b>TOTAL</b>	17,750,001	35.75%	28.79%

**Notes:**

- (1) Based on the 49,653,368 common shares currently issued and outstanding.
- (2) Based on the 61,653,368 common shares issued and outstanding upon completion of the Offering assuming the Over-Allotment Option is not exercised.

The escrowed common shares are to be released from escrow in accordance with the following schedule:

<b>On the Listing Date</b>	<b>1/10 of the escrow securities</b>
6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities

24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
48 months after the Listing Date	The remaining escrow securities

In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the Listing Date.

The Issuer's Transfer Agent is Computershare Investor Services Inc.

### **Securities Subject to Contractual Restriction**

#### Exchange Seed Share Resale Restrictions

In addition to the foregoing escrow requirements, certain outstanding securities of the Issuer issued to persons other than the principals at a price below the Offering Price will be subject to the seed share resale restrictions of the Exchange, which will be imposed by the certificates representing the securities subject to such resale restrictions being legended with a specified date before which such securities shall not be transferred and the Issuer's transfer agent being instructed to not remove the legend until the specified date has passed.

The term of the seed share resale restriction to which a security of the Issuer may be subject varies based on the price at which such security was issued and the length of time during which such security has been held. The following table sets out information on the number of securities that are subject to the seed share resale restrictions of the Exchange:

<b>Designation of Class</b>	<b>Number of Securities Subject to Restriction<sup>(1)</sup></b>	<b>Percentage of Class<sup>(2)</sup></b>
Shares	<b>5,672,667</b>	<b>11.42%</b>

Notes:

- (1) 5,672,667 Shares are subject to the seed share resale restrictions. 5,672,667 Shares are subject to a 4 month hold with 20% of such Shares being released on the Listing Date and 20% of such Shares being released each month following the Listing Date.
- (2) Based on 49,653,368 issued and outstanding Shares; all percentages are rounded to the nearest tenth and are calculated on a non-diluted basis.

### **PRINCIPAL SHAREHOLDERS**

To the knowledge of the Issuer's directors and senior officers, other than Bruce Bragnolo, Executive Chairman of the Issuer, upon completion of the Offering, no persons shall beneficially own, directly or indirectly, or exercise control or direction over, or will own, common shares carrying more than 10% of all voting rights:

Name	Number of securities owned	Percentage of class at the date of the Prospectus <sup>(1)</sup>	Percentage of class upon completion of the Offering <sup>(2)(3)(4)</sup>
Bruce Bragagnolo	7,500,001 <sup>(5)</sup>	15.10%	12.16% <sup>(2)</sup>

**Notes:**

- (1) Based on the 49,653,368 common shares currently issued and outstanding.
- (2) Based on the 61,653,368 common shares issued and outstanding upon completion of the Offering assuming the Over-Allotment Option is not exercised.
- (3) Based on 69,853,368 common shares issued and outstanding on a fully-diluted basis, assuming completion of the Offering, exercise of the 3,140,000 outstanding Warrants, exercise of the 4,100,000 outstanding Incentive Stock Options and exercise of the 960,000 Agent's Warrants, Mr. Bragagnolo will own 8,000,001 common shares of the Issuer which represents 11.45% of the issued and outstanding shares on a fully-diluted basis. This figure includes the exercise of Mr. Bragagnolo's 500,000 Incentive Stock Options but does not include the additional 250,000 Incentive Stock Options to be granted to Mr. Bragagnolo upon completion of the Offering.
- (4) Based on 71,797,368 common shares issued and outstanding on a fully-diluted basis, assuming completion of the Offering (and exercise of the Over-Allotment Option in full), exercise of the 3,140,000 outstanding Warrants, exercise of the 4,100,000 outstanding Incentive Stock Options and exercise of the 1,104,000 Agent's Warrants, Mr. Bragagnolo will own 8,000,001 common shares of the Issuer which represents 11.14% of the issued and outstanding shares on a fully-diluted basis. This figure includes the exercise of Mr. Bragagnolo's 500,000 Incentive Stock Options, but does not include the additional 250,000 Incentive Stock Options to be granted to Mr. Bragagnolo upon completion of the Offering.
- (5) These common shares are beneficially owned and owned of record.

## DIRECTORS AND OFFICERS

### Name, Address, Occupation, and Security Holding

The following table sets forth particulars regarding the current directors and senior officers of the Issuer:

Name, Position with the Issuer and Municipality of Residence	Position Held Since	Principal Occupation For Past Five Years	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, as of the date of the Prospectus <sup>(2)(3)(4)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering <sup>(5)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering (Assuming full exercise of the Over-Allotment Option) <sup>(6)</sup>
<b>Bruce Bragagnolo</b> Executive Chairman and Director, <i>Vancouver, B.C., Canada</i>	Director: March 23, 2017  Executive Chairman:	Mr. Bragagnolo is the Executive Chairman and a director of the Issuer. He was the co-founder and past CEO of both Timmins Gold Corp., a company listed on the NYSE-MKT and TSX and Silvermex Resources Inc., a company formerly listed on the	7,500,001  undiluted: 15.10%  fully diluted:	7,500,001  undiluted: 12.16%  fully diluted:	7,500,001  undiluted: 11.82%  fully diluted:

Name, Position with the Issuer and Municipality of Residence	Position Held Since	Principal Occupation For Past Five Years	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, as of the date of the Prospectus <sup>(2)(3)(4)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering <sup>(5)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering (Assuming full exercise of the Over-Allotment Option <sup>(6)</sup> )
	March 23, 2017	TSX. Most recently, Mr. Bragagnolo has been the Executive Chairman of Pharmex Life Sciences Inc and the CEO of Great Southern Gold Corp., both of which are private companies. He was the CEO of CobalTech Mining Inc., a company formerly listed on the Exchange which completed a merger with First Cobalt Corp., in December 2017.	13.18%	10.74%	10.45%
<b>Gijsbert Groenewegen<sup>(1)</sup></b> Director, CEO and President <i>Heerlen, The Netherlands</i>	Director: October 26, 2017 President: January 1, 2020 CEO: September 28, 2020	Mr. Groenewegen is the managing director of Silver Arrow Partners, a London/Amsterdam based consulting firm focusing on the mining sector. He was a co-founder of the Gold Arrow Fund (2006-2011), which was a London/New York based hedge fund focusing on gold/silver companies. Mr. Groenewegen was also the co-founder of The Europe Company, an agency brokerage firm, founded in 1991, that was sold to Jefferies Inc in 2000. Before co-founding The Europe Company between 1989-1991, he was the head of Benelux research for Baring Securities in London, U.K.	5,000,000  undiluted: 10.07%  fully diluted: 8.79%	5,000,000  undiluted: 8.11%  fully diluted: 7.16%	5,000,000  undiluted: 7.88%  fully diluted: 6.96%
<b>Michael Thomson<sup>(1)</sup></b> Director <i>Calgary, Alberta Canada</i>	Director: May 15, 2020	Mr. Thomson is the President of Independent Capital Partners Inc., a corporate finance advisory firm that focuses on IPO or “going public” transactions. He is a former lawyer and investment banker with two Canadian Securities Dealers. He is a past member of the Exchange’s	2,500,000  undiluted: 5.03%  fully diluted: 4.39%	2,500,000  undiluted: 4.05%  fully diluted: 3.58%	2,500,000  undiluted: 3.94%  fully diluted: 3.48%

Name, Position with the Issuer and Municipality of Residence	Position Held Since	Principal Occupation For Past Five Years	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, as of the date of the Prospectus <sup>(2)(3)(4)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering <sup>(5)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering (Assuming full exercise of the Over-Allotment Option <sup>(6)</sup> )
		Listings Advisory Committee (Calgary).			
<b>Michael Tucker</b> <sup>(1)</sup> Director <i>Vancouver, BC, Canada</i>	Director: November 25, 2020	Mr. Tucker has been the VP-Exploration for Kore Mining Ltd. since September 2020. He was the Exploration Manager for Balmoral Resources Limited from 2015 to May 2020. Since May 2020 he has been the Senior Geological Consultant to Wallbridge Mining Ltd. .	250,000  undiluted: 0.50%  fully diluted: 0.44%	250,000  undiluted: 0.41%  fully diluted: 0.36%	250,000  undiluted: 0.39%  fully diluted: 0.35%
<b>Mathew Lee</b> Chief Financial Officer <i>Vancouver, BC, Canada</i>	CFO: July 27, 2020	Mr. Lee is the Principal of Manning Lee Management Ltd., a financial consulting firm. From December 2014 to November 2016, Mr. Lee was Manager of Operations for Raymond James Ltd. From November 2016 to November 2017, Mr. Lee served as Corporate Controller for AP Capital, a real estate investment company. Since November 2017, Mr. Lee has served as chief financial officer for multiple Exchange and CSE listed companies.	250,000  undiluted: 0.50%  fully diluted: 0.44%	250,000  undiluted: 0.41%  fully diluted: 0.36%	250,000  undiluted: 0.39%  fully diluted: 0.35%

Name, Position with the Issuer and Municipality of Residence	Position Held Since	Principal Occupation For Past Five Years	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, as of the date of the Prospectus <sup>(2)(3)(4)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering <sup>(5)</sup>	Number and Percentage of Securities Beneficially Owned or controlled directly or indirectly, on completion of the Offering (Assuming full exercise of the Over-Allotment Option <sup>(6)</sup> )
Anjula Trikala Corporate Secretary Vancouver, BC, Canada	Corporate Secretary: September 28, 2020	Ms. Trikala has worked in the public company sector for 30 years as a legal assistant and then paralegal for several Vancouver securities lawyers. She was the office administrator and corporate paralegal with Silvermex Resources Inc. from 2007 until 2012 and Timmins Gold Corp. from 2007 until 2016. Ms. Trikala has been the Corporate Secretary of Quantus Resources Corp., a private company, since June, 2017.	500,000  undiluted: 1.01%  fully diluted: 0.88%	500,000  undiluted: 0.81%  fully diluted: 0.72%	500,000  undiluted: 0.79%  fully diluted: 0.70%

**Notes:**

- (1) Members of the Audit Committee.
- (2) All of these securities shall be subject to escrow (see “Escrowed Securities”).
- (3) Assumes the grant of all of the Incentive Stock Options.
- (4) Undiluted percentage is based on total issued and outstanding shares as at the date of this Prospectus being 49,653,368 common shares (assuming no exercise of the Over-Allotment Option) and the fully diluted percentage is based on the total issued outstanding shares as at the date of this Prospectus being 56,893,368 which assumes the exercise of the 3,140,000 outstanding Warrants and the 4,100,000 outstanding Incentive Stock Options.
- (5) Undiluted percentage is based on total issued shares upon completion of the Offering being 61,653,368 common shares (assuming no exercise of the Over-Allotment Option) and the fully diluted percentage is based on total issued shares after the Offering being 69,853,368, including the exercise of the 3,140,000 outstanding Warrants, exercise of the 4,100,000 outstanding Incentive Stock Options and exercise of the 960,000 Agent’s Warrants. The listed individuals have been granted Incentive Stock Options to purchase an aggregate of 2,000,000 common shares. Upon completion of the Offering, an additional 750,000 Incentive Stock Options will be granted to the directors. The percentage above does not include exercise of these 750,000 additional Incentive Stock Options. See “Option to Purchase Securities”.
- (6) Undiluted percentage is based on total issued shares upon completion of the Offering being 63,453,368 common shares (assuming full exercise of the Over-Allotment Option) and the fully diluted percentage is based on total issued shares after the Offering (assuming full exercise of the Over-Allotment Option) being 71,797,368, including the exercise of the 3,140,000 outstanding Warrants, exercise of the 4,100,000 outstanding Incentive Stock Options and exercise of the 1,104,000 Agent’s Warrants. The listed individuals have been granted Incentive Stock Options to purchase an aggregate of 2,000,000 common shares. Upon completion of the Offering, an additional 750,000 Incentive Stock Options will be granted to the directors. The percentage above does not include exercise of these 750,000 additional Incentive Stock Options. See “Option to Purchase Securities”.

The terms of the foregoing director and officer appointments shall expire at the next annual general meeting of shareholders of the Issuer.

## **Biographies**

### *Directors, Officers and Promoters*

A description of the principal occupation for the past five (5) years and summary of the experience of the directors and officers of the Issuer is as follows:

**Bruce Bragagnolo**, age 64, has been the director and Executive Chairman of the Issuer since March 2017. Mr. Bragagnolo is considered a promoter of the Issuer as he took the initiative of founding and organizing the Issuer. Mr. Bragagnolo is a mining executive and entrepreneur who has added shareholder value by acquiring, developing and operating mining properties. Mr. Bragagnolo was a co-founder and past CEO of both Timmins Gold Corp. (a company listed on the NYSE-MKT and TSX) and Silvermex Resources Ltd. and a former director of Continuum Resources Ltd. Mr. Bragagnolo is the CEO of Great Southern Gold Corp., and Executive Chairman of Pharmex Life Sciences Inc, both private issuers. Mr. Bragagnolo was the CEO of CobalTech Mining Inc. which completed a merger with First Cobalt Corp. in December 2017.

Mr. Bragagnolo is a member of the Law Society of British Columbia. He graduated from the University of British Columbia Law School in 1983 and was called to the bar in 1984. Mr. Bragagnolo is an independent contractor of the Issuer and will devote approximately 40% of his professional time to the Issuer. He has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Gijsbert Groenewegen**, age 63, has been a director since October 26, 2017, the Issuer's President since January 1, 2020 and the Issuer's Chief Executive Officer since September 28, 2020. Mr. Groenewegen is considered a promoter of the Issuer as he took the initiative of founding and organizing the Issuer. He is the founder of Silver Arrow Partners, a London and Amsterdam based private equity and advisory firm focusing on precious metals.

Mr. Groenewegen completed a Master of Law at the University of Amsterdam and University of Leiden. He is a Doctor of Juridical Science. Mr. Groenewegen is an independent contractor of the Issuer and will devote 100% of his professional time to the affairs of the Issuer. He has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Michael Thomson**, age 64, has been a director since May 15, 2020. Mr. Thomson is the President of Independent Capital Partners Inc., a corporate finance advisory firm that focuses on IPO or "going public" transactions. He is a former lawyer and investment banker with two Canadian securities dealers. He is a past member of the Exchange's Listings Advisory Committee (Calgary). Mr. Thomson is an independent director of the Issuer, and will devote approximately 15% of his professional time to the affairs of the Issuer. He has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Michael Tucker, P.Geo.**, age 33, Mr. Tucker has been a director since November 25, 2020. Mr. Tucker received his B.Sc. at Laurentian University in 2010 and his M.Sc. at the University of British Columbia in 2015. He has worked in the mineral exploration industry for over 10 years throughout Canada on a variety of commodities with specialties in Cordilleran gold as well as Abitibi gold and nickel. Mr. Tucker is currently the VP-Exploration for Kore Mining Ltd. and Karus Gold Corp. and previously served as Exploration Manager for Balmoral Resources Ltd until its acquisition by Wallbridge Mining Ltd in May of 2020. He has been the Senior Geological Consultant to Wallbridge Mining Ltd. since May of 2020

Mr. Tucker is an independent contractor of the Issuer and will devote approximately 10% of his professional time to the affairs of the Issuer. He has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Mathew Lee, CPA**, age 37, has been the Chief Financial Officer since July 27, 2020. Mr. Lee has over ten years of experience in audit, finance, public company financial reporting and operations management. From December 2014 to November 2016, Mr. Lee was Manager of Operations for Raymond James Ltd., one of Canada's largest independent investment dealers. From November 2016 to November 2017, Mr. Lee served as Corporate Controller for AP Capital, a real estate investment company with assets under management of \$150 million. Since November 2017, Mr. Lee has served as chief financial officer for multiple Exchange and CSE listed companies.

Mr. Lee holds a Chartered Accountant designation with a Bachelor of Commerce Degree from the University of British Columbia. Mr. Lee is an independent contractor of the Issuer and will devote approximately 20% of his professional time to the affairs of the Issuer. He has not entered into a non-competition or non-disclosure agreement with the Issuer.

**Anjula Trikala**, age 57, has been the Corporate Secretary of the Issuer since September 28, 2020. She has worked in the public company sector for 30 years as a legal assistant and then paralegal for several Vancouver securities lawyers. She was the office administrator and corporate paralegal with Silvermex Resources Inc. from 2007 until 2012 and Timmins Gold Corp. from 2007 until 2016. Ms. Trikala has been the Corporate Secretary of Quantus Resources Corp., a private company, since June, 2017.

Ms. Trikala is an independent contractor of the Issuer and will devote approximately 50% of her professional time to the affairs of the Issuer. She has not entered into a non-competition or non-disclosure agreement with the Issuer.

#### *Advisory Board*

A description of the principal occupation for the past five (5) years and summary of the experience of the advisory board of the Issuer is as follows:

**Rosellen Johnson, Mech. Eng**, age 44, is the Founder and President of RJC Global Impact, a consulting firm dedicated to bringing best practices and sustainability to the mining industry. Ms. Johnson has over 23 years servicing the mining industry in over 13 countries around the world. Her operations background in various leadership roles has focused on business improvement and strategy and operations management. Ms. Johnson leads a team of consultants within RJC Global Impact who deliver business solutions that elevate business performance through improving standards, processes and leadership.

On completion of the Offering, all directors, officers, and promoters of the Issuer, as a group, will directly or indirectly beneficially own 16,000,001 common shares, representing approximately 37.06% of the issued and outstanding common shares on an undiluted basis upon completion of the Offering, assuming no exercise of the Over-Allotment Option.

#### **Corporate Cease Trade Orders**

No director, officer, promoter or other member of management of the Issuer has, within the past ten (10) years from the date of the Prospectus, been a director, officer or promoter of any other issuer that:

- (a) was the subject of a cease trade order or an order similar to a cease trade order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days while that person was acting in that capacity; or

- (b) was the subject of a cease trade order or an order similar to a cease trade order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days after that person ceased to act in that capacity and which resulted from an event that occurred while that person was acting in such capacity, other than as set out below.

Mr. Lee was appointed CFO of Good Life Networks Inc. (now named Aquarius AI Inc.) on August 30, 2019. On September 5, 2019, the British Columbia Securities Commission issued a cease trade order for the failure of Good Life to file its interim financial statements for the period ended June 30, 2019. Mr. Lee resigned as CFO of Good Life on September 11, 2019. Good Life filed the June 20, 2019 interim financial statements on November 19, 2019. The cease trade order was revoked by the British Columbia Securities Commission on November 20, 2019.

Mr. Lee was appointed CFO of Orchid Ventures, Inc. in March 2019. On October 29, 2020, the British Columbia Securities Commission issued a cease trade order for the failure of Orchid Ventures, Inc. to file its annual financial statements for the year ended June 30, 2020 due to the nature of business and the COVID-19 pandemic. The cease trade order was revoked by the British Columbia Securities Commission on January 21, 2021.

### **Corporate and Personal Bankruptcies**

No director, officer, or promoter of the Issuer, or a shareholder of the Issuer holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons,

- (a) is, as at the date of the Prospectus, or within the 10 years before the date of the Prospectus, as applicable, a director or executive officer of any company (including the Issuer) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of the Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or has instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Penalties or Sanctions**

No director, officer, or promoter of the Issuer, or a shareholder of the Issuer holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

There are potential conflicts of interest to which all of the directors, officers, insiders and promoters of the Issuer may be subject in connection with the operations of the Issuer. Most of the directors and officers of the Issuer are engaged and will continue to be engaged in the search for additional business opportunities

on behalf of other entities, and situations may arise where these directors and officers will be in direct competition with the Issuer. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (British Columbia). Some of the directors and officers of the Issuer are or may become directors or officers of other entities engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' and officers' duties to the Issuer and their duties to the other entities with which they are involved, the directors and officers of the Issuer have been advised the following by the Issuer:

- participation in other business ventures offered to the directors or officers should be allocated between the various entities and on the basis of prudent business judgment and the relative financial abilities and needs of such entities to participate;
- no commissions or other extraordinary consideration will be paid to such directors and officers; and
- business opportunities formulated by or through other entities in which the directors and officers are involved should not be offered to the Issuer except on the same or better terms than the basis on which they are offered to third party participants.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

This section explains the compensation program for the fiscal years ended December 31, 2020 and 2019, for the Issuer's Named Executive Officers (as defined below).

The compensation of the executive officers is determined by the Board of Directors.

The Board of Directors evaluates individual executive performance with the goal of setting compensation at levels that they believe are comparable with executives in other companies of similar size and stage of development operating in the same industry. In connection with setting appropriate levels of compensation, the Board of Directors base their decisions on their general business and industry knowledge and experience and publicly available information of comparable companies while also taking into account our relative performance and strategic goals. The Issuer has not used any peer group to determine compensation for its Named Executive Officers.

The executive officer compensation consists of two basic elements: i) base salary; and ii) incentive stock options. The details are set out in the summary compensation table below.

The base salary established for each executive officer is intended to reflect each individual's responsibilities, experience, prior performance and other discretionary factors deemed relevant by the Board of Directors. In deciding on the salary portion of the compensation of the executive officers, major consideration is given to the fact that the Issuer is an early stage exploration Issuer and does not generate any material revenue and must rely exclusively on funds raised from equity financing. Therefore, greater emphasis may be put on Incentive Stock Option compensation.

The incentive stock option portion of the compensation is designed to provide the executive officers of the Issuer with a long term incentive in developing the Issuer's business. Incentive Stock Options granted under the Issuer's Stock Option Plan are approved by the Board of Directors, and if applicable, its subcommittees, after consideration of the Issuer's overall performance and whether the Issuer has met targets set out by the executive officers in their strategic plan.

## Named Executive Officers

**Table of Compensation Excluding Compensation Securities  
(for the fiscal years ended December 2019 and 2020)**

Name and Principal position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	All other compensation (\$)	Total compensation (\$)
Bruce Bragagnolo Executive Chairman	2020	\$105,000	Nil	Nil	\$2,044	Nil	\$107,044
	2019	\$60,000	Nil	Nil	Nil	Nil	\$60,000
Gijsbert Groenewegen, CEO and President	2020	\$72,000	Nil	Nil	Nil	Nil	\$72,000
	2019	\$46,000	Nil	Nil	Nil	Nil	\$46,000
Mathew Lee Chief Financial Officer	2020	\$13,500	\$6,400	Nil	Nil	\$25,000	\$44,900
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Wayne Koshman (former CEO) (1)	2019	Nil	Nil	Nil	Nil	Nil	Nil

(1) Mr. Wayne Koshman was CEO of the Issuer from October 17, 2017 to January 30, 2019.

“**Named Executive Officer**” means each Chief Executive Officer, each Chief Financial Officer and each of the three (3) most highly compensated executive officers, or the three (3) most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year and each individual who would be Named Executive Officer but for the fact that the individual was neither an executive officer of the Issuer, nor acting in a similar capacity, at the end of that financial year.

### Compensation Securities

During the fiscal year ended December 31, 2020, the Issuer granted non-transferable Incentive Stock Options to purchase 4,100,000 common shares at \$0.25 per common share to officers, directors, employees and consultants for a five year term commencing on the Listing Date. The Issuer has agreed to grant a total of an additional 750,000 Incentive Stock Options to its directors subject to the completion of the Offering.

See “Options to Purchase Securities” for the Incentive Stock Options issued to the date of this Prospectus and the Issuer’s proposed issuances of Incentive Stock Options upon completion of the Offering.

### Pension Plan Benefits

The Issuer does not have a pension plan or provide any benefits following or in connection with retirement.

## **Management Contracts, Termination and Change of Control Benefits**

In the fiscal year ended 2020, the Issuer did not have a compensatory plan, contract or arrangement where a Named Executive Officer was entitled to receive more than \$100,000 to compensate such executive officers in the event of resignation, retirement or other termination, a change of control of the Issuer or its subsidiaries or a change in responsibilities following a change in control, except as disclosed herein.

On June 1, 2020 the Issuer entered into a management consulting agreement with Bruce Bragagnolo pursuant to which Mr. Bragagnolo agreed to provide management services to the Issuer (the “**Bragagnolo Agreement**”). The Bragagnolo Agreement provides for the payment of \$10,000 per month commencing June 1, 2020 for services provided. The Issuer is required to reimburse Mr. Bragagnolo for reasonable expenses incurred by him in connection with providing the services under the Bragagnolo Agreement. In the event of termination of the Bragagnolo Agreement without cause or a change of control of the Issuer, Mr. Bragagnolo will be entitled to receive a severance payment equal to 12 months of management fees.

On July 1, 2020, the Issuer entered into a management consulting agreement with Gijsbert Groenewegen pursuant to which Mr. Groenewegen agreed to provide management services to the Issuer (the “**Groenewegen Agreement**”). The Groenewegen Agreement provides for the payment of \$8,000 per month for services provided. The Issuer is required to reimburse Mr. Groenewegen for reasonable expenses incurred by him in connection with providing the services under this agreement. In the event of termination of the Groenewegen Agreement without cause or a change of control of the Issuer, Mr. Groenewegen will be entitled to receive a severance payment equal to 12 months of management fees.

On July 27, 2020, the Issuer entered into an independent consultant agreement with Manning Lee Management Ltd. (“**Manning**”) and Mathew Lee for the provision of financial consulting services to the Issuer (the “**Lee Agreement**”). The Lee Agreement provides for the payment of \$3,000 per month plus the goods and services tax for the months of August and September, 2020. Commencing October 1, 2020, the fees will be \$2,500 per month. Manning will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the Lee Agreement without cause.

There are no employment or management contracts between the Issuer and the above-named executive officers other than disclosed herein or in the financial statements.

### **Consulting Agreements**

On July 27, 2020, the Issuer entered into a consulting agreement with SC Strategy Consult AG (“**SC Strategy**”) pursuant to which the Issuer engaged SC Strategy to provide strategic and financial consulting services as well as business development services for the European & Swiss markets (the “**SC Agreement**”). The term of the SC Agreement is for 12 months effective the date of Listing. The Issuer has granted 500,000 stock options to SC Strategy at the Offering Price exercisable for a period of five years from the Listing Date.

### **Advisory Board Agreements**

On August 11, 2020, the Issuer entered into an advisory board agreement with Rosellen Johnson pursuant to which Ms. Johnson will act as an advisor to the Issuer and serve as a member of the Advisory Board. Ms. Johnson will provide advice to the directors and management of the Issuer concerning business issues raised at the meetings and technical and business issues upon request. As compensation, the Issuer has granted 250,000 stock options to Ms. Johnson at the Offering Price exercisable for a period of five years from the Listing Date.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, officer or promoter of the Issuer is or has been indebted to the Issuer as at the date of this Prospectus.

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day-to-day management of the Issuer. The Board of Directors is committed to sound corporate governance practices, which are in the interest of the shareholders of the Issuer and contribute to effective and efficient decision making.

NP 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Issuer has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Issuer's practices comply with the guidelines, however, the Board of Directors considers that some of the guidelines are not suitable for the Issuer at its current stage of development and therefore these guidelines have not been adopted. The Issuer will continue to review and implement corporate governance guidelines as the business of the Issuer progresses and becomes more active in operations. National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices in Form 58-101F2 *Corporate Governance Disclosure (Venture Issuers)*, which disclosure is set out below.

### 1. Board of Directors

The mandate of the Board of Directors is to supervise the management of the Issuer and to act in the best interests of the Issuer. The Board of Directors acts in accordance with:

- (a) the *BCBCA*;
- (b) the Issuer's articles of incorporation;
- (c) the charters of the Board of Directors and the Audit Committee; and
- (d) other applicable laws and company policies.

The Board of Directors approves all significant decisions that affect the Issuer before they are implemented. The Board of Directors supervises their implementation and reviews the results.

The Board of Directors is actively involved in the Issuer's strategic planning process. The Board of Directors discusses and reviews all materials relating to the Issuer's strategic plan with management. The Board of Directors is responsible for reviewing and approving the strategic plan. At least one (1) Board of Directors meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. Management must seek the Board of Directors' approval for any transaction that would have a significant impact on the strategic plan.

The Board of Directors periodically reviews the Issuer's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Issuer's internal control and management information systems. The Board of Directors also monitors the Issuer's compliance with its timely disclosure obligations and reviews material disclosure documents prior to distribution. The Board of Directors periodically discusses the systems of internal control with the Issuer's external auditor.

The Board of Directors is responsible for choosing the CEO and appointing senior management and for monitoring their performance and developing descriptions of the positions for the Board of Directors, including the limits on management's responsibilities and the corporate objectives to be met by the management.

The Board of Directors approves all the Issuer's major communications, including annual and quarterly reports, financing documents and press releases. The Board of Directors approves the Issuer's communication policy that covers the accurate and timely communication of all important information. It is reviewed annually. This policy includes procedures for communicating with analysts by conference calls.

The Board of Directors, through the Issuer's audit committee (the "**Audit Committee**"), examines the effectiveness of the Issuer's internal control processes and management information systems. The Board of Directors consults with the internal auditor and management of the Issuer to ensure the integrity of these systems. The internal auditor submits a report to the Audit Committee each year on the quality of the Issuer's internal control processes and management information systems.

Of the Issuer's four (4) directors, two (2) are considered independent. The definition of independence used by the Board of Directors is that used by the Canadian Securities Administrators. A director is independent if he has no "material relationship" with the Issuer. A "material relationship" is a relationship which could, in view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgement. Certain types of relationships are by their nature considered to be material relationships.

The Board of Directors has determined that Mr. Thomson and Mr. Tucker are independent directors. Mr. Groenewegen is not independent because he is the Chief Executive Officer and President of the Issuer.

## 2. Directorships

The following table sets forth the directors of the Issuer who currently hold directorships with other reporting issuers:

<b>Name of Director</b>	<b>Name of Other Reporting Issuer(s)</b>	<b>Exchange</b>
Bruce Bragagnolo	Inca One Gold Corp.	TSX Venture Exchange
Michael Thomson	Good Natured Products Inc.	TSX Venture Exchange
	VR Resources Ltd.	TSX Venture Exchange
	GR Silver Corp.	TSX Venture Exchange
	Panorama Capital Corp.	TSX Venture Exchange

## 3. Orientation and Continuing Education

The Board of Directors briefs all new directors with the policies of the Board of Directors, and other relevant corporate and business information.

## 4. Ethical Business Conduct

The Board of Directors has found that the fiduciary duties placed on individual directors by the Issuer's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board of Directors in which the

director has an interest have been sufficient to ensure that the Board of Directors operates independently of management and in the best interests of the Issuer.

Under the applicable corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Issuer and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and to disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Issuer or an affiliate of the Issuer, (ii) is for indemnity or insurance for the benefit of the director in connection with the Issuer, or (iii) is with an affiliate of the corporation. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Issuer at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Issuer for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Issuer and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

The Board of Directors has not adopted a written code of business conduct and ethics but encourages and promotes a culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations.

#### 5. Nomination of Directors

The Board of Directors is responsible for identifying individuals qualified to become new directors of the Issuer and recommending to the Board of Directors any new director nominees for the next annual meeting of shareholders of the Issuer.

New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Issuer, the ability to devote the time required, show support for the Issuer's mission and strategic objectives, and demonstrate a willingness to serve the interests of the Issuer.

#### 6. Compensation

Following the Closing Date, the Board of Directors will establish an appropriate comparative group of public companies of similar size and stage of development in the mineral exploration industry. The Issuer's Board of Directors will use this comparative group to determine the future compensation for its executives taking into account the time and effort expended by its executives and the current stage of the Issuer's development.

The Board of Directors determines the compensation of the Issuer's officers, based on industry standards and the Issuer's financial situation.

#### 7. Other Board Committees

The Board of Directors has no committees other than the Audit Committee.

## 8. Assessments

The Board of Directors monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and the Audit Committee.

### **AUDIT COMMITTEE**

#### **The Audit Committee Charter**

The text of the Audit Committee's mandate and charter is set out below:

1. Each member of the Audit Committee shall be a member of the Board, in good standing, and the majority of the members of the Audit Committee shall be independent in order to serve on this committee.
2. At least one (1) of the members of the Audit Committee shall be financially literate.
3. The Audit Committee shall review the Audit Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board. Consider changes that are necessary as a result of new laws or regulations.
4. The Audit Committee shall meet at least four (4) times per year, and each time the Issuer proposes to issue a press release with its quarterly or annual earnings information. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Audit Committee may ask members of the management or others to attend the meetings and provide pertinent information as necessary.
5. The Audit Committee shall conduct executive sessions with the outside auditors, outside counsel, and anyone else as desired by the Audit Committee.
6. The Audit Committee shall be authorized to hire outside counsel or other consultants as necessary (this may take place any time during the year).
7. The Audit Committee shall approve any non-audit services provided by the independent auditors, including tax services. Review and evaluate the performance of the independent auditors and review with the full Board any proposed discharge of the independent auditors.
8. The Audit Committee shall review with the management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent auditor.
9. The Audit Committee shall consider, with the management, the rationale for employing accounting firms rather than the principal independent auditors.
10. The Audit Committee shall inquire of the management and the independent auditors about significant risks or exposures facing the Issuer; assess the steps the management has taken or proposes to take to minimize such risks to the Issuer; and periodically review compliance with such steps.
11. The Audit Committee shall review with the independent auditor, the audit scope and plan of the independent auditors. Address the coordination of the audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

12. The Audit Committee shall inquire regarding the “quality of earnings” of the Issuer from a subjective as well as an objective standpoint.
13. The Audit Committee shall review with the independent accountants: (a) the adequacy of the Issuer’s internal controls including computerized information systems controls and security; and (b) any related significant findings and recommendations of the independent auditors together with the Management’s responses thereto.
14. The Audit Committee shall review with the management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
15. The Audit Committee shall review with the management the annual financial reports before they are filed with the regulatory authorities.
16. The Audit Committee shall review with the independent auditor that performs an audit: (a) all critical accounting policies and practices used by the Issuer; and (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the management of the Issuer, the ramifications of each alternative and the treatment preferred by the Issuer.
17. The Audit Committee shall review all material written communications between the independent auditors and the management.
18. The Audit Committee shall review with the management and the independent auditors: (a) the Issuer ‘s annual financial statements and related footnotes; (b) the independent auditors’ audit of the financial statements and their report thereon; (c) the independent auditor’s judgments about the quality, not just the acceptability, of the Issuer’s accounting principles as applied in its financial reporting; (d) any significant changes required in the independent auditors’ audit plan; and (e) any serious difficulties or disputes with the management encountered during the audit.
19. The Audit Committee shall review the procedures for the receipt, retention, and treatment of complaints received by the Issuer regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. The Audit Committee shall also review any complaints that might have been received, current status, and resolution if one has been reached.
20. The Audit Committee shall review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. The Audit Committee shall also review any submissions that have been received, the current status, and resolution if one has been reached.
21. The Audit Committee will perform such other functions as assigned by law, the Issuer’s articles, or the Board.

### **Composition of the Audit Committee**

The members of the Audit Committee are Messrs. Thomson, Groenewegen and Tucker. Mr. Thomson is the chair of the audit committee and is independent as that term is defined in NI 52-110. Mr. Tucker is also independent as that term is defined in NI 52-110. Mr. Groenewegen is not independent because he is an officer of the Issuer. All members of the Audit Committee are “financially literate” as that term is defined in NI 52-110 and further described below.

Subject to NI 52-110, a member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Issuer. A material relationship means a relationship which could, in the view of the Issuer's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

### **Relevant Education and Experience**

All of the members of the Audit Committee have gained their education and experience over several decades with both private and public companies at the board, managerial and operational levels and all members are "financially literate" as defined in NI 52-110, meaning that they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Issuer's financial statements. Each member has an understanding of the mineral exploration and mining business in which the Issuer is engaged and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Issuer's financial disclosures and internal control systems. See "Directors and Officers" for further details of their relevant education and experience.

### **Audit Committee Oversight**

At no time since inception was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since inception has the Issuer relied on the exemption in Section 2.4 of NI 52-110 (de minimis non-audit services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that an audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of all the non-audit services not pre-approved is reasonably expected to be no more than 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided, a company did not recognize the services as non-audit services at the time of engagement, and the services are promptly brought to the attention of the audit committee and approved prior to the completion of the audit by the audit committee. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

### **Pre-Approval of Policies and Procedures**

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by, as applicable, the Board and the Audit Committee, on a case by case basis.

### **External Auditor Service Fees**

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Manning Elliott LLP, Chartered Professional Accountants, and Charlton & Company, Chartered Accountants of Vancouver, British Columbia to the Issuer to ensure auditor independence. Fees incurred with Manning Elliott LLP, Chartered Professional Accountants for audit and non-audit services in the fiscal year ended December 31, 2020, and Charlton & Company, Chartered Professional Accountants for audit and non-audit services in the last fiscal year ended December 31, 2019 are outlined in the following table.

<b>Nature of Services</b>	<b>Fees Paid to Auditor for year ended December 31, 2020</b>	<b>Fees Paid to Auditor for year ended December 31, 2019</b>
Audit Fees <sup>(1)</sup>	\$15,000	\$15,000
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	Nil	Nil
All Other Fees <sup>(4)</sup>	Nil	Nil
<b>Total</b>	<b>\$15,000</b>	<b>\$15,000</b>

**Notes:**

- (1) “**Audit Fees**” include fees necessary to perform the annual audit and quarterly reviews of the Issuer’s financial statements, fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements and fees for audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “**Audit-Related Fees**” include fees for audit-related services that are traditionally performed by an auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “**Tax Fees**” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice include assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “**All Other Fees**” include all other non-audit services.

**Exemption**

The Issuer is relying upon the exemption in Section 6.1 of NI 52-110 in respect of the composition of its Audit Committee not being comprised of all independent directors, and in respect of its reporting obligations under NI 52-110 in that the Issuer does not publish an annual information form at this time.

**THE OFFERING**

The Offering consists of a minimum of 12,000,000 Shares at a price of \$0.25 per Share for gross proceeds of \$3,000,000. The price to the public was determined by arm’s length negotiation between the Issuer and the Agent. The distribution of the Shares and any Shares sold on exercise of the Over-Allotment Option is qualified by this Prospectus.

The Shares will be issued and deposited in electronic form with the Canadian Depository for Securities Limited (“**CDS**”) or its nominee. A purchaser of Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Shares and were purchased.

The completion of the Offering is subject to the Issuer obtaining conditional approval of its listing application from the Exchange and other regulatory approvals. If the Offering does not close for any reason, all subscription funds received by the Agent will be returned to the subscribers, without interest or deduction.

**Common Shares**

For a description of the attributes of the Shares, see “Description of Securities Distributed - Common Shares”.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent has agreed to offer on a commercially reasonable efforts basis on behalf of the Issuer, a minimum of 12,000,000 Shares at a price of \$0.25 per Share for gross proceeds of \$3,000,000. In consideration for its services in connection with the Offering, the Issuer has agreed to pay to the Agent the Agent's Commission of 8% of the gross proceeds raised from the sale of the Shares (including any Shares sold pursuant to the Over-Allotment Option). The Agent's Commission is payable in cash. In addition to the Agent's Commission, the Agent will receive Agent's Warrants equal in number to 8% of the number of Shares sold under the Offering including any Shares sold pursuant to the Over-Allotment Option). Each Agent's Warrant will entitle the Agent to purchase one (1) Agent's Warrant Share at an exercise price equal to \$0.25 per Agent's Warrant Share for a period of two (2) years from the Closing Date. This Prospectus also qualifies the distribution of the Agent's Warrants.

The Issuer will pay to the Agent a Corporate Finance Fee of \$30,000 plus GST, of which \$15,000 has been paid to date and the balance of the Corporate Finance Fee, being \$15,000 plus GST will be payable to the Agent on the Closing Date. The Issuer will also pay the Agent's expenses, including legal fees and disbursements, estimated at \$25,000, towards which a retainer of \$10,000 been paid to date. The Offering Price of the Shares has been determined by negotiation between the Issuer and the Agent. The Issuer is not a related or connected issuer to the Agent as such terms are defined in National Instrument 33-105 "Underwriting Conflicts".

The Issuer has granted the Agent the Over-Allotment Option, which is exercisable in full or in part at any time up to the Closing Date, to sell up to an additional 1,800,000 Shares at the Offering Price of \$0.25 per Share to cover the Agent's over-allocation position, if any, and for market stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Shares issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Issuer will receive additional gross proceeds of \$450,000.

The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. While the Agent has agreed to use its commercially reasonable efforts to sell the Shares offered hereby, the Agent will not be obligated to purchase any Shares not sold. Subscriptions will be received for the Shares offered hereby subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Upon rejection of a subscription, the subscription price and the subscription will be returned to the subscriber forthwith without interest thereon or deduction therefrom.

The Offering will not continue for a period of more than 90 days after the date of the receipt for the final Prospectus if subscriptions representing the Offering are not obtained within that period unless an amendment to the final prospectus is filed and a receipt has been issued for such amendment, in which case the Offering will be discontinued in the event that the Offering has not closed on or prior to the date which is 90 days from the issuance of a receipt for an amendment to the final prospectus and, in any event, not more than 180 days after the issuance of a receipt for the final Prospectus. During the 90 day period, all subscription funds received by the Agent will be held by the Agent pursuant to the provisions of the Agency Agreement. If the Offering is not completed, the Agent will return any funds received from purchasers without interest thereon or deduction therefrom.

The Issuer has granted the Agent a right of first refusal to provide the services, based upon industry standard terms, to lead any future brokered financing conducted by the Issuer for a period of 12 months following the Closing of the Offering.

If the Offering is not completed as a result of the Issuer's decision to pursue an alternative business transaction that has the effect of replacing the Offering within a period that is three months from the date of the engagement letter dated November 23, 2020, the Issuer shall pay the Agent an amount equal to the Agent's Commission and the Corporate Finance Fee that would have otherwise been earned by the Agent assuming the entire Offering was completed, together with the Agent's costs and expenses incurred to that date. An alternative business transaction does not include a transaction supplementary to the Offering.

The Issuer has also granted to the Agent a right of first refusal to provide the services to lead any future brokered financing conducted by the Issuer for a period of 12 months from the Closing of the Offering.

The Exchange has conditionally approved the Issuer's application to list its Common Shares on the Exchange. Listing will be subject to the Issuer fulfilling all the listing requirements of the Exchange. If the Offering does not close for any reason, all subscription funds received by the Agent will be returned to the subscribers, without interest or deduction.

As at the date of this Prospectus, the Issuer does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the NEX Exchange operated by NEX Group plc).

Other than the Offering expenses disclosed elsewhere in the Prospectus and payments to be made to the Agent as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or other person or company in connection with the Offering.

## **RISK FACTORS**

The common shares should be considered highly speculative due to the nature of the Issuer's business and the present stage of its development. In evaluating the Issuer and its business, investors should carefully consider, in addition to the other information contained in the Issuer's Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Issuer or in connection with the Issuer's operations. There may be other risks and uncertainties that are not known to the Issuer or that the Issuer currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Issuer's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Issuer should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus.

The possible sale of common shares released from escrow on each release date could negatively affect the market price of the Issuer's common shares and also result in an excess of sellers of common shares to buyers of common shares and seriously affect the liquidity of the common shares.

### **No Ongoing Operations and No Production History**

An investment in the Shares carries a high degree of risk and should be considered as a speculative investment. The Issuer is a mineral exploration company and has limited cash reserves, no revenues, no operations, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

**Limited Operating History**

The Issuer has no history of earnings. There are no known commercial quantities of mineral reserves on the Issuer's properties. There is no assurance that the Issuer will ever discover any economic quantities of mineral reserves.

**Negative Operating Cash Flow**

Since inception, the Issuer has had negative operating cash flow. The Issuer has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration programs on the properties and administrative costs. The Issuer cannot predict when it will reach positive operating cash flow.

**Going-Concern Risk**

The Issuer's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Issuer's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Issuer will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Issuer be unable to continue as a going concern.

**Requirement for Further Financing**

The Issuer is in the early stages of its business and has no source of operating revenue. The Issuer will likely operate at a loss until the Issuer puts a mineral property into production. The Issuer has limited financial resources and may need to raise additional funds to carry out exploration of its properties. There is no assurance the Issuer will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Issuer. If the Issuer's exploration programs are successful and favourable exploration results are obtained, the properties may be developed into commercial production. The Issuer may require additional funds to place the properties into production. The only sources of future funds presently available to the Issuer are the sale of equity capital, debt, or offering of interests in its properties to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Issuer or be available on terms acceptable to the Issuer. If funds are available, there is no assurance that such funds will be sufficient to bring the Issuer's properties to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Issuer and could cause the Issuer to forfeit its interest in its properties and reduce or terminate its operations. The proceeds from the Offering will be used to carry out the exploration programs recommended by the 43-101 Technical Report. Additional funds will be required should the Issuer decide to carry out additional work programs. There is no assurance the Issuer will be able to raise additional funds. If additional financing is raised by the issuance of additional common shares from treasury, control may change and shareholders may suffer dilution.

**Exploration**

All of the Issuer's mineral projects are in the exploration stage and are without a known body of commercial ore and require extensive expenditures during this exploration stage. See "Disclosure regarding the Dios Padre Project" and "Other Properties". Mineral exploration and development involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. The vast majority of properties which are explored are not ultimately developed into

producing mines. There is no assurance that the Issuer's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Issuer's operations are in part directly related to the cost and success of the Issuer's exploration programs, which may be affected by a number of factors.

### **Development**

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Issuer's properties are at the early exploration stage.

### **Title to Properties and Property Interests**

The Issuer does not own the mineral rights pertaining to all of its properties, rather it, through its Mexican Subsidiary, holds an option to acquire the mineral rights and title to such properties. Upon such options being exercised, title to such properties will be held through the Issuer's foreign subsidiaries. There is no guarantee the Issuer will be able to raise sufficient funding in the future to explore and develop its properties so as to maintain its interests therein. If the Issuer loses or abandons its interest in the properties, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. The Peruvian Subsidiary holds title to its properties.

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Issuer has investigated its title to the properties, for which it holds exploration licenses or exploration license applications, and the Issuer is satisfied with its review of the title to the properties, the Issuer cannot give an assurance that title to the properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Issuer does not carry title insurance on the properties. A successful claim that the Issuer does not have title could cause the Issuer to lose its rights to the properties, perhaps without compensation for its prior expenditures relating to the properties.

The Dios Padre property may be subject to an underlying 2.5% net smelter return royalty in favour of third parties. The Issuer is reviewing the status of the underlying royalty to determine its validity and impact on the royalty in favour of Minera Pena Blanca. In the event the underlying royalty is valid, the Issuer may not be able to exercise its right to purchase 2% of the royalty in favour of Minera Pena Blanca. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to the third parties.

The Issuer is currently in default of the terms of the Amended Armenta Agreements with respect to the El Tule Property as it was unable to make the payment of US\$42,000 which was due by July 14, 2021. Due to a lack of access to the El Tule Property due to COVID-19, on August 18, 2021 the Issuer claimed force majeure under the Armenta Agreement. The Issuer is in negotiations with Mr. Armenta to further extend the payment due dates under the Amended Armenta Agreements. The Armenta Agreement includes a notice and cure provision which provides that if either party defaults in the performance of any of its obligations under the Armenta Agreement, the party affected by such breach may notify the breaching party and the breaching party shall remedy such breach within 30 business days following receipt of such notice. The Issuer has not received notice of the payment default. In the event the Issuer does receive such notice and at the time of receipt of such notice, it does not have sufficient funds available, it intends to arrange for a short term loan at a nominal interest rate in order to make the payment. However, there is no assurance that such short term loan will be available at such time or be available on terms acceptable to the Issuer. In the event that the Issuer receives notice of default and such default is not cured within 30

business days, Mr. Armenta may terminate the Armenta Agreement and the Issuer may lose its interest in the El Tule Property.

### **Surface Rights**

The Issuer does not own the surface rights to the properties. The Issuer understands that it is necessary, as a practical matter, to negotiate surface access, and the Issuer is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Issuer. There can be no guarantee that the Issuer will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Issuer may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the properties becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Issuer will be successful in acquiring any such rights.

### **Estimates of Mineral Deposits**

There is no assurance given by the Issuer that any estimates of mineral deposits or resources will materialize.

No assurance can be given that any identified mineralization will be developed into a coherent mineralized deposit, or that such deposit will even qualify as a commercially viable and mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other exploration and development work. There can be no assurance that test work and results conducted and recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of mineral projects. The existence of mineralization or mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of any future operations.

### **The Issuer is subject to anti-corruption legislation**

The Issuer is subject to the U.S. Foreign Corrupt Practices Act and Canada's *Corruption of Foreign Officials Act* (collectively, "Anti-Corruption Legislation"), which prohibits the Issuer or any officer, director, employee or agent of the Issuer or any shareholder of the Issuer on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. The Issuer's business activities create the risk of unauthorized payments or offers of payments by its employees, consultants, service providers or agents, even though they may not always be subject to its control. The Issuer prohibits these practices by its employees, consultants, service providers and agents. However, the Issuer's existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants, service providers and agents may engage in conduct for which it might be held responsible. Any failure by the Issuer to adopt appropriate compliance procedures and ensure that its employees, consultants, service providers and agents comply with the Anti-Corruption Legislation could result in

substantial penalties or restrictions on the Issuer's ability to conduct business, which may have a material adverse impact on the Issuer and the price of the Issuer's Shares.

### **Subject to Risks Inherent in Foreign Investments and Operations**

The Issuer's foreign mining properties are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on the Issuer's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on the Issuer's future cash flows, earnings, results of operations and financial condition.

Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, 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, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic underdevelopment, inadequate infrastructure and increased financing costs.

In addition, the enforcement by the Issuer of its legal rights to exploit its properties may not be recognized by the local government or by its court system. These risks may limit or disrupt the Issuer's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. The economy and political systems of Mexico, Peru and many other mining jurisdictions, should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Issuer's results of operations and financial condition.

### **Fluctuations in Currency Exchange Rates**

Fluctuations in Canadian and United States currency exchange rates may significantly impact the Issuer's financial position and results.

### **Substantial Capital Expenditures Required**

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The discovery of mineral deposits is dependent upon a number of factors. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which relate to particular attributes of the deposit, such as size, grade and proximity to infrastructure, and some of which are more general factors such as metal prices and government regulations, including environmental protection. Most of these factors are beyond the Issuer's control. In addition, because of these risks, there is no certainty that the expenditures to be made by the

Issuer on the exploration of the Issuer's mineral properties as described herein will result in the discovery of commercial quantities of ore.

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Issuer's properties can be mined at a profit. Factors beyond the Issuer's control may affect the marketability of any minerals discovered. The prices of base and precious metals have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the Issuer's control. The market price of metals and minerals is volatile and cannot be controlled by the Issuer. Metal prices have fluctuated widely, particularly in recent years. Factors beyond the control of the Issuer may affect the marketability of minerals or concentrates produced, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

Fluctuations in the prices of copper, gold and/or silver metal prices may adversely affect the Issuer's financial performance and results of operations. Further, if the market price of copper, gold and/or silver falls or remains depressed, the Issuer may experience losses or asset write-downs and may curtail or suspend some or all of the Issuer's exploration, development and mining activities.

### **Management**

The success of the Issuer is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Issuer's business and prospects. There is no assurance that the Issuer can maintain the service of its management or other qualified personnel required to operate its business.

### **Requirement for Permits and Licenses**

The Issuer has obtained certain licenses and permits from applicable authorities and is pending receipt of approval of certain licenses and permits. Further, the Issuer will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the properties, and the Issuer believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and licenses will be required should the Issuer proceed beyond exploration. There can be no guarantee that the Issuer will be able to obtain such licenses and permits.

### **Environmental Risks and other Regulatory Requirements**

The current or future operations of the Issuer, including the exploration activities and commencement of production on the properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Issuer may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any exploration and development project which the Issuer might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be

curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Issuer and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

### **Uninsurable Risks**

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Issuer may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Issuer. The Issuer does not maintain insurance against environmental risks.

### **Competition**

Significant and increasing competition exists for mineral opportunities in Mexico. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Issuer.

The Issuer may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Issuer's exploration programs will yield any reserves or result in any commercial mineral operations.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Issuer's financial viability as a result of increased financing costs and limited access to capital markets.

### **Conflicts of Interest**

Directors of the Issuer may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **Litigation**

The Issuer and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

The Issuer and one of its directors are named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia under Civil Claim number S1913530. The legal proceeding claims damages.

The Issuer and the director have filed a Response to the claim. No trial date has been set. See “Legal Proceedings and Regulatory Actions.”

Apart from the above there are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Issuer or to which it is party or its business or any of its assets are the subject of, nor to the knowledge of the directors and officers of the Issuer are any such legal proceedings contemplated which could become material to a purchaser of the Issuer’s securities.

### **No Cash Dividends**

The Issuer has not declared any cash dividends to date. The Issuer intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Issuer does not anticipate declaring any cash dividends in the foreseeable future.

### **Ore Reserves and Reserve Estimates**

The Issuer’s business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience

### **Fluctuating Mineral Prices**

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Issuer’s properties can be mined at a profit. Factors beyond the Issuer’s control may affect the marketability of any minerals discovered. The prices of base and precious metals have experienced volatile and significant price movements over short periods of time and are affected by numerous factors beyond the Issuer’s control. The market price of metals and minerals is volatile and cannot be controlled by the Issuer. Metal prices have fluctuated widely, particularly in recent years. Factors beyond the control of the Issuer may affect the marketability of minerals or concentrates produced, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

### **Share Price Volatility**

The Exchange has conditionally approved the Issuer’s application to list its Common Shares on the Exchange. Listing will be subject to the Issuer fulfilling all the listing requirements of the Exchange. In the event of such listing, external factors outside of the Issuer’s control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward mining sector stocks, may have a significant impact on the market price of the common shares. Global stock markets, including the Exchange, have experienced extreme price and volume fluctuations from time to time. The same applies to companies in the mining sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

### **Increased Costs of Being Publicly Traded**

As the Issuer will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the

Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

### **Volatility in the Worldwide Economy**

Economic uncertainty in many parts of the world has adversely affected businesses and industries in almost every sector in more significant and unpredictable ways than in more stable economic times. Prolonged depressed economic conditions and volatility in the worldwide economy may continue to adversely affect individuals and institutions investing in junior mineral exploration and development companies, which could negatively affect the Issuer's business.

### **Public Health Crisis**

The Issuer's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, on March 12, 2020, the World Health Organization declared the outbreak a pandemic and on March 13, 2020, the U.S. declared that the COVID-19 outbreak in the United States constitutes a national emergency. Over the past several months, there were a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada, the United States, Europe and China. The outbreak has also caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary and a number of jurisdictions, including in Canada and the United States, have started to lift certain COVID-19 related restrictions, the duration of the various disruptions to businesses locally and internationally and related financial impact cannot be reasonably estimated at this time. Similarly, the Issuer cannot estimate whether or to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. The Issuer will continually assess and respond where possible to the impacts of the COVID-19 pandemic.

Due to the current stage of the Issuer's development, the fact that the Issuer is not currently conducting development activities, and it has only two members of management, the impact of COVID-19 on the Issuer has been to slow down its activities and has otherwise fairly minimal. Since March 1, 2020, the Issuer implemented certain protocols and precautionary measures to mitigate the risk of contracting COVID-19. These include a work-from-home policy from March 1, 2020 to present for the Issuer's management and no travel for management. The foregoing measures are expected to continue for the foreseeable future. Public health crises such as COVID-19 can result in volatility and disruptions in the supply and demand for gold and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. The risks to the Issuer of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest. At this point, the extent to which COVID-19 will or may impact the Issuer is uncertain and these factors are beyond the Issuer's control; however, it is possible that COVID-19 may have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer expects to complete its drill program on the Dios Padre Property within 3 months of the Closing Date. There are currently COVID-19 related travel restrictions in place which recommend against non-essential travel outside of Canada and impose quarantine restrictions upon return to Canada. These travel restrictions may impact upon the ability of qualified personnel to travel to the Dios Padre Property in order to conduct the drill program. In addition, while entry into Mexico is not currently restricted, there is a risk

that more restrictive COVID-19 related travel restrictions may be imposed in the future that may further impact on the ability of the Issuer to complete the drill program. Management of the Issuer intends to monitor all COVID-19 related restrictions and revise the Issuer's objectives as may be necessary.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Miller Thomson LLP ("tax counsel"), based on the provisions of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations to the Tax Act in force on the date hereof, provided the Shares are listed on a "designated stock exchange" (as such term is defined in the Tax Act and which currently includes the Exchange) or the Issuer is otherwise a "public corporation" (as such term is defined in the Tax Act) at the particular time, the Shares will at that time be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds (a "RRIFs"), deferred profit sharing plans, registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") or tax-free savings accounts ("TFSA" and collectively the "Tax Deferred Plans"). Holders who intend to hold Shares in a Tax Deferred Plan should consult their own tax advisors regarding whether such securities are a "qualified investment" at the relevant time for such Tax Deferred Plan.

The Shares are not currently listed on a designated stock exchange and the Issuer is not currently a "public corporation", as that term is defined in the Tax Act. The Issuer has applied to list the Shares on the Exchange as of the day before the Closing of the Offering, followed by an immediate halt in trading of the Shares in order to allow the Issuer to satisfy the conditions of the Exchange and to have the Shares listed and posted for trading prior to the issuance of the Shares on the Closing of the Offering. The Issuer must rely on the Exchange to list the Shares on the Exchange and have them posted for trading prior to the issuance of the Shares on the Closing of the Offering and to otherwise proceed in such manner as may be required to result in the Shares being listed on the Exchange at the time of their issuance on Closing. If the Shares are not listed on the Exchange at the time of their issuance on the Closing of the Offering and the Issuer is not otherwise a "public corporation" at that time, the Shares will not be qualified investments for the Tax Deferred Plans at that time.

Notwithstanding that the Shares may be qualified investments for a TFSA, RRSP, RRIF, RESP or RDSP (a "Registered Plan"), if the Shares are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder of a TFSA or RDSP, the subscriber of an RESP or annuitant under an RRSP or RRIF, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Shares will generally not be a prohibited investment for a Registered Plan if the holder, subscriber or annuitant, as the case may be, (a) deals at arm's length with the Issuer for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act) in the Issuer. In addition, Shares generally will not be a "prohibited investment" if the Shares are "excluded property" (as defined in the Tax Act). Prospective purchasers who intent to Shares in a Registered Plan should consult their own tax advisors with respect to whether the Shares would be a "prohibited investment" as defined in the Tax Act.

### **PROMOTERS**

Mr. Bragagnolo and Mr. Groenewegen are considered to be promoters of the Issuer as they both took the initiative in founding and organizing the Issuer. See also "Directors and Officers".

In consideration for serving in their roles as executive officers of the Issuer, Mr. Bragagnolo was paid \$60,000 during the year ended December 31, 2019 and \$105,000 during the year ended December 31,

2020 and Mr. Groenewegen was paid \$46,000 during the year ended December 31, 2019 and \$72,000 during the year ended December 31, 2020. For further details see “Executive Compensation - Compensation Discussion and Analysis”.

Each of Mr. Bragagnolo and Mr. Groenewegen have been granted 500,000 Incentive Stock Options and will be granted an additional 250,000 Incentive Stock Options subject to the completion of the Offering. See “Options to Purchase Securities”.

For information on the shareholdings of Mr. Bragagnolo and Mr. Groenewegen on an undiluted and fully diluted basis, see “Escrowed Securities and Securities Subject to Contractual Restriction on Transfer”.

Other scientific or technical information relating to properties contained in this prospectus that do not have a Technical Report has been prepared by or under the supervision of Robert Lunceford, Independent Consulting Geologist, who is a “Qualified Person” for the purposes of NI 43-101.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Issuer, along with Bruce Bragagnolo (“Bragagnolo”), Wayne Koshman (“Koshman”) and Pharmex Life Sciences Inc. (“Pharmex”) is named as a defendant in a Notice of Claim filed in the Supreme Court of British Columbia on November 28, 2019 by Ivano DeCotiis (“DeCotiis”) and Aqueduct Investments Ltd. (“Aqueduct”) under Action Number S1913530.

The Notice of Claim (as amended) alleges that the Issuer, DeCotiis, Aqueduct, Bragagnolo and Koshman were parties to an oral joint venture agreement made in the fall of 2017. DeCotiis seeks damages for breach of the alleged joint venture agreement in an indeterminate amount, the issuance of 5,000,000 shares of the Issuer, and judgment for a further \$100,000 which he says he was promised. No trial date has been set.

Apart from the above there are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Issuer or to which it is party or its business or any of its assets are the subject of, nor to the knowledge of the directors and officers of the Issuer are any such legal proceedings contemplated which could become material to a purchaser of the Issuer’s securities.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No Insider of the Issuer and no associate or affiliate of any Insider has any material interest, direct or indirect, in any transaction within the three (3) years before the date of the Prospectus that has materially affected or is reasonably expected to materially affect the Issuer or a subsidiary of the Issuer other than as disclosed in this Prospectus and more particularly as disclosed in “Description of the Business”.

The Issuer has entered into the following management consulting agreements:

1. Bragagnolo Agreement dated June 1, 2020 between the Issuer and Bruce Bragagnolo;
2. Groenewegen Agreement dated July 1, 2020 between the Issuer and Gijbert Groenewegen; and
3. Lee Agreement dated July 27, 2020 between the Issuer, Manning Lee Management Ltd. and Mathew Lee.

## **RELATIONSHIP BETWEEN ISSUER AND AGENT**

The Issuer is not a related issuer or connected issuer of the Agent, as those terms are defined in National Instrument 33-105 “Underwriting Conflicts”.

## **AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **Auditors**

The Issuer’s auditor is Manning Elliott LLP, Professional Chartered Accountants of Vancouver, British Columbia. The Issuer’s auditor for its December 31, 2019 year end was Charlton & Company, Chartered Professional Accountants of Vancouver, British Columbia.

### **Transfer Agent and Registrar**

The registrar and transfer agent for the common shares of the Issuer is Computershare Investor Services Inc. of Canada of 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

## **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contracts which the Issuer has entered into in the two (2) years prior to the date of the Prospectus are the following:

1. Agency Agreement between the Agent and the Issuer dated October 27, 2021;
2. Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 between Minera Pena Blanca S.A. de C.V. and the Mexican Subsidiary;
3. Extension Agreement dated September 1, 2019 between Minera Pena Blanca S.A. de C.V. and the Mexican Subsidiary amending the Option to Purchase and Promise to Assignment Agreement;
4. 2020 Extension Agreement dated November 24, 2020 between Minera Pena Blanca S.A. de C.V. and the Mexican Subsidiary further amending the Option to Purchase and Promise to Assignment Agreement;
5. 2021 Extension Agreements dated June 10, 2021 and October 12, 2021, respectively, between Minera Pena Blanca S.A. de C.V. and the Mexican Subsidiary amending the Option to Purchase and Promise to Assignment Agreement;
6. Ejido Agreement between the Issuer and Ejido “La Trinidad” dated November 29, 2017;
7. Armenta Agreement dated August 14, 2020 between the Issuer and Mr. Alberto Marcos Carrillo Armenta for the option over the El Tule Property;
8. Amended Armenta Agreements dated December 14, 2020 and April 5, 2021 between the Issuer and Mr. Alberto Marcos Carrillo Armenta amending the payment terms for the option over the El Tule Property;
9. Promissory Note dated January 18, 2021, to an arm’s length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Issuer paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum,

calculated from April 1, 2021 to July 30, 2021. On October 14, 2021, the Promissory Note was amended to extend the repayment date until January 31, 2022; and

10. Escrow Agreement among the Issuer, certain shareholders of the Issuer, and the Transfer Agent dated August 4, 2021.

### **Inspection of Material Contracts and Reports**

Copies of all the material contracts and reports referred to in the Prospectus may be inspected at the head office of the Issuer, Suite 1100 - 570 Granville Street, Vancouver, British Columbia during normal business hours during the distribution of the securities offered hereunder, and for a period of 30 days thereafter, as well as on the SEDAR website at [www.sedar.com](http://www.sedar.com) upon the Effective Date of the Prospectus.

### **EXPERTS**

The following persons or companies are named in the Prospectus as having have prepared or certified a report, valuation, statement or opinion in the Prospectus:

1. Mr. Robert Lunceford, M.Sc. CPG, Mr. Gordon Gibson, B. Sc. P. Geo and Mr. Jesse Wellman, B. Sc. CPG, the authors of the Technical Report, are each a “Qualified Person” within the meaning of NI 43-101 and each is independent of the Issuer. The certificate for the Technical Report for the Dios Padre Project was signed by each of Mr. Robert Lunceford, Mr. Gordon Gibson, and Mr. Jesse Wellman, and each of the authors have reviewed and approved the scientific and technical information disclosed in this Prospectus;
2. The Issuer’s auditor, Manning Elliott LLP, Chartered Professional Accountants has prepared the audit report accompanying the audited consolidated financial statements for the year ended December 31, 2020 attached to the Prospectus;
3. The Issuer’s previous auditor, Charlton & Company, Chartered Accountants has prepared the audit report accompanying the audited consolidated financial statements for the year ended December 31, 2019 attached to the Prospectus; and
4. The information in this Prospectus under the heading “Eligibility for Investment” has been included in reliance upon the opinion of Miller Thomson LLP.

Based on information provided by the relevant persons in 1, 2 and 3 above, none of such persons or companies have received or will receive direct or indirect interests in the property of the Issuer or have any beneficial ownership, direct or indirect, of securities of the Issuer. The auditor is independent in accordance with the auditor’s rules of professional conduct in the Province of British Columbia.

### **OTHER MATERIAL FACTS**

Except as otherwise mentioned in the Prospectus, there are no material facts about the securities being distributed pursuant to the Offering that are not disclosed under any other items and are necessary in order for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.

### **RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in the provinces of British Columbia, Alberta and Ontario provide purchasers with the right to withdraw from an agreement to purchase securities this right may be exercised within two (2)

business days after receipt or deemed receipt of a prospectus and any amendment. In the provinces of British Columbia, Alberta and Ontario securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

### **FINANCIAL STATEMENTS AND MD&A**

The following financial statements and management's discussion and analysis are attached to the Prospectus:

1. Interim Unaudited Condensed consolidated interim financial statements for the six months ended June 30, 2021 (See Schedule 2).
2. Interim MD&A of the Issuer for the six months ended June 30, 2021 (See Schedule 3).
3. Audited consolidated financial statements of the Issuer for the years ended December 31, 2020 and 2019 (See Schedule 4).
4. MD&A of the Issuer for the year ended December 31, 2020 (See Schedule 5).

## **SCHEDULE 1**

Disclosure regarding the Dios Padre Property

## 1.0 SUMMARY

### 1.1 Property Description and Ownership

The Dios Padre Property (or the “Property”) of Regency Silver Corp. is located in northern Mexico within the southeastern corner of the State of Sonora. It lies on the western flank of the rugged Sierra Madre Occidental mountain range about mid-way between Hermosillo, Sonora, and Chihuahua City, Chihuahua.

The Dios Padre Property is comprised of three contiguous concessions and one near concession covering an area of 728 hectares (Table 1.1), centered at UTM coordinates 690,430E and 3,150,325N (WGS84, Zone 12 A).

Concession Name	Title No.	Concession Type	Size (Ha)	Valid From	Valid To
Alejandro	184332	Exploitation	120	Oct. 10, 1989	Oct. 9, 2039
Dios Padre	189614	Exploitation	20	Dec. 5, 1990	Dec. 4, 2040
Don Carlos	194749	Exploitation	145	June 15, 1992	June 14, 2042
Alicia	246562	Exploitation	443	September 9, 2018	September 8, 2068

Table 1-1 Concessions comprising the Dios Padre Property.

On November 27, 2017, Regency’s wholly-owned Mexican subsidiary, Regency Silver S.A. de C.V. executed an Option to Purchase and Promise to Assignment Agreement (the “Agreement”) with Minera Pena Blanca, S.A. de C.V. (“Pena Blanca”) to acquire 100% interest in the Dios Padre Property. To maintain their interest, Regency is required to make periodic payments to Pena Blanca totaling US\$145,000 (including Value Added Tax – VAT) and must incur work expenditures on the Property totaling US\$1,000,000 over four years from the execution date. Provided Regency makes all required cash payments and incurs the required work expenditures, the Option can be exercised and no further minimum work obligations or cash payments are due Pena Blanca. Regency is obligated to pay Pena Blanca a 3% NSR (Net Smelter Royalty) from any mine production proceeds. After exercising the Option, Regency can reduce the NSR to 1% by payment of US\$1,500,000 to Pena Blanca.

An underlying 2.5% net smelter return royalty has been filed against the Dios Padre Property in favour of third parties. Regency is reviewing the status of the underlying royalty to determine its validity and impact on the royalty in favour of Pena Blanca. In the event the underlying royalty is valid, Regency may not be able to purchase 2% of the NSR in favour of Pena Blanca. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Pena Blanca to the third parties.

Regency is obligated to fully maintain the concessions during the four-year option including making tax payments and filing proper documents with the Dirección General de Minas (DGM). Tax payments for all concessions are in good standing as of the effective date of this Technical Report.

The Agreement was amended by an Extension Agreement dated September 1, 2019 wherein Minera Pena granted Regency Silver S.A. de C.V. an extension until November 27, 2020 for the balance of the aggregate exploration expenditures due for the period ending November 27, 2019. As consideration for the extension, the Issuer issued 250,000 common shares to James Kennemur, the nominee of Minera Pena. All option payments have been paid up to date and the Agreement is in good standing.

The Agreement was further amended by a 2020 Extension Agreement dated November 25, 2020 wherein Minera Pena granted Regency Silver S.A. de C.V. an extension until June 30, 2020 for the expenditure of the balance of the \$500,000 in aggregate exploration expenditures due for the period ending November 27, 2020. In addition, the time for the spending of the balance of \$250,000 in exploration expenditures due by November 27, 2020 was extended until February 28, 2022. As consideration for the extension, the Issuer has agreed to pay the sum of US\$10,000 to Minera Pena Blanca within 10 days of its initial public offering which date shall be no later than June 30, 2021.

## 1.2 Geology and Mineralization

The Dios Padre Property is located within the western flank of the northern part of the Sierra Madre Occidental (SMO) consisting of five main igneous complexes ranging in age from Late Cretaceous to the Pleistocene. Eocene andesites and rhyolite are traditionally grouped into the so-called “Lower Volcanic Series” (LVS); while silicic ignimbrites mainly emplaced during two pulses in the Oligocene (ca. 32–28 Ma) and Early Miocene (ca. 24–20 Ma), are referred to as the “Upper Volcanic Series” (UVS). In the region around the Property, three distinct tectonic and related magmatic phases have occurred including 90 to 17 Ma age older granitoids, and younger basalt and andesites acidic tuffs and lavas. The magmatic events are associated with tectonic pulses that produced differing stress orientations including an older N40°E to N64°E, medial N56°W to N88°W, and younger NS compression. The SMO is host to both high-sulfidation and low-sulfidation epithermal gold-silver deposits as well as porphyry type copper-molybdenum (Cu +/- Mo). Most of the mineralization is related to calc-alkaline magmatism that was emplaced in a variety of environments from near-surface volcanic to deep plutonic settings. Several epithermal gold-silver systems within the SMO occur near the boundary of the UVS and the LVS.

The Dios Padre mine and surrounding area is underlain dominantly by porphyritic andesite, porphyritic rhyolite, and subordinate overlying basalt. Excluding the basalt, these units are believed to lie within the LVS while the basalt is part of the part of the UVS, suggesting a profound unconformity between the basalt and older andesite and rhyolite. The andesite has been described as a medium to dark grey-green rock containing up to 10-15%, 1-4 mm calcite altered plagioclase phenocrysts. The rhyolite porphyry is described as a pale buff yellow beige rock with 10-15%, 1-3 mm plagioclase and quartz phenocrysts and is strongly clay altered proximal to fault conduits.

As presently defined by drill holes, and underground workings, the dimensions of the Dios Padre mineralized stock (or the Dios Padre breccia) are believed to be approximately 300 m long by 115 m wide, with a depth of at least 200 m aligned along a N70°E trend. The Dios Padre breccia is described as a semi-tabular or oval plug deformed to a bell-shaped body partly to completely constrained by pre - and post-mineral faults. Internally, the Dios Padre breccia is cut by numerous fractures and related breccias that in general strike northwest and dip northeast at 40° to 70°. Internally to the breccia, at least three distinct fault types which are believed to be important to hosting mineralization include *Fault 1*: 1-3 m wide rubble zones, *Fault 2*, small 3-10 cm fractures exhibiting incremental slippage, and the youngest *Fault 3*: listric shaped conjugate micro-fracture/faults with a basal low of angle of 5-25° from horizontal which transition to near vertical accommodation fractures dipping 5-30° at the upper end over a scale of less than 0.25 m. Based on drill hole intercepts, dip angles of all faults within the mineralized Dios Padre breccia are estimated at 20% at 0-20°, 60% at 20 to 60° and 20% at 70-80°. Fault widths (down-hole, not true widths) range from less than a meter to as much 15 meters. At least two stages of brecciation and mineralization is evident including an early “crackle breccia” which in many cases was re-healed and then subsequently re-broken leaving some open void spaces in the matrix.

Recognized sulfide mineralization at the Property consists of coarse freibergite, pyrargyrite, native silver, argentite, galena, tetrahedrite, sphalerite, chalcopyrite with quartz, pyrite, calcite, and especially common, barite gangue.

### 1.3 Exploration and Drilling

With the exception of diamond drilling, no exploration has been conducted by Regency on the Property. Consisting of 13 diamond drill holes, accruing 1,208 m, Regency commenced a campaign on January 23, 2018 which was concluded on February 5, 2018. The objective of the program was in-fill, and confirmation drilling leading to development of a NI 43-101 compliant resource estimate described within Section 14 of this Technical Report. Previous drill programs completed on the Property by Silver Standard Resources (1995-1996) included 10 drill holes (1,421.4 m), First Majestic Resource Corp. drilled 2,215.95 meters in 17 holes, and 33 drill holes totaling 7,240.4 m completed by NS Silver Inc./NS Gold Corporation during 2012 and 2013. In addition to Regency's drill operations, a total of 2,410.5 m of historical drill core was re-logged.

Select Regency drill hole intercepts for gold and silver follow in Table 1.

Drill hole	From m	To m	Interval m	Ag ppm	Au ppm	Drill hole	From m	To m	Interval m	Ag ppm	Au ppm
RDP-18-01	0.00	63.50	63.50	124	0.119	RDP-18-07	1.50	57.00	55.50	40	0.038
	26.00	34.00	8.00	369	0.052		1.50	21.00	19.50	85	0.051
	55.00	63.50	8.50	235	0.084		69.00	85.50	16.50	64	0.221
RDP-18-02	1.50	69.70	68.20	158	0.346	RDP-18-08	0.50	60.00	59.50	76	0.082
	21.00	69.00	48.00	209	0.470		0.50	45.30	44.80	94	0.098
	31.00	36.00	5.00	680	0.236		0.50	24.00	23.50	143	0.115
	50.00	68.00	18.00	224	0.257		40.00	45.30	5.30	103	0.297
	65.00	68.00	3.00	724	0.337		54.95	60.00	5.05	60	0.093
RDP-18-03	0.00	29.00	29.00	135	0.179	RDP-18-09	No assay				
	8.00	25.00	17.00	189	0.230	RDP-18-10	16.05	30.30	14.25	40	0.010
RDP-18-04	7.20	38.00	30.80	99	0.451		60.45	79.70	19.25	104	0.207
	16.00	20.00	4.00	359	0.081	RDP-18-11	122.50	134.00	11.50	163	0.527

	16.00	29.00	13.00	201	0.214	<b>RDP-18-12</b>	23.50	70.50	47.00	113	0.037
<b>RDP-18-05</b>	0.00	66.35	66.35	47	0.557		25.50	66.50	41.00	121	0.034
	0.00	35.00	35.00	69	0.652		91.00	133.50	42.50	258	0.121
	22.60	34.00	11.40	26	1.513		98.50	111.00	12.50	558	0.070
<b>RDP-18-06</b>	4.00	64.00	60.00	131	0.181	<b>RDP-18-13</b>	104.90	120.30	15.40	326	0.103
	0.20	12.00	11.80	76	0.047		110.20	131.20	21.00	234	0.494
	23.00	62.00	39.00	174	0.251						
	23.00	29.00	6.00	230	0.020						
	23.00	27.00	4.00	249	0.022						
	29.00	57.00	28.00	89	0.333						
	38.00	41.00	3.00	445	0.171						
	58.00	62.00	4.00	718	0.075						
	68.00	86.00	18.00	28	0.848						

Table 1-2 Select Regency drill hole intercepts for Ag-Au.

#### 1.4 Mineral Resource Estimate

The information and work in this Technical Report represents the first modern, industry standard best practice mineral resource estimate completed on the Dios Padre Property. Gordon Gibson, P. Geo. has organized and conducted this mineral resource estimate in accordance with National Instrument 43-101 and CIM standards. The effective date of this mineral resource estimate is September 1, 2019.

Seventy-two drill holes in the data set have collars and assays. A total of 10,415.2 meters of drilling in 66 drill holes comprise the data set for modeling and mineral estimation. No geotechnical information is available for drilling prior to 2018. All analyzed intervals have an Ag value. Some of the 1996 drilling results include Au, Cu, Pb, and Zn analyses and the 2006, 2012 -13 and 2018 drilling contain multi element analyses. The geological model was built using the Leapfrog Geo™ software. It is anticipated that the Dios Padre deposit will be mined as an underground mine.

The Dios Padre **Mineral Resource Estimate** is summarized in Table 1.3.

<b>Classification</b>	<b>Inferred</b>
<b>Cutoff Grade g/t AgEq</b>	120
<b>Tonnes</b>	1,249,000
<b>Est. Silver Grade g/t Ag</b>	221.70
<b>Est. Gold Grade g/t Au</b>	0.17
<b>Contained Silver Troy ozs</b>	8,902,000
<b>Contained Gold Troy ozs</b>	6,757

Table 1-3. Inferred Mineral Resource Estimate, Dios Padre Property.

An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. **It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.** An Inferred Mineral Resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drill holes. Inferred Mineral Resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under NI 43-101. There may be circumstances, where appropriate sampling, testing, and other measurements are sufficient to demonstrate data integrity, geological and grade/quality continuity of a Measured or Indicated Mineral Resource, however, quality assurance and quality control, or other information may not meet all industry norms for the disclosure of an Indicated or Measured Mineral Resource. Under these circumstances, it may be reasonable for the Qualified Person to report an Inferred Mineral Resource if the Qualified Person has taken steps to verify the information meets the requirements of an Inferred Mineral Resource.

## 1.5 Conclusions and Recommendations

The Dios Padre mine (or the "Property") and surrounding area is underlain dominantly by porphyritic andesite, which has been intruded by porphyritic rhyolite, and subordinate overlying basalt. Within this environment, Ag mineralization (+/-Au-Ag-Cu-Pb-Zn) is hosted in a phreatic breccia (or hydrothermal breccia) body. As presently defined by drill holes, and underground workings, the dimensions of the Dios Padre mineralized stock (or the Dios Padre breccia) are believed to be approximately 300 m long by 115 m wide, with a depth of at least 200 m aligned along a N70°E trend. The morphology of the Dios Padre breccia is complex with an irregular shape and multiple interpenetrations, which form finger-like contacts. At least two stages of sulfide mineralization at the Property consists of coarse freibergite, pyrrargyrite, native silver, argentite, galena, tetrahedrite, sphalerite, chalcopyrite with quartz, pyrite, calcite, and especially common, barite gangue.

The uncertain morphology and poorly-constrained fault controls to the Dios Padre mineralized breccia provide opportunity and create risk in further exploration. Both internal (in-fill) potential is indicated as well as deep mineralization intercepted (e.g., drill holes beneath all working levels in previous drill campaigns). For example, NS Silver/NS Gold drill hole DP-26-2013 intercepted 41 m (91.3 to 132.3 m) grading 400.1 g/t Ag near the bottom of the hole at 134.6 m and Regency in-fill hole RDP-18-13 near the

central part of the Dios Padre breccia body penetrated 15.4 m grading 452.2 g Ag/t from 104.9 to 120.3 m just off the hole bottom at 131.2 m. The erratic nature of the breccia hosted mineralization both in morphology and grade implies that continuity is uncertain both laterally and at depth.

The next phase of drilling at the Dios Padre Property is based on the drilling of up to 6 holes to a maximum depth of 260 m on the IP (Induced Polarization)/Resistivity anomaly to the north and four shallower holes to a maximum depth of 60 m near the existing Dios Padre Mine. The total cost of this program should be in the range of **USD\$500,000** including assays. Future drill phases are anticipated but are dependent on results from the next phase of drilling.

## **2.0 INTRODUCTION AND TERMS OF REFERENCE**

This NI 43-101 Technical Report (“the Technical Report”) was prepared for Regency Silver Corp. (“Regency” or “the Company”), incorporated under the Business Corporations Act (British Columbia). The purpose of this Technical Report is to describe the silver-gold Inferred Mineral Resources contained in the Dios Padre Property, as required by NI 43-101. Information and data described within the Technical Report and the conclusions reached including the estimated Inferred Mineral Resource are based on the 2018 drill program completed by Regency, and augmented by the previous, recent drill programs (Silver Standard Resources Inc. 1995-1996, First Majestic Resource Corp. – 2006, and NS Silver Inc./NS Gold Corporation -2012-2013).

The authors, Robert Lunceford, and Jesse Wellman, both Certified Professional Geologists of the American Institute of Professional Geologists, and Qualified Persons under NI 43-101 standards have benefited from discussions with Mr. David Bending, a Qualified Person and former consultant to Regency, and Dr. Craig Gibson the Technical Director of Prospeccion y Desarrollo Minero (ProDeMin) a Guadalajara, Mexico - based technical services company, and a Qualified Person as defined by NI 43-101.

Accompanied by Regency management and Dr. Craig Gibson, Messrs. Lunceford and Wellman, conducted a site visit to the Property on January 27-28, 2018 during which six audit samples were collected from outcrops and drill core. During the site visit Mr. Lunceford and Mr. Wellman reviewed current Regency and historic pre-Regency drill core stored at the site and examined some of the mineralized outcrops within the greater mine area. The third author, Mr. Gordon Gibson did not visit the Property.

Responsibilities for the preparation of this Technical Report as authors and Qualified Persons are stipulated below.

- Robert A. Lunceford, independent consulting geologist M.Sc., CPG - sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 18, 19, 20, 23, 24, 25, and 27
- Jesse D. Wellman, independent consulting geologist B.Sc., CPG - sections 7, 10, 11, and 12.
- Gordon Gibson, independent consulting geologist, B.Sc., P. Geo. - sections 14, 15, 16, 17, 21, 22, 25, and 26.

In addition to the site visit conducted by two of the authors, each Qualified Person extensively reviewed the historic data base and participated in compiling the current data base.

### **2.1 Units of Measure**

All units used in this Technical Report are metric. All dollars are US currency (US\$) unless otherwise stated.

### 3.0 RELIANCE ON OTHER EXPERTS

This Technical Report is an accurate representation of the status, geology and the resource estimate of the Property based on extensive data and information available to the authors and the site visit completed on January 28, 2018.

The four mineral concessions comprising the Dios Padre Property including Dios Padre (189614), Alejandro (184332), Don Carlos (194749) and Alicia (246562) are considered to be valid by the Mining Department in Mexico as of the date of this Technical Report and all tax payments are current. In an August 27, 2020 Title Opinion letter prepared by Regency's independent council, SG Abogados (of Mexico City), title to the four concessions and confirmation of all current tax payments has been verified. The legal opinion is based on SG Abogados' review of the mining concession titles and verification of current tax payments as administered by the Dirección General de Minas (DGM), pertaining to the Subsecretaría de Minería, a subsecretariat of the cabinet-level Secretaría de Economía.

To allow for drilling operations and other future work activity, Regency commissioned an environmental study (prepared by Cambiens S.A. de C.V., Monterrey, Mexico) during November 2017. The environmental permit was approved by the Secretary of the Environment, Natural Resources and Fisheries ("SEMERNAT") on December 20, 2017.

The author, Robert A. Lunceford, is not qualified to express an opinion on the legal (section 4.2 and 4.3) and environmental (section 4.4) status of the Property and is completely reliant on the documents, reports, and opinions of the experts described above, as provided by Regency.

### 4.0 PROPERTY DESCRIPTION AND LOCATION

#### 4.1 Property Location

The Dios Padre Property is comprised of three contiguous exploitation concessions and one near concession covering an area of 728 hectares (Figure 4.1, Table 4.1), centered at UTM coordinates 690,430E and 3,150,325N (WGS84, Zone 12 A). The Property falls within the Santa Rosa, Sonora, Chihuahua 1: 50,000 topographic map sheets (H12D76).

Concession Name	Title No.	Concession Type	Size (Ha)	Valid From	Valid To
Alejandro	184332	Exploitation	120	Oct. 10, 1989	Oct. 9, 2039
Dios Padre	189614	Exploitation	20	Dec. 5, 1990	Dec. 4, 2040
Don Carlos	194749	Exploitation	145	June 15, 1992	June 14, 2042
Alicia	246562	Exploitation	443	September 9, 2018	September 8, 2068

Table 4-1 Titled concessions comprising the Dios Padre Property.

The Dios Padre Property is located in northern Mexico within the southeastern corner of the State of Sonora. It lies on the western flank of the rugged Sierra Madre Occidental mountain range about mid-way between Hermosillo, Sonora, and Chihuahua City, Chihuahua (Figure 4.2).

## 4.2 Mexico Mineral Tenure and Surface Rights

The Mexican Constitution maintains a direct non-transferable ownership of the nation's mineral wealth (considered a national resource) that is governed under established Mining Law. The use and exploitation of such national resources is provided for through clear title to a mineral rights concession ("lot" or "concession") that is granted by the Federal Executive Branch for a fee and under prescribed conditions. Mining concessions are only granted to Mexican companies and nationals or Ejidos, (agrarian communities, communes, and indigenous communities). Foreign companies can hold mining concessions through their 100% owned Mexican-domiciled companies. A number of Government agencies have responsibility for enforcing mining laws and its applicable regulations that must be complied with; non-compliance may result in cancellation of a concession. The mining concessions are administered by the Dirección General de Minas (DGM) pertaining to the Subsecretaría de Minería, a subsecretariat of the cabinet-level Secretaría de Economía.

Mining concessions confer rights with respect to all mineral substances as listed in Mining Law in its Article 4 provided the concessions are kept in good standing. The main obligations to maintain title to a concession in good standing are performance of work expenditures, payment of mining fees and compliance with environmental laws. Mineral rights fees are paid bi-annually in January and July, and annual proof of exploration work expenditures is done via a work report filed by May of the following year ("assessment" report or "comprobación de obras"). The amounts of the mineral rights fees and the expenditures required varies each year. It is calculated based on a per hectare rate and its seniority; those rates increase annually in line with yearly inflation rates. The new rates are published each year in advance in the Mexican Federations Official Diary ("Diario Oficial"); the older the mining concession the higher the fees due and the amount to be invested. When the concessions are in their 11th year of issuance or greater year, the amount of payable fees reached are the maximum rate applicable and when the concessions are in their 7th year of issuance or greater year, the amount of to be invested reaches the maximum rate applicable.

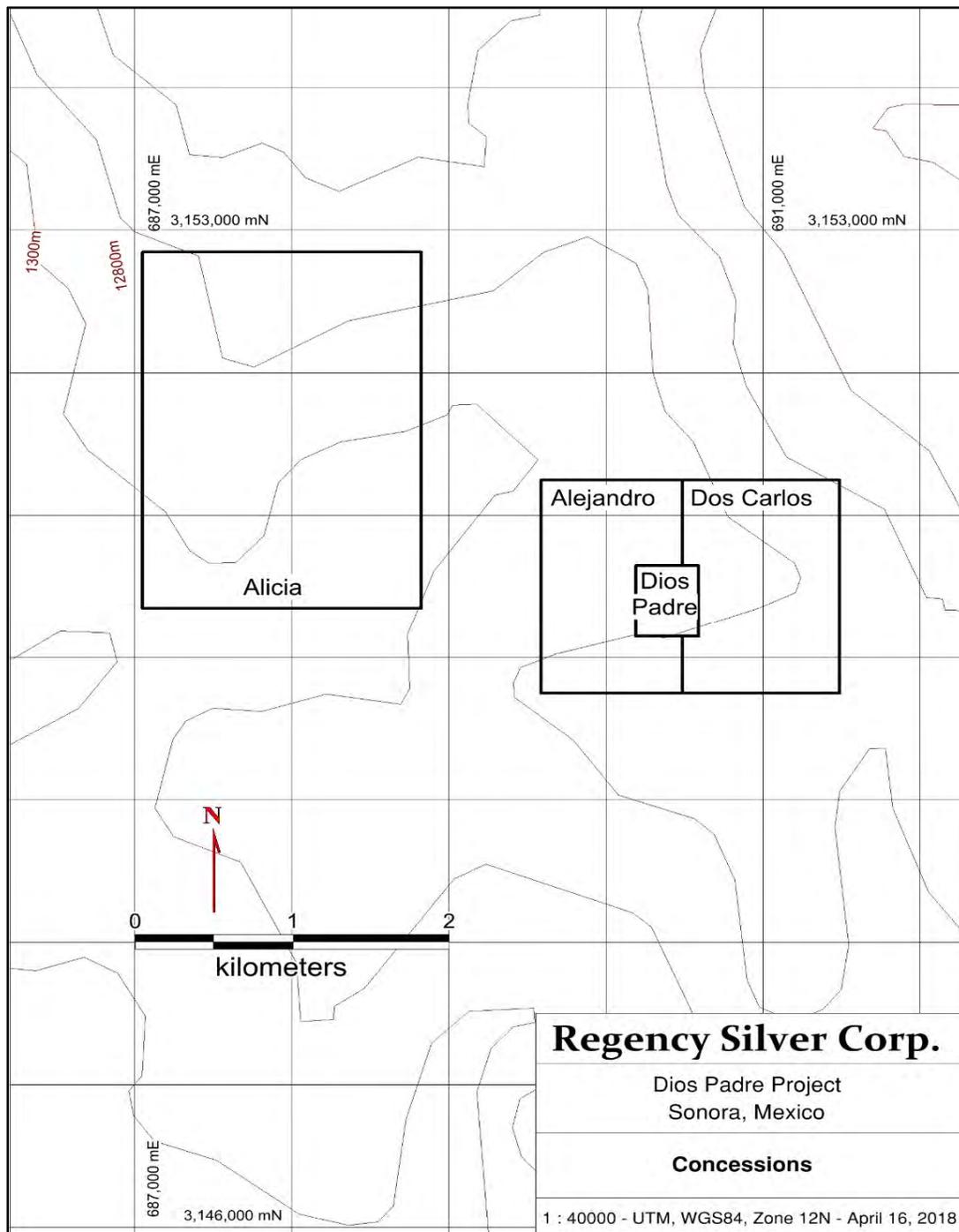


Figure 4-1. Concessions of the Dios Padre Property.



Figure 4-2. Location of the Dios Padre Property, Sonora State, Mexico.

The application process to acquire mineral rights is established under the Mining Law. The Registry document (the “title”) is granted following a due diligence investigation of a mineral rights application as filed by the qualified party. Mineral rights fees and assessment works are required as of the date a

concession title is issued. Following changes to the Mining Law in 2005, there are no longer any difference in Mexico between an exploration concession and an exploitation concession. The term of a mineral rights concession is 50 years, with the term commencing on the date recorded by the Public Registry of Mining, which is the date title is granted. A second 50-year term can be granted if the applicant has abided by all appropriate regulations and makes the application within five years prior to the expiration date of the original title.

The Mexican Congress approved Tax Reform changes in Mexico that became effective January 1, 2014 which affect operating mining companies in Mexico. The changes include: the corporate income tax remaining at 30%; a new mining royalty fee of 7.5% on income before tax, depreciation and interest minus permitted deductions according to the Income Tax Law; an extraordinary governmental fee on precious metals, including gold, silver and platinum, of 0.5% of gross revenues; and, changes affecting the timing of various expense deduction for tax purposes. This implies an effective combined tax and royalty rate of 35.25% depending on how deductions are applied. The new rates put Mexico in line with the primary mineral producing nations of the world.

Mineral concessions are sub-surface rights that do not automatically grant surface access rights. Permission for surface access must be negotiated with the relevant communities and/or individuals who hold rights or title to the surface areas affected by the mining concessions. These negotiations typically provide for the purchase or lease of the surface rights. Due to the inherent risk in a negotiations process, the Company cannot guarantee to have continual and unencumbered access to their mineral concessions.

Each municipality in Mexico is comprised of private parcels of agrarian land and community lands granted under Federal Agrarian law by the Mexican government, collectively called an Ejido. To reduce the inherent risk of the negotiation process, Regency initiates formal surface access agreements prior to commencement of exploration activities.

The Mexican government always retains the ownership of the "Ejido" land and governs the use of the land under Agrarian Law. Because mining is considered to contribute a "National Benefit", in the event of a land use dispute Mining Law in Mexico holds precedence over Agrarian Law. A mineral rights concessionaire has the right to apply for the temporary occupation of the land or expropriation, which will be granted to the extent that the land is indispensable for the development of the mining Property. Compensation is set through an appraisal carried out by the Federal government's National Goods' Appraisal Commission.

#### **4.3 Regency – Pena Blanca Option Agreement, Ejido La Trinidad Agreement**

On November 27, 2017, Regency's wholly-owned Mexican subsidiary, Regency Silver S.A. de C.V. executed an Option to Purchase and Promise to Assignment Agreement (the "Agreement") with Minera Pena Blanca, S.A. de C.V. ("Pena Blanca") to acquire 100% interest in the Dios Padre Property.

The Agreement requires that Regency make a series of cash payments and incur periodic, minimum work obligations to maintain their interest leading to the option term, four years from the date of execution.

*Property payments:* To maintain their interest, Regency is required to make periodic payments to Pena Blanca totaling US\$145,000 (including Value Added Tax – VAT) over four years from the date of execution.

- \$25,000 + VAT at execution (paid)
- 30,000 + VAT, 24 mos. from execution (paid)
- \$30,000 + VAT, 36 mos. from execution (paid up to date)
- \$30,000 + VAT, 48 mos. from execution

*Work obligation:* To maintain their interest, Regency must incur work expenditures on the Property totaling US\$1,000,000 over four years from the execution date.

- \$250,000 within 12 mos. from execution, and an additional
- \$250,000 within 24 mos. from execution, and an additional
- \$250,000 within 36 mos. from execution, and an additional
- \$250,000 within 48 mos. from execution

*Option and Royalty:* Provided Regency makes all required cash payments and incurs the required work expenditures as described above, the Option can be exercised and no further minimum work obligations or cash payments are due Pena Blanca. However, Regency is obligated to pay Pena Blanca a 3% NSR (Net Smelter Royalty) from any mine production proceeds. After exercising the Option, Regency can reduce the NSR to 1% by payment of US\$1,500,000 to Pena Blanca.

An underlying 2.5% net smelter return royalty has been filed against the Dios Padre Property in favour of third parties. Regency is reviewing the status of the underlying royalty to determine its validity and impact on the royalty in favour of Pena Blanca. In the event the underlying royalty is valid, Regency may not be able to purchase 2% of the NSR in favour of Pena Blanca. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Pena Blanca to the third parties.

During the four-year option period, Regency is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Pena Blanca by filing or contract be made a part of the Agreement. Within this Area of Influence, however, Regency is not obligated to make any concessions they acquire part of the Agreement.

The Agreement was amended by an Extension Agreement dated September 1, 2019 wherein Minera Pena granted Regency Silver S.A. de C.V. an extension until November 27, 2020 for the balance of the aggregate exploration expenditures due for the period ending November 27, 2019. As consideration for the extension, the Issuer issued 250,000 common shares to James Kennemur, the nominee of Minera Pena. All option payments have been paid up to date and the Agreement is in good standing.

The Agreement was further amended by a 2020 Extension Agreement dated November 25, 2020 wherein Minera Pena granted Regency Silver S.A. de C.V. an extension until June 30, 2020 for the expenditure of the balance of the \$500,000 in aggregate exploration expenditures due for the period ending November 27, 2020. In addition, the time for the spending of the balance of \$250,000 in exploration expenditures due by November 27, 2020 was extended until February 28, 2022. As consideration for the extension, the Issuer has agreed to pay the sum of US\$10,000 to Minera Pena Blanca within 10 days of its initial public offering which date shall be no later than June 30, 2021.

*Ejido La Trinidad agreement:* To acquire necessary surface access and use, Regency executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017. The agreement allows for Regency work operations to be conducted on 600 hectares of the total 2,191 Ha of the Ejido. To maintain the Ejido agreement, Regency is required to make annual payments of US\$6,000 to the Ejido.

#### **4.4 Environmental and Permitting**

Mexico’s environmental protection system is based on the General Law of Ecological Equilibrium and the Protection of the Environment (“LGEEPA”). Under LGEEPA, numerous regulations and standards for environmental impact assessment, air and water pollution, solid and hazardous waste management and

noise have been issued. Various Federal, State and Municipal agencies have jurisdiction over certain different sections of the environmental permit. In general, Mexico has an established mining-friendly approach to the permitting process at the Federal level (Lunceford, 2014).

The Secretary of the Environment, Natural Resources and Fisheries (“SEMARNAT”) and its sub-departments, in conjunction with decentralized Offices are responsible for supervision and oversight of four main areas:

- Preservation and sustainable development of ecosystems and biological diversity;
- Pollution prevention and control;
- Hydrological resources integral management;
- Climate change

To allow for drilling operations and other future work activity, Regency commissioned an environmental study (prepared by Cambiens S.A. de C.V., Monterrey, Mexico) during November 2017. Beginning with a historical review and collection of pertinent information from relevant government agencies, the study also included documentation of all potential areas that may be affected by exploration activities, the type and nature of proposed work activities, biologic, hydrologic, socioeconomic, and air and ground water contamination, if any. The environmental permit was approved by SEMARNAT on December 20, 2017. As work activities continue, the Company will monitor and advance environmental studies and make application for expanded permits, if required.

The Property does not fall within any known protected areas. In the near region surrounding the Property, there are numerous but small-scale disturbances (workings, dumps, etc.) from high-grade silver mining over many years. In the immediate area of the Dios Padre mine, there are several small to medium-sized oxidizing dumps, small tailings accumulations, and underground workings that are flowing water. All of these constitute possible environmental liabilities, however an exhaustive search and investigation of these point sources of potential contamination was beyond the scope of this Technical Report.

To the extent known, no other significant factors or risks that may affect access, title, or the right or ability to perform work on the Property are known to the authors.

## **5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, PHYSIOGRAPHY**

The Dios Padre project is accessible via paved Highway 16 from either Hermosillo or Chihuahua. From Hermosillo travel southeast on Highway 16 about 223 kms to the marked turnoff (UTM coordinate 683,588E, 3,144,401N WGS84, Zone 12 A) to the village of Santa Rosa de Lima, then proceed on a graded and occasionally graveled road about 12 kms to Santa Rosa, then a poorly-maintained dirt road leads easterly about 13 kms from Santa Rosa to the Property area (Figure 5.1). An alternative route exists from Yecora by travelling north on a gravel road (the western extension of Calle de Juarez) 26 kms to the Property. The condition of this road is uncertain while the preferred alternative route from State Highway 16 was in reasonable condition at least to Santa Rosa de Lima during the author’s visit in late January 2018.

The climate of the area is generally mild, and with a mean temperature of 16°C, allows for year-round field activities. The region is noted for its seasonal arid climate. Annual rainfall averages 300 mm, most of which falls between July and September. Natural vegetation consists of numerous species of cactus, mesquite, catsclaw and other thorny bushes. In the summer months, lush growth makes field access more difficult, requiring line and trail cutting with machetes. The higher elevations are covered by pine and oak trees (Duncan, 2012).

Small-scale mining, logging, hunting and subsistence agriculture constitute the principal uses of the land. Elevations on the Property range from about 1,100 m to 1,920 m above mean sea level. Topography within the Property is rugged, with limited areas for potential expanded mine operation infrastructure.

Minimal supplies are available in Yecora about 25 kms to the southeast on Highway 16, including basic foodstuffs, lodging, and fuel. The small city of Obregon, about 136 kms to the southwest, has additional supplies and resources are sufficient to meet most project support needs. The capital cities of Hermosillo (Sonora State) and Chihuahua (Chihuahua State) are mining centers with excellent resources for exploration and advanced mining projects. Both are good sources of supplies, housing, experienced mining personnel and ancillary facilities, such as drilling companies, supply houses, hotels, and restaurants.

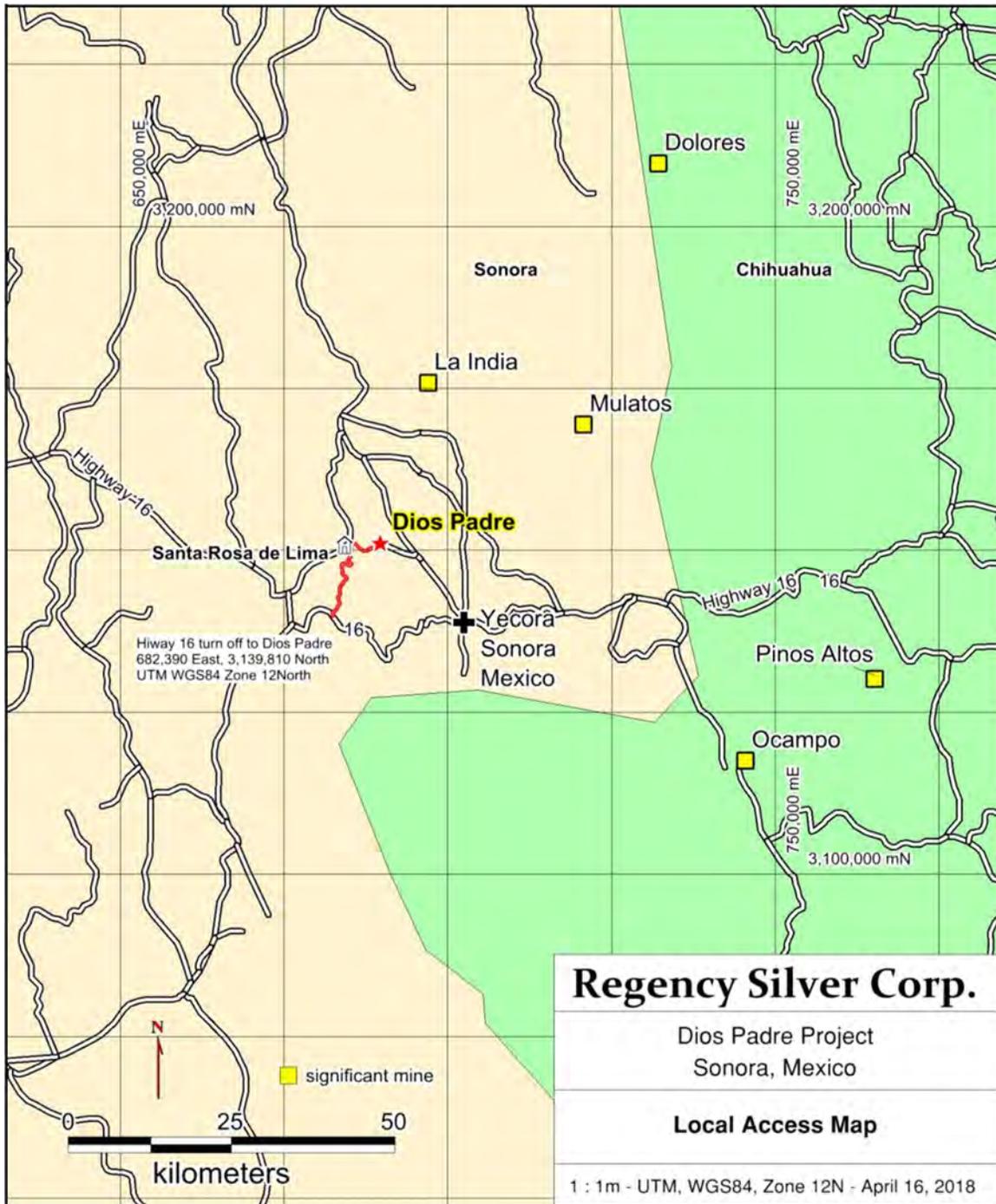


Figure 5-1. Location and access to the Dios Padre Property.

Infrastructure at the Property site is minimal (Figure 10.2). Old buildings at the Dios Padre mill site have been upgraded and used for staff housing from time to time, and could be rehabilitated to house field crews, drilling staff and local labor. During Regency's drill operations described under the Drilling section (10, below), crews contracted with local residents in Santa Rosa de Lima for lodging and meals. With a population of around 300 people, only very basic goods and services are available in Santa Rosa. At the Property, electric power must be generated with diesel generators.

Water is available for casual use but is not likely sufficient for mining operations. Access within the Property is available via a network of narrow four-wheel drive roads and trails, but the steep nature of the country requires access by foot to many areas.

The adequacy of the surface rights, water availability, sources of power, mining personnel, tailings and dump storage areas, and processing plant sites are adequate for the present stage of development on the Property. When work activity on the Property including drilling is advanced, more extensive mine planning, comprehensive planning addressing these issues of surficial use will be necessary.

## **6.0 HISTORY**

The Dios Padre mine has a +400-year history of mining for silver, but most of the work prior to the 1960s is poorly documented. Most of what is known comes from a succession of fragmentary reports by consulting geologists and engineers. Work conducted since the 1960s has concentrated on evaluation of the resource potential of the remaining high-grade silver mineralization in the Dios Padre mine area. Since 1996, drilling and other activities were conducted on the Property by Silver Standard Resources Inc. (1995-1996), First Majestic Resource Corp. (2006) and NS Silver Inc./NS Gold Corporation (2012-2013). Within the Property, little work has been directed at alternate targets other than the mine area. The technical reports prepared by ACA Howe (Phillipps, 2006) and Duncan (2012) provide particularly good summaries of the history of the Dios Padre mine.

### **6.1 Pre-1960's**

The earliest known mining activities were carried out by the Jesuits in the 17<sup>th</sup> century using Yaqui labor. Their operations occurred between 1603 and 1650, when the Jesuits were expelled from Mexico. The Jesuits were estimated to have mined 7,000 tonnes of rich silver ore from narrow, near-surface veins.

The Dios Padre mine was brought into production again in 1860 by an English company named L. V. Limited ("LVL"). LVL's mining activities resulted in estimated production of about 540,000 tons (Mclean, Ledgerwood, 1966), with recoveries at 80% yielding approximately 16 million ounces of silver, resulting in a calculated mine grade of 25 ounces per ton. LVL apparently abandoned the operation in 1910 during the Mexican revolution and civil strife associated with Pancho Villa. A succession of other companies and individuals worked the deposit in a small fashion until the Property was acquired by Cananea Copper Company Limited ("Cananea") sometime between 1927 and 1939. Cananea reportedly drilled two holes in the vicinity of the Santa Gertrudis adit to a depth of 245 m. Cananea reportedly assayed the core only for copper and no values exceeding 1% were received (Mclean, Ledgerwood, 1966).

### **6.2 Post 1960's to 1995**

The Property was acquired by a local individual in 1962 and sold in 1964 to Westville Mines in the name of its Mexican subsidiary, Compania Minera Sahuaripa S.A. de C.V. ("Sahuaripa"). From 1964 through 1986 a succession of consultants visited the Property. Several of the consultants calculated "ore reserves", based on a variety of parameters. Tonnages reported or estimated by these workers range

from 1.3 million tonnes to in excess of 5 million tonnes (see Section 14). The reader is cautioned that these widely variant estimates are neither verifiable nor compliant with NI 43-101 standards and must be discounted.

As summarized by Duncan (2012), through a series of transactions and small-scale mining operations, the Property became available to Mr. Karl Meyers and Mr. Fred Neisler and, in turn, to Mr. Buddy Jack Kennemur. Mr. Kennemur held the Property. Heirs to Mr. Kennemur continue to hold the Property as of the date of this Technical Report). Between 1964 and 1971 Sahuaripa conducted various sampling, drill, bulk sampling and other work activities with the objective of sustaining and advancing mine production. During this period a 100 ton per day floatation mill was constructed (Konkin, 1996). Sampling was carried out in mine openings, drill cores and by milling bulk samples. Mine opening sample grades reportedly varied from 40 to 80,000 g/t Ag, most ranging between 100 to 1,500 g/t Ag. Core samples grades varied between 20 to 2,500 g/t Ag, with 50 % of the Dios Padre stock reportedly averaging more than 310 g/t Ag. Bulk sampling in 1971 produced 7,923 tonnes of material in 23 tonne lots ranging between 80 to 740 g/t Ag and averaging 308 g/t Ag. Mineralized rock was treated to produce a floatation concentrate with an average silver recovery of 84%. Sahuaripa concluded that the silver grades were highly variable over short distances and that bulk sampling gave the best results. Sahuaripa noted that 47.5% of the drilling averaged 11 troy ounces of silver per ton. Known drill hole parameters, and assay results are summarized in Table 6.1 (Phillips, 2006).

Hole No.	Intercept m	Ag g/t	Interval m	True Width m	Final Depth m	Inclination and Azimuth
Ddh 1-66	n.a.	-	-	-	196.50	-50° / S023°E
Ddh 2-66	[35 - 41]	[5.5 % Zn]	[6 m]	?	187.90	-59° / N028°W
Ddh 3-66	n.a.	-	-	-	106.80	-78° / N028°W
Ddh 4-66	67.0 - 100.0	260	33.0	32.5	138.61	-25° / S023°E
Ddh 5-66	22.0 - 23.5 50.0 - 56.0	496 388	1.5 6.0	? ?	145.60	-30° / N028°W
Ddh 6-66	n.a.	-	-	-	138.10	-25° / S025°W
Ddh 7-66	28.0 - 40.4 74.0 - 78.5 86.8 - 111.3	74 180 275	12.4 4.5 24.5	8.0 3.0 16.0	137.19	-30° / N038°W
Ddh A1-66*	n.a.	-	-	-	102.13	-45° / S004°E
Ddh A2-66*	n.a.	-	-	-	24.03	-30° / S034°E

Table 6-1. Sahuaripa drill parameters, results. \*Underground drill holes (Phillips, 2006).

About 100,000 tons at a grade of 1.00 to 13.00 ounces per ton silver, 3.0% lead, and 0.5% copper were estimated to have been produced between 1962 and 1984 (Free, 1997).

No primary Sahuaripa data including assay results, drill logs, collar locations, etc. are available to the authors to substantiate this work and results.

### 6.3 1995 to 2017

Beginning in 1995 the Dios Padre Property was successively investigated by Silver Standard Resources Inc. (1995-1996), First Majestic Resource Corp. (2006) and NS Silver Inc./NS Gold Corporation (2012-

2013). Most of the work consisted of drill campaigns with the exception of NS Silver, NS Gold who completed drill, geochemical, and geophysical surveys surrounding the mine. In mid-2013, Mercator Geologic Services (Halifax, Nova Scotia, Canada) completed a partial wireframe model in an attempt to calculate a resource.

*Silver Standard Resources Inc.:* Work included a sampling and drilling program completed between 1995 to 1996. Ten diamond drill holes for a total of 1,421.4 m were collared to test the mineralized breccia body and close off the strike extent. Drilling was concentrated in the center and the east part of the breccia body where past stoping was most intense. All diamond drill holes were angled in a southerly direction (170°); drill hole parameters and results are summarized in Table 6.2. Drill core from Silver Standard remains on site, however the condition of the core boxes and labeling has deteriorated to the extent that considerable forensic effort would be necessary to obtain reliable core data. Drill hole results for silver are summarized in Table 6.6.

*First Majestic Resource Corp.:* In 2006, First Majestic Resource Corp. conducted a diamond drill program with the purpose of further delineation of previous estimated historical resources. First Majestic drilled 2,215.95 meters in 17 holes (Table 6.3) over the Dios Padre mineralized zone, covering an area of 300 by 150 meters E-W and N-S respectively.

Drill operations were apparently conducted in a professional manner using then-current industry protocols and methods. However, whether the program was supervised by a Qualified Person (as defined by NI 43-101) is not known. Data bases relating to this activity were not complete (see Section 12, below) but drill hole collar and down-hole survey data and assays, as used herein, are believed to be reliable, however. Drill hole results for silver are summarized in Table 6.7.

*NS Silver Inc. – NS Gold Corporation:* In 2012 and 2013, NS Gold Corporation and its wholly-owned subsidiary NS Silver Inc. conducted geochemical sampling, geologic mapping, and geophysical surveys (IP and ground magnetic) and followed these programs with an extensive drill program over most of the Property including completion of 16 diamond drill holes, accruing 3,806.5 m in 2012 and 17 drill holes totaling 3,433.9 m in 2013 (Table 6.4). Unfortunately, little primary data is available to the authors including drill logs, and descriptions of protocols and procedures, primary assay data, etc. These endeavors were the most comprehensive efforts to fully evaluate the Property beyond the Dios Padre mine. Significant (= or > 2.0 m intervals = or > than 60 g Ag) drill intervals from this program are shown in Table 6.8.

Additional exploration activities and results were described by Duncan (2012).

- Geologic mapping - Detailed geologic mapping began in August 2011 and was completed in January 2012.
- Stream sediment & Soil sampling - Stream sediment and soil samples were collected on fence lines across the alluvial plains of streams at 50 m spacing and upstream in arroyos on mountainsides.
- Line cutting - Seventeen E-W lines were cut at a line spacing of 100 meters, a total of 34 kilometers, to facilitate additional rock-chip sampling and geophysical surveying.
- Rock-chip sampling – NS Gold personnel conducted rock chip sampling on the lines cut as noted above. The lines were sampled at 50-meter intervals or at any change in lithology, alteration or structure. The survey also included samples taken on four traverse lines oriented at N 45° E, approximately perpendicular to district and regional structure orientation.
- Geophysical surveys - In September 2011, S. J. Geophysics (of Delta, B.C., Canada) completed 3D IP (Induced Polarization), resistivity and ground magnetic surveys.

Geochemical, geophysical compilations, results - Duncan (2012) recognized that geochemical grid sampling (Figures 6.1 through 6.3) indicated a “ring” zonation suggested by primary lead, silver, copper mineralization and alteration elements sodium and potassium. Lead is accentuated in the main Dios Padre mine area (lower center, each image) while silver is depleted. Silver minerals are oxidized at the mine site and preserved in the silica-rich breccia at the “Red mine” prospect northeast of the Dios Padre mine. Oxidation effects would have been enhanced by a high acidic environment due to the presence of pyrite in the rhyolite country rocks surrounding the Dios Padre mine. Sodium and potassium zonation mimics the metal zonation, but sodium and potassium may also be influenced by volcanic lithologies.

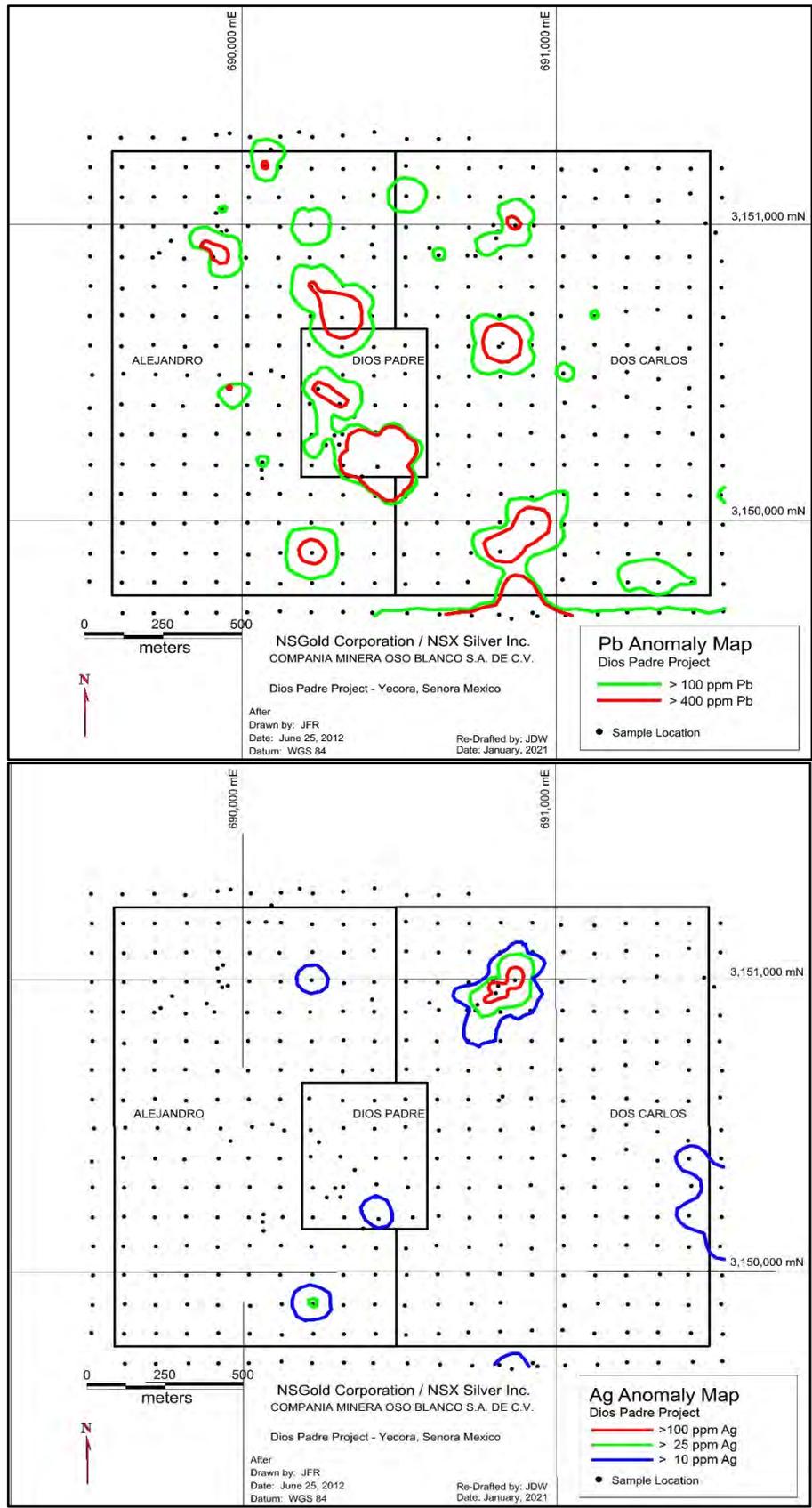


Figure 6-1. Pb (top) and Ag (bottom) anomalies (after Duncan, 2012).

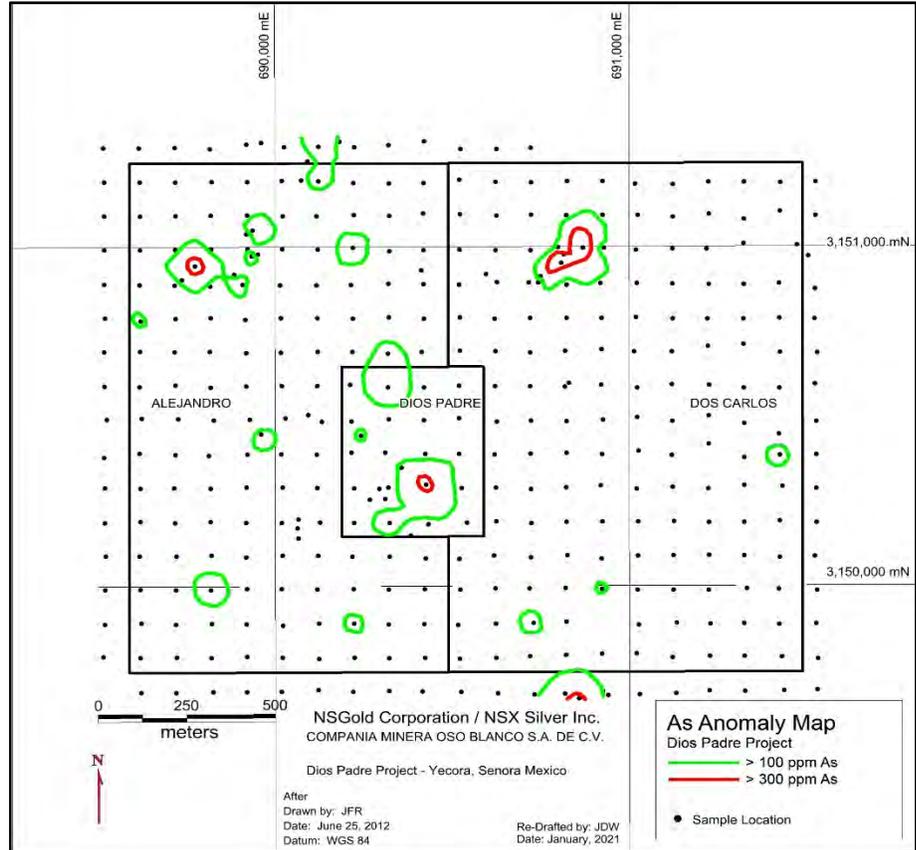
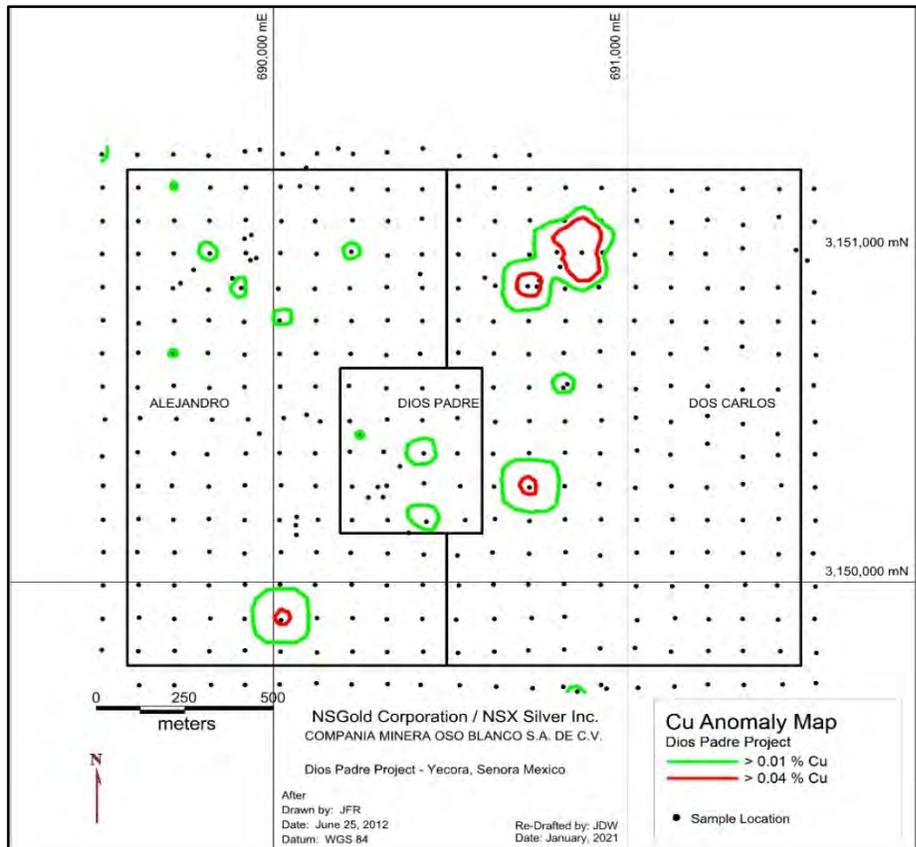


Figure 6-2. Cu (top) and As (bottom) anomalies (after Duncan, 2012).

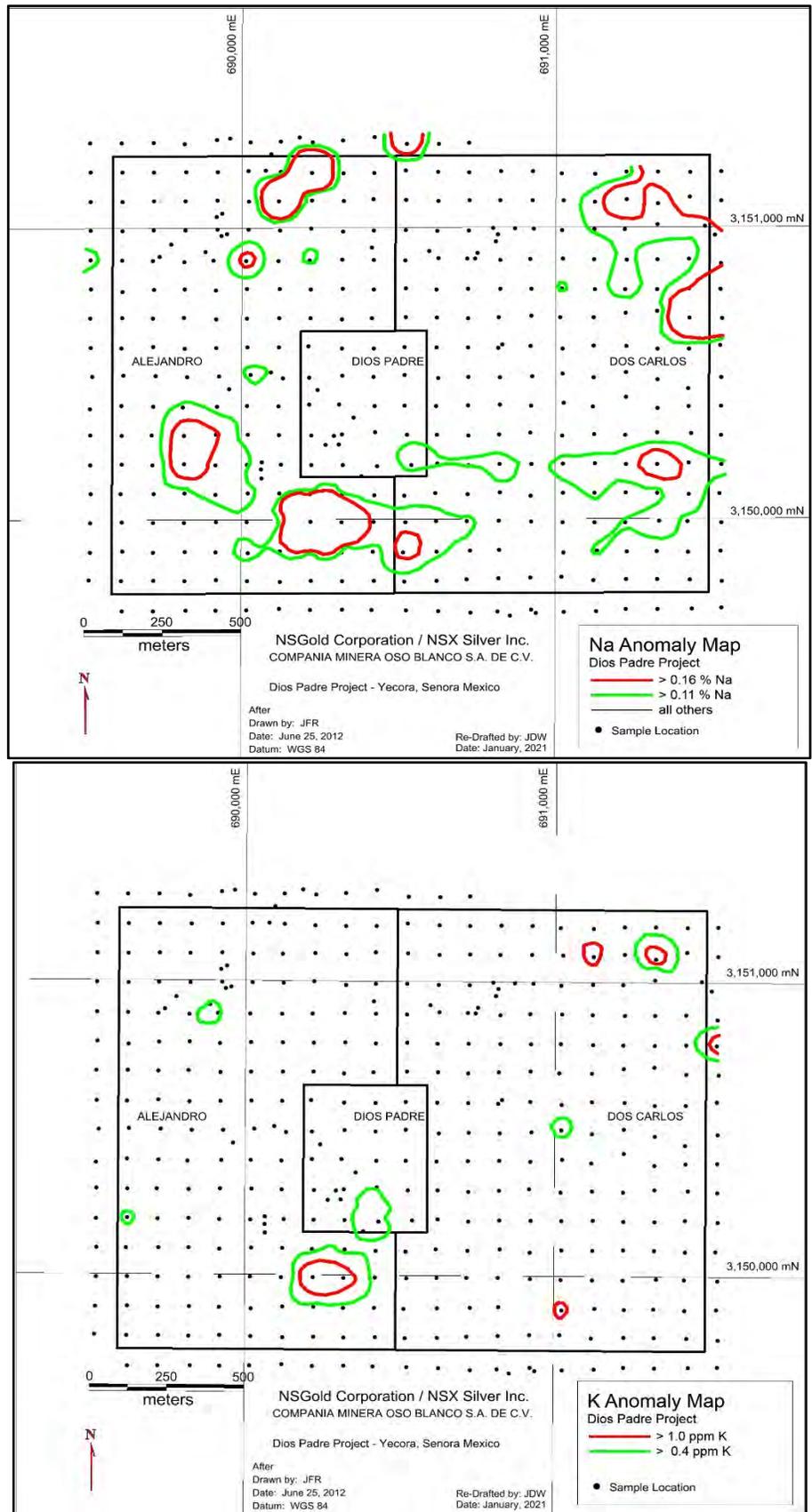


Figure 6-3. Na (top) and K (bottom) anomalies (after Duncan, 2012).

The IP/resistivity survey disclosed a large chargeability anomaly 550 m north of the known Dios Padre mine (Figures 6.4). The Dios Padre mine is situated at the extreme south end of the IP/Resistivity chargeability anomaly, and the zone of highest chargeability is situated to the north, between the “northwest breccia” zone (northwest of the mine) and the “Red mine” zone (northeast of the mine). Although the main Dios Padre mine, “northwest breccia” and “Red mine” zones are related apophyses of the principal anomaly, they are expressed as distal elements that may support the general zonation of the geochemistry noted in rock chips discussed above. Because of its close proximity to Dios Padre, and anomalous peripheral geochemistry, there is a possibility that the chargeability anomaly is caused by disseminated Ag-bearing sulfide/sulfosalt mineralization. The anomaly is considered a priority exploration target for future work – see Section 26, Recommendations.

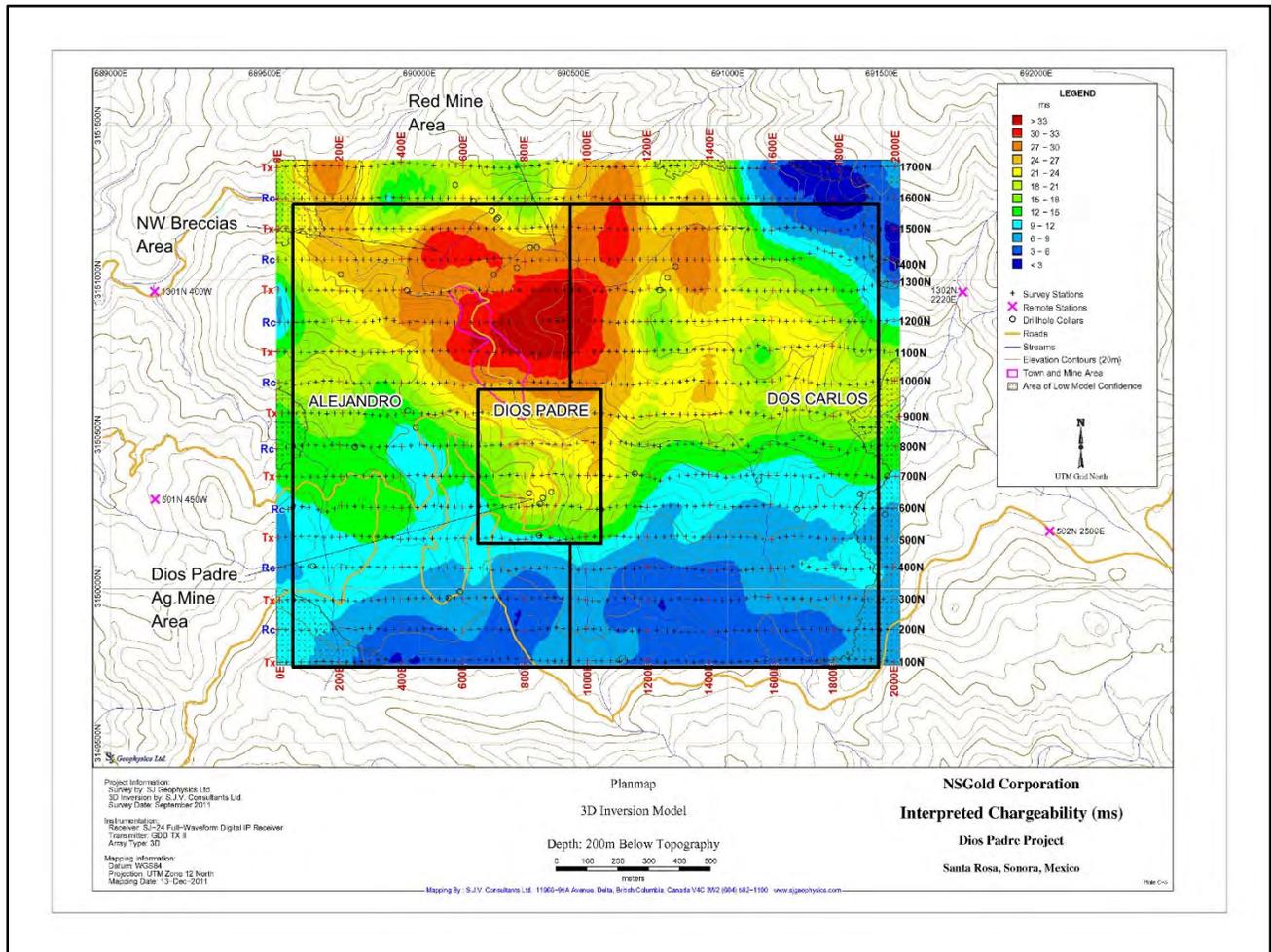


Figure 6-4. Chargeability at 200 m below topography (after Duncan, 2012). Red Mine, northwest breccia and Dios Padre mine areas are labeled.

In May, 2019 the Company contacted S. J. Geophysics requesting the original 3D IP (Induced Polarization), resistivity and ground magnetic survey data for the study conducted by NS Silver Inc. in September 2011. On May 31, 2019 data was delivered via secure FTP transfer to the Company. The data transferred was comprehensive, including the raw data dumps from the SJ-24 Full Waveform receivers and GDD TX II transmitters employed for the IP survey and the Geometrics G856 magnetometer employed for the magnetic survey. Additionally, output files from the UBC-GIF (DCIP3D) IP inversion algorithm for chargeability, conductivity, resistivity and sensitivity applied to the Dios Padre survey data were supplied in native, point cloud (XYZ) and Visualization Toolkit (VTK) formats.

For this study, the inverted VTK chargeability data was loaded into ParaView-v5.6.1 and isosurfaces generated for the 20, 25, 30, 35 and 38 ms decay curves for export into Leapfrog Geo 3D – see Figures 6-5, through Figure 6-7.

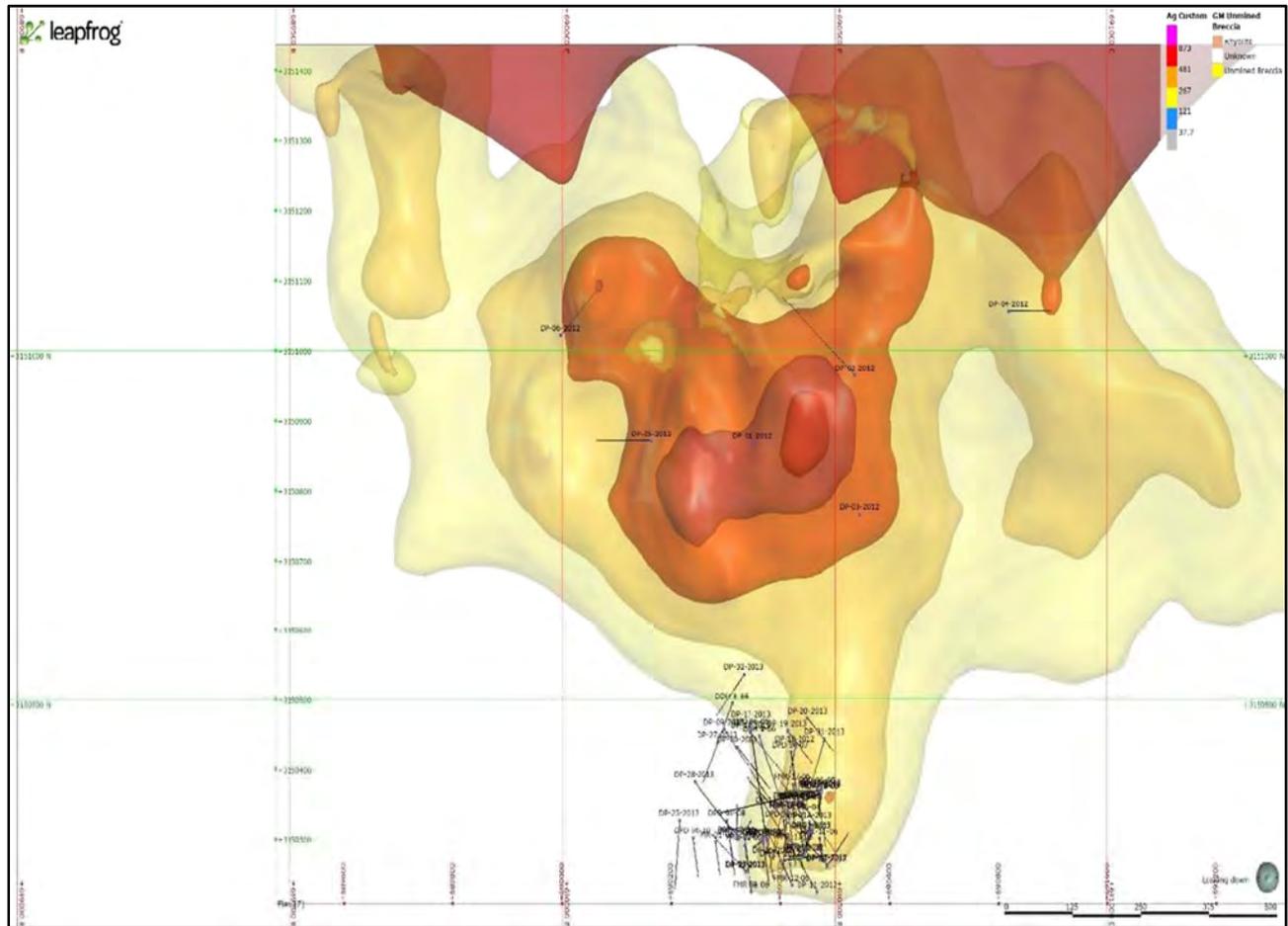


Figure 6-5. Plan view of IP chargeability isosurfaces (20-38 ms). The Dios Padre mine is located in the south center of the view. Note the strong anomaly centered 550m north of the mine. Outlying drill holes DP-01- 2012 to DP-06-2012 failed to properly test the anomaly. *Note: high chargeability indicated along the north edge of the map is spurious, an artifact or “edge effect” resulting from the inversion algorithm.*

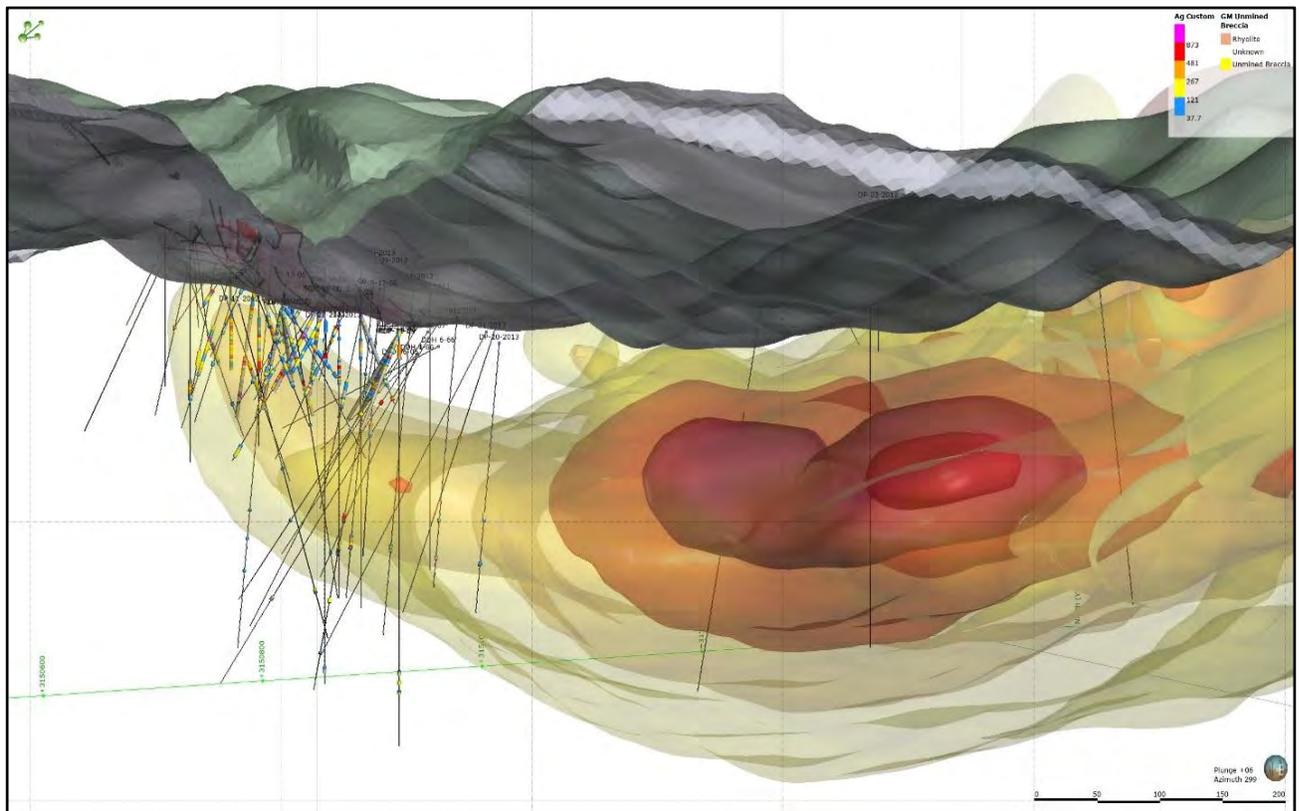


Figure 6-6. Cross-sectional view looking west of IP chargeability isosurfaces (20-38 ms) showing the anomaly north of the Dios Padre mine. Highest chargeability lies 150-200m below surface.

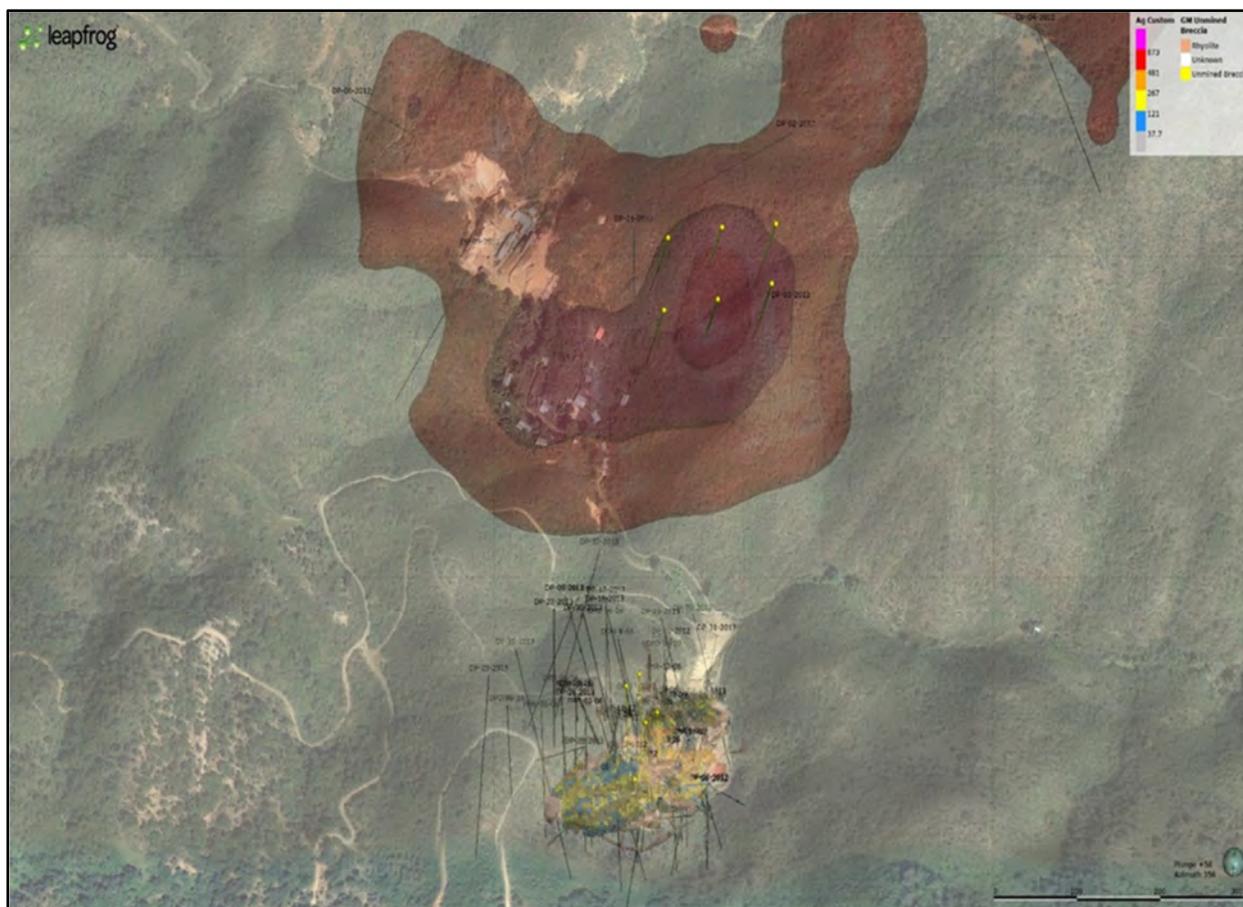


Figure 6.7. Chargeability at 200m below topography. Higher amplitude anomalies are purple shades.

*Other evaluators:* In mid-2013 following the completion of NS Gold/NS Silver 2013 drill programs, Mercator Geologic Services (Dartmouth, Nova Scotia, Canada) completed a digital 3D model of the drilled area but the study was flawed by failure to consider late-stage cross faults and the lack of internal continuity to breccia hosted mineralization. In October 2013, Hector Mariano (2013), a Mexican consultant, completed an evaluation of the area around the Dios Padre Property on behalf of Oso Blanco S.A. de C.V, the Mexican subsidiary of NS Gold/NS Silver. Mariano suggested that the Dios Padre mine area was segmented by N25°E, 40°SW and N40°W, 80°SE striking faults and cut by sub-horizontal faults with shallow dips to 20°.

#### 6.4 Drill programs – results

*Drill programs:* Drill hole parameters from the Silver Standard (1996), First Majestic (2006) and NS Gold/NS Silver (2012, 2013) drill programs appear in Tables 6.2 through 6.4 below. Significant (intervals = or > than 2.0 m 60 g Ag) are tabulated below (Tables 6.6 through 6.8). Drill hole locations from these programs are shown in Figures 6.8 and 6.9.

Drill Hole	WGS 84-Z 12N		Collar	Depth (m)	Azimuth	Dip	Deviation	Year	Company
	East	North	Elev. (m)				Survey		
DPD 96-01	690377.0	3150299.0	1313.3	96.0	170	-55	No	1996	Silver Standard
DPD 96-03	690406.0	3150327.0	1293.2	111.3	170	-45	No	1996	Silver Standard
DPD 96-04	690440.0	3150336.0	1272.1	120.7	170	-55	No	1996	Silver Standard
DPD 96-05	690468.0	3150373.0	1266.5	120.7	170	-45	No	1996	Silver Standard
DPD 96-06	690346.6	3150457.7	1270.5	262.7	170	-45	No	1996	Silver Standard
DPD 96-07	690419.0	3150425.0	1258.1	211.8	170	-45	No	1996	Silver Standard
DPD 96-08	690302.0	3150328.0	1331.8	112.3	170	-45	No	1996	Silver Standard
DPD 96-09	690302.0	3150328.0	1331.8	166.4	170	-65	No	1996	Silver Standard
DPD 96-10	690239.0	3150302.0	1355.2	101.2	170	-55	No	1996	Silver Standard

Table 6-2. Drill hole parameters for Silver Standard.

Drill Hole	WGS 84-Z 12N		Collar	Depth (m)	Azimuth	Dip	Deviation	Year	Company
	East	North	Elev. (m)				Survey		
FMR-01-06	690281.0	3150296.0	1339.5	155.8	170	-72	No	2006	First Majestic
FMR-02-06	690334.1	3150291.9	1330.2	85.3	170	-90	No	2006	First Majestic
FMR-03-06	690334.1	3150291.9	1330.2	160.0	170	-75	No	2006	First Majestic
FMR-04-06	690347.1	3150226.0	1332.5	189.7	350	-65	No	2006	First Majestic
FMR-05-06	690347.1	3150226.0	1332.5	130.3	350	-90	No	2006	First Majestic
FMR-06-06	690368.0	3150299.8	1318.4	158.4	350	-90	No	2006	First Majestic
FMR-07-06	690368.6	3150296.9	1318.2	150.1	170	-65	No	2006	First Majestic
FMR-08-06	690369.2	3150294.8	1318.0	77.7	170	-45	No	2006	First Majestic
FMR-09-06	690441.1	3150351.9	1269.2	84.3	170	-90	No	2006	First Majestic
FMR-10-06	690442.1	3150350.9	1268.8	157.5	140	-55	No	2006	First Majestic
FMR-11-06	690472.0	3150300.8	1277.2	51.4	170	-50	No	2006	First Majestic
FMR-12-06	690421.1	3150235.0	1294.1	188.4	330	-55	No	2006	First Majestic
FMR-13-06	690427.6	3150292.8	1283.9	105.1	155	-65	No	2006	First Majestic
FMR-14-06	690420.6	3150352.0	1281.1	72.3	170	-65	No	2006	First Majestic
FMR-15-06	690412.1	3150339.9	1287.6	148.8	185	-55	No	2006	First Majestic
FMR-16-06	690414.0	3150337.9	1287.1	109.2	170	-45	No	2006	First Majestic
FMR-17-06	690422.6	3150378.9	1274.5	192.3	170	-85	No	2006	First Majestic

Table 6-3. Drill hole parameters for First Majestic.

Drill Hole	WGS 84-Z 12N		Collar	Depth (m)	Azimuth	Dip	Deviation	Year	Company
	East	North	Elev. (m)				Survey		
DP-01-2012	690349.0	3150867.0	1278.9	292.0	0	-90	Yes	2012	NS Silver
DP-02-2012	690537.0	3150964.0	1313.3	351.0	310	-60	Yes	2012	NS Silver
DP-03-2012	690546.0	3150765.0	1317.8	108.5	0	-90	Yes	2012	NS Silver
DP-04-2012	690819.0	3151055.0	1404.0	299.0	90	-75	Yes	2012	NS Silver
DP-05-2012	690164.0	3150870.0	1217.5	302.0	270	-70	Yes	2012	NS Silver
DP-06-2012	689997.0	3151021.0	1201.1	203.0	45	-60	Yes	2012	NS Silver
DP-07-2012	690486.0	3150264.0	1285.8	300.5	310	-50	Yes	2012	NS Silver
DP-08-2012	690485.0	3150262.0	1285.6	124.0	40	-60	Yes	2012	NS Silver
DP-09-2012	690297.0	3150457.0	1270.8	333.0	140	-60	Yes	2012	NS Silver
DP-10-2012	690427.0	3150433.0	1253.6	316.0	195	-55	Yes	2012	NS Silver
DP-11-2012	690468.0	3150226.0	1284.9	316.5	322	-55	Yes	2012	NS Silver
DP-12-2012	690475.0	3150371.0	1269.7	300.0	260	-50	Yes	2012	NS Silver
DP-13-2012	690392.0	3150346.0	1295.9	300.0	0	-90	Yes	2012	NS Silver
DP-14-2012	690400.0	3150270.0	1302.2	139.5	85	-50	Yes	2012	NS Silver
DP-15-2012	690387.0	3150274.0	1309.4	51.0	20	-60	No	2012	NS Silver
DP-16-2012	690444.0	3150278.0	1276.1	70.5	16	-50	Yes	2012	NS Silver
DP-17-2013	690346.0	3150468.0	1264.6	200.0	0	-90	Yes	2013	NS Silver
DP-18-2013	690346.0	3150453.0	1273.1	260.7	135	-70	Yes	2013	NS Silver
DP-19-2013	690413.0	3150455.0	1251.3	200.0	135	-70	Yes	2013	NS Silver
DP-20-2013	690450.0	3150473.0	1238.7	200.0	135	-70	Yes	2013	NS Silver
DP-21-2013	690457.0	3150311.0	1270.1	28.0	0	-90	No	2013	NS Silver
DP-21A-2013	690454.0	3150325.0	1267.4	200.2	0	-90	No	2013	NS Silver
DP-22-2013	690337.0	3150254.0	1332.0	185.6	0	-90	No	2013	NS Silver
DP-23-2013	690336.0	3150255.0	1332.0	140.5	310	-55	Yes	2013	NS Silver
DP-24-2013	690336.0	3150255.0	1332.0	99.4	310	-70	Yes	2013	NS Silver
DP-25-2013	690215.0	3150328.0	1345.6	196.3	185	-60	No	2013	NS Silver
DP-26-2013	690322.0	3150300.0	1331.6	134.6	0	-90	No	2013	NS Silver
DP-27-2013	690285.0	3150439.0	1276.0	250.0	0	-90	No	2013	NS Silver
DP-28-2013	690243.0	3150382.0	1303.0	301.5	135	-70	Yes	2013	NS Silver
DP-29-2013	690475.0	3150368.0	1270.1	300.2	0	-90	No	2013	NS Silver
DP-30-2013	690321.0	3150432.0	1281.2	250.1	135	-70	Yes	2013	NS Silver
DP-31-2013	690481.0	3150444.0	1253.3	265.0	200	-60	Yes	2013	NS Silver
DP-32-2013	690333.0	3150536.0	1249.0	224.2	220	-70	Yes	2013	NS Silver

Table 6-4. Drill hole parameters for NS Silver/NS Gold.

Several drill core intervals of Silver Standard, First Majestic and NS Silver/NS Gold were not assayed. No documentation exists as to why core intervals were not assayed, but the authors surmise that the supervising geologist of these drill programs only selected core for analysis based on visible or suspected mineralization.

Company	Drill Hole	Sum of Intervals m	Total Depth m	% of Total Depth
Silver Standard	DPD 96-01	27.1	96	28
Silver Standard	DPD 96-03	30.6	111.3	27
Silver Standard	DPD 96-04	28.5	120.7	24
Silver Standard	DPD 96-05	19.5	120.7	16
Silver Standard	DPD 96-06	157.7	262.7	60
Silver Standard	DPD 96-07	123.8	211.8	58
Silver Standard	DPD 96-08	84.6	112.3	75
Silver Standard	DPD 96-09	91.6	166.4	55
Silver Standard	DPD 96-10	94.4	101.2	93
First Majestic	FMR-01-06	134.5	155.8	86
First Majestic	FMR-02-06	85.3	85.3	100
First Majestic	FMR-03-06	84.02	160	53
First Majestic	FMR-04-06	88.35	189.7	47
First Majestic	FMR-05-06	119.48	130.3	92
First Majestic	FMR-06-06	64.12	158.35	40
First Majestic	FMR-07-06	74.22	150.1	49
First Majestic	FMR-08-06	30.1	77.7	39
First Majestic	FMR-09-06	24.05	84.3	29
First Majestic	FMR-10-06	72.75	157.5	46
First Majestic	FMR-11-06	5.9	51.4	11
First Majestic	FMR-12-06	92.67	188.4	49
First Majestic	FMR-13-06	16.55	105.1	16
First Majestic	FMR-14-06	21.15	72.25	29
First Majestic	FMR-15-06	36.4	148.8	24
First Majestic	FMR-16-06	13.45	109.2	12
First Majestic	FMR-17-06	73.47	192.3	38
NS Silver	DP-08-2012	5	124	4
NS Silver	DP-10-2012	54.4	316	17
NS Silver	DP-11-2012	27	316.5	9
NS Silver	DP-12-2012	18	300	6
NS Silver	DP-13-2012	16	300	5
NS Silver	DP-17-2013	62.92	200	31
NS Silver	DP-18-2013	75.7	260.7	29
NS Silver	DP-22-2013	34.5	185.6	19
NS Silver	DP-23-2013	6.6	140.5	5
NS Silver	DP-25-2013	196.3	196.3	100
NS Silver	DP-26-2013	44.15	134.6	33
NS Silver	DP-27-2013	133.3	250	53
NS Silver	DP-31-2013	19	265	7
NS Silver	DP-32-2013	27	224.2	12
	<b>TOTAL</b>	<b>2414.15</b>		

Table 6-5. Unassayed core from Silver Standard, First Majestic, NS Silver drill programs.

Company	Hole No.	From M	To M	Interval M	g/t Ag
Silver Standard	DPD 96-01	20.1	42.2	22.1	79.9
Silver Standard	DPD 96-02			None	
Silver Standard	DPD 96-03	16.6	26	9.4	86.8
Silver Standard		57.2	60.2	3	106
Silver Standard		84.2	87.2	3	64
Silver Standard	DPD 96-04	9.1	17.8	8.7	142.2
Silver Standard		43.8	52.8	9	76.2
Silver Standard		58.5	67.5	9	446.8
Silver Standard	DPD 96-05	21.6	26.1	4.5	213.7
Silver Standard		29.1	32.1	3	195
Silver Standard	DPD 96-06			None	
Silver Standard	DPD 96-07	65.8	68.8	3	694.5
Silver Standard	DPD 96-08			None	
Silver Standard	DPD 96-09	87.5	125.6	38.1	281.8
Silver Standard	DPD 96-10			None	

Table 6-6. Drill hole results for Silver Standard. Only intervals = or > than 2.0 m = or > 60 g Ag are included. Intervals reported are down-hole intercepts, not true thicknesses.

Company	Hole No.	From M	To M	Interval M	g/t Ag
First Majestic	FMR-01-06	88.7	96.2	7.5	194.1
First Majestic	FMR-02-06			None	
First Majestic	FMR-03-06	59.6	61.6	2	498.9
First Majestic	FMR-04-06	113.1	128.35	15.25	167.8
First Majestic		159.35	164	4.65	60.3
First Majestic	FMR-05-06	25.1	27.15	2.05	8.1
First Majestic	FMR-06-06	65.2	81.8	16.6	242.2
First Majestic		87.2	104.55	17.35	190.5
First Majestic		128.3	132.15	3.85	88
First Majestic	FMR-07-06	33.95	39.95	6	77.5
First Majestic		55.05	59.35	4.3	99.6
First Majestic		68.3	75.15	6.85	233.6
First Majestic	FMR-08-06	34.5	46.1	11.6	162
First Majestic		59.95	69	9.05	291.6
First Majestic	FMR-09-06	15.05	24.05	9	123.9
First Majestic		68.35	72.25	3.9	82.5
First Majestic	FMR-10-06	51.2	60.7	9.5	90
First Majestic		67.7	74.1	6.4	96.9
First Majestic	FMR-11-06	6.4	49.9	43.5	115.7
First Majestic	FMR-12-06	76.05	108.55	32.5	408
First Majestic	FMR-13-06	0	5.2	5.2	145
First Majestic		65.45	72.1	6.65	88
First Majestic	FMR-14-06	30.25	36.3	6.05	950.9
First Majestic		39	43.1	4.1	302.5
First Majestic	FMR-15-06	46.5	75.35	28.85	467.8
First Majestic		78.3	87.95	9.65	224.9
First Majestic		134.9	141.15	6.25	67.4
First Majestic	FMR-16-06	46.3	95.95	49.65	141.9
First Majestic	FMR-17-06	58.2	81.3	23.1	376.2
First Majestic		96.3	100.5	4.2	154.1

Table 6-7. Drill hole results for First Majestic. Only intervals = or > than 2.0 m = or > 60 g Ag are included. Intervals reported are down-hole intercepts, not true thicknesses.

Company	Hole No.	From M	To M	Interval M	g/t Ag
NSX Silver	DP-01-2012	21.88	23.65	1.77	78.3
NSX Silver	DP-02-2012			None	
NSX Silver	DP-03-2012			None	
NSX Silver	DP-04-2012			None	
NSX Silver	DP-05-2012			None	
NSX Silver	DP-06-2012			None	
NSX Silver	DP-07-2012	81	84	3	132.5
NSX Silver	DP-08-2012			None	
NSX Silver	DP-09-2012	64	68	4	72.7
NSX Silver		193.5	199.5	6	704.8
NSX Silver		217.5	226.5	9	242.4
NSX Silver		261	264	3	183
NSX Silver	DP-10-2012	241	244	3	275.6
NSX Silver	DP-11-2012	89	93	4	205.4
NSX Silver		268.5	273	4.5	80.9
NSX Silver	DP-12-2012	16.5	49.5	33	107.3
NSX Silver		54	57	3	215
NSX Silver	DP-13-2012	16	20.5	4.5	91.9
NSX Silver		50.5	53.5	3	63
NSX Silver		59.5	70	10.5	67.9
NSX Silver	DP-14-2012	0.88	7.5	6.62	166.7
NSX Silver		61.5	66	4.5	145.2
NSX Silver		76.5	91.5	15	89
NSX Silver	DP-15-2012	1.5	7.5	6	74.3
NSX Silver	DP-16-2012	9	18	9	67.6
NSX Silver		28.5	31.5	3	91.6
NSX Silver		37.5	61.5	24	117.2
NSX Silver		66	70.5	4.5	96.8
NSX Silver	DP-17-2013	28.6	30.6	2	33.5
NSX Silver	DP-18-2013	193.7	198.7	5	111
NSX Silver	DP-19-2013	149.25	151.5	2.25	183.5
NSX Silver	DP-20-2013	125.7	131.7	6	90.2
NSX Silver	DP-21-2013	0	7.8	7.8	77.9
NSX Silver		17.6	26.6	9	342.3
NSX Silver	DP-21A-2013	27.2	46.1	18.9	256.8
NSX Silver	DP-22-2013	126.45	140.6	14.15	241.6
NSX Silver	DP-23-2013	30.4	32.4	2	83.8
NSX Silver	DP-24-2013			None	
NSX Silver	DP-25-2013			None	
NSX Silver	DP-26-2013	91.3	132.3	41	400.1
NSX Silver	DP-27-2013			None	
NSX Silver	DP-28-2013			None	
NSX Silver	DP-29-2013	0	4.3	4.3	83.8
NSX Silver		10.3	20.9	10.6	165.3
NSX Silver		245.75	250.3	4.55	53.8
NSX Silver		253	257.6	4.6	141.5
NSX Silver		259.95	262.65	2.7	83.3
NSX Silver	DP-30-2013	203.6	214.1	10.5	236.7
NSX Silver	DP-31-2013			None	
NSX Silver	DP-32-2013	87.7	91.7	4	229.9

Table 6-8. Drill hole results for NS Gold/NS Silver. Only intervals = or > than 2.0 m = or > 60 g Ag are included. Intervals reported are down-hole intercepts, not true thicknesses.

NS Silver NS Gold drill holes DP-01- 2012 through DP-06-2012 were collared to test the geophysical anomalies (Figures 6.4 through 6.7) north of the Dios Padre mine. Results from these holes for both silver and copper-lead were disappointing with no significant intervals equal or exceeding two m at 60 g Ag or any copper or lead values greater than 1% intercepted.

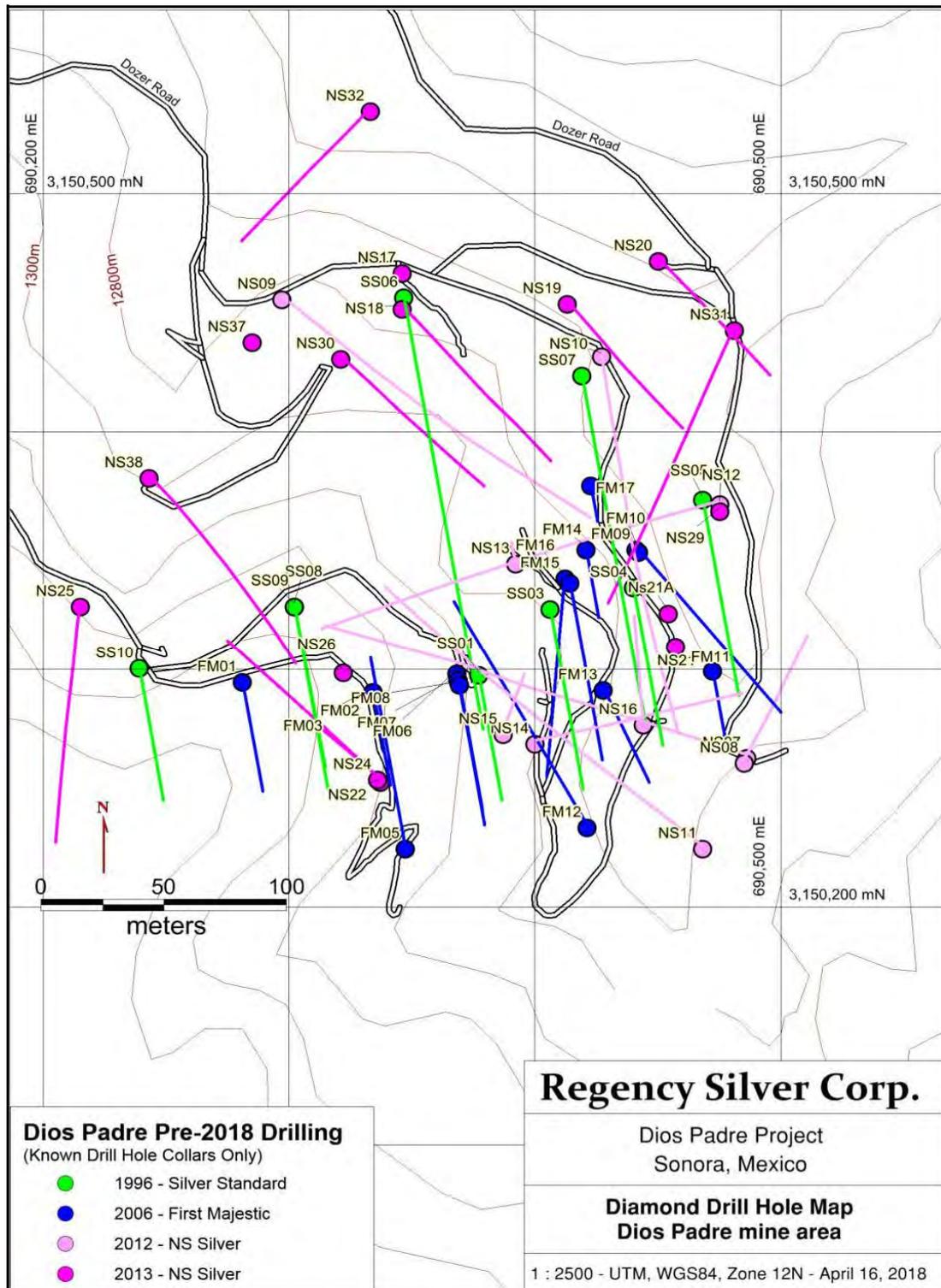


Figure 6-8. Pre-2018 diamond drill holes.

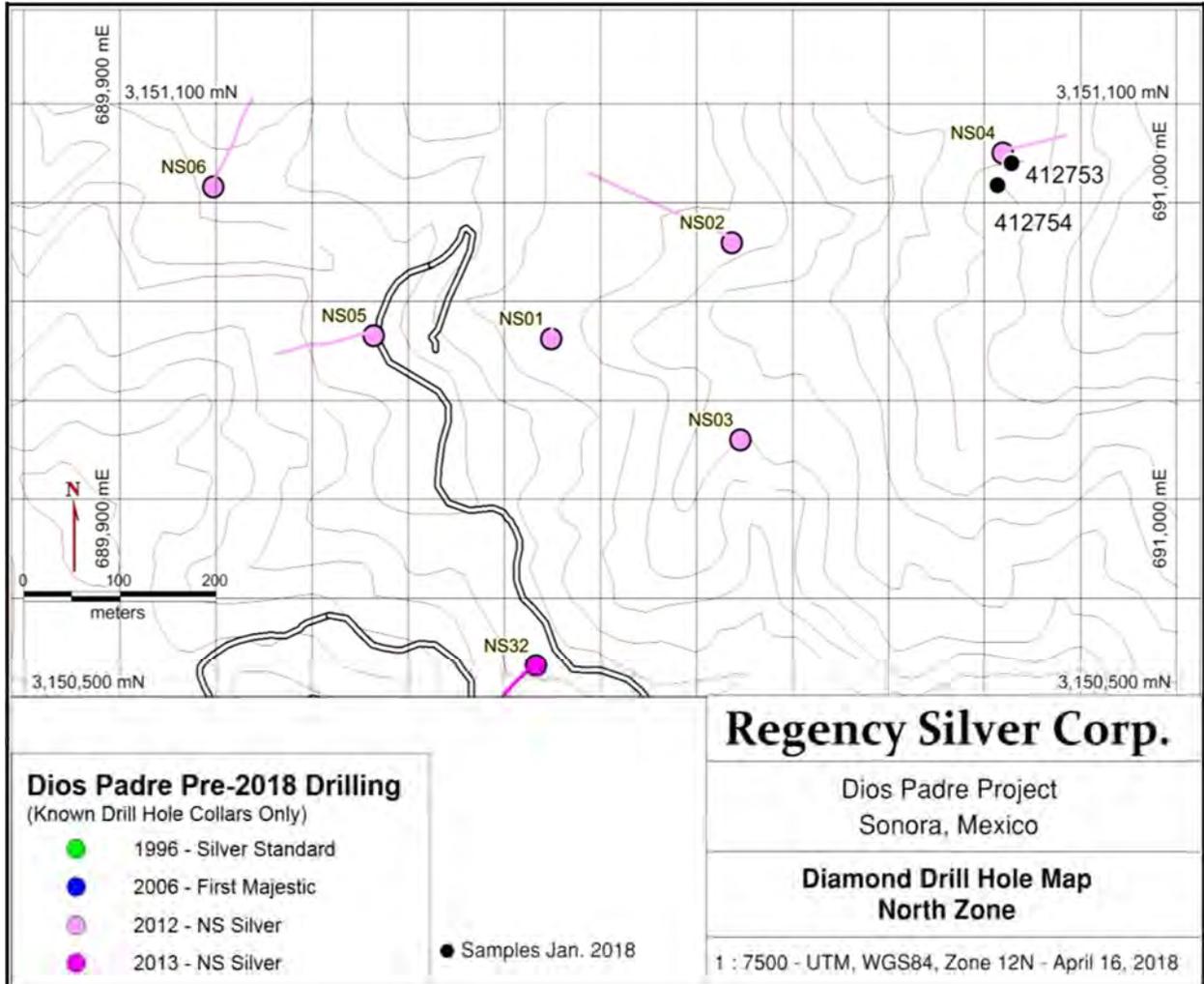


Figure 6-9. NS Silver drill holes DP-01-2012 through DP-06-2012. For reference location, NS Silver drill hole DP-32-2013 appears at the top of Figure 6.7 and the bottom of Figure 6.8.

## 7.0 GEOLOGICAL SETTING AND MINERALIZATION

### 7.1 Regional Geology

The Dios Padre Property is located on the western flank on the northern part of the Sierra Madre Occidental (SMO) physiographic province, a 1,400 km-long and 300 km-wide mountainous belt with elevations 2000 m above sea level.

*Stratigraphy-Structure:* The stratigraphy of the greater SMO consists of five main igneous complexes: (1) Late Cretaceous to Paleocene plutonic and volcanic rocks; (2) Eocene andesites and lesser rhyolites, traditionally grouped into the so-called “Lower Volcanic Series” (LVS); (3) silicic ignimbrites mainly emplaced during two pulses in the Oligocene (ca. 32–28 Ma) and Early Miocene (ca. 24–20 Ma), referred to as the “Upper Volcanic Series” (UVS); (4) transitional basaltic-andesitic lavas that erupted toward the end of, and after, each ignimbrite pulse and (5) post-subduction volcanism consisting of alkaline basalts and ignimbrites emplaced in the Late Miocene, Pliocene, and Pleistocene (Ferrari, et. al., 2007).

Since the Mesozoic, the region around Yecora (Figure 7.1) has been affected by three successive magmatic events directly related to the tectonic pulses resulting from the subduction of the Farallon plate beneath North America and to the opening of the Gulf of California. These rock units include 1) a calc-alkaline sequence (90 to 40 Ma) characterized by the emplacement of granitoids, 2) an Eocene-Oligocene (~35 Ma) sequence represented by calc-alkaline andesites and high potassium ignimbrites, and 3) a bimodal Oligocene-Miocene (30-17 Ma) sequence consisting of successive eruptions of basalt and basaltic andesite associated with acidic calc-alkaline tuffs and lavas (Cocheme, Demant, 1991). Stratigraphic units are summarized in Figure 7.2.

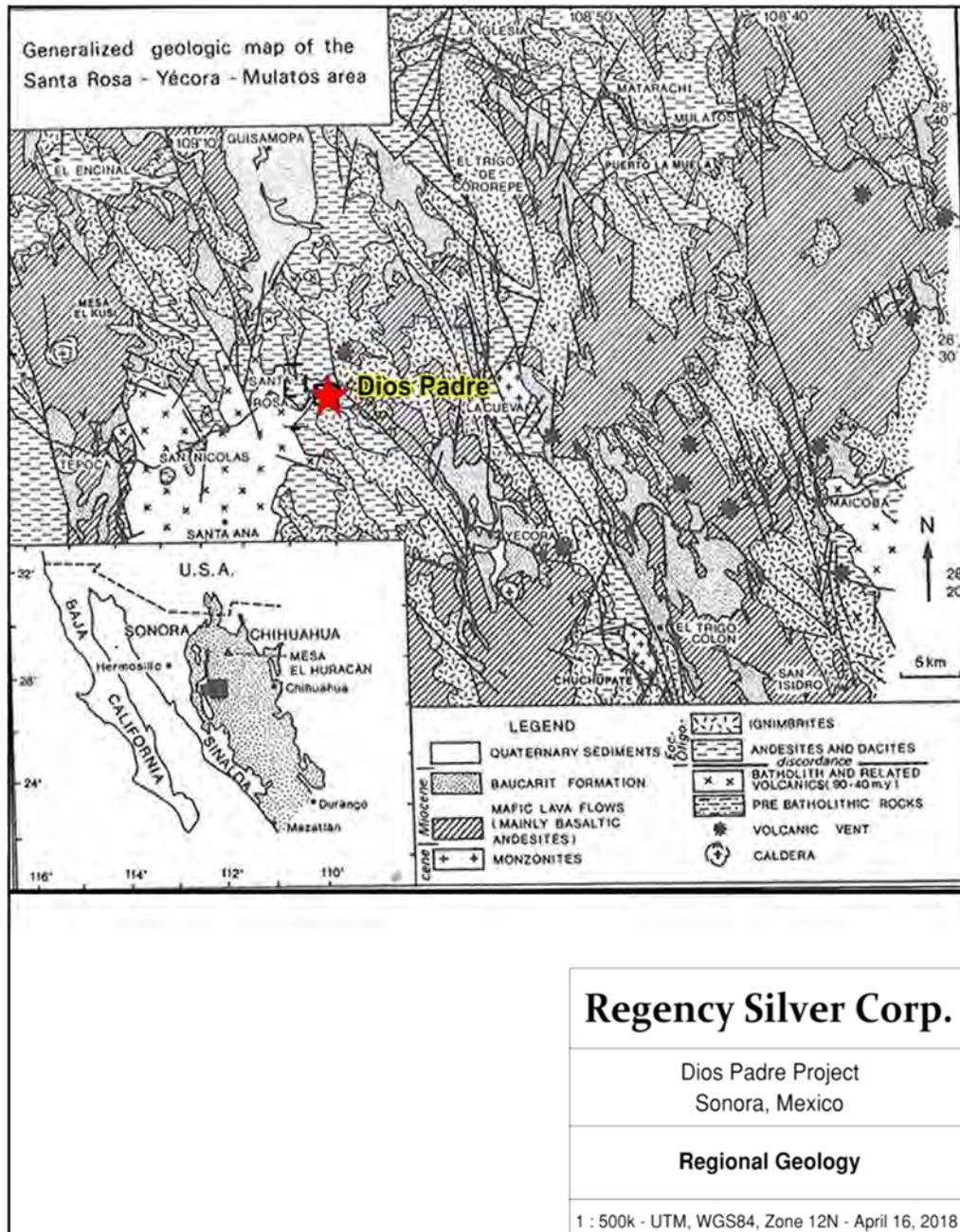


Figure 7-1. Geologic map of the Yecora area. The Dios Padre Property is shown as a red star (after Cocheme, Demant, 1991).

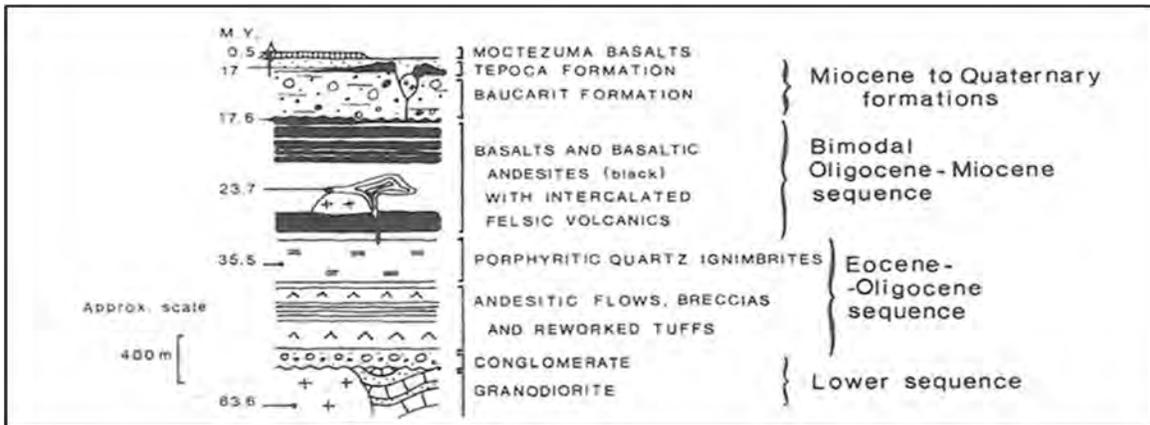


Figure 7-2. Stratigraphic units around Yecora. The Lower sequence partially correlates with the Lower Volcanic Series while the younger units comprise the Upper Volcanic Series (after Cocheme, Demant, 1991).

In the Yecora area, three distinct tectonic phases are recognized, including in relative age from oldest to youngest 1) N40°E to N64°E stress resulting in N10°W to N40°W striking faults, 2) N56°W to N88°W stress corresponding to faults striking N10°W to N20°E, and 3) NS compression resulting in ENE-WSW extension, dated in Baja California around 5-6 Ma (Cocheme, Demant, 1991). At the La Colorada mine located about half-way between Chihuahua City and Hermosillo (about 152 kms west-northwest of the Property) mineralization has been dated between 27 and 22 Ma within faults that strike ENE-WSW to E-W and dips both N and S.

*Metallogeny:* The SMO is host to both high-sulfidation and low-sulfidation epithermal gold-silver deposits. Many of the high-sulfidation precious metal systems appear to be high-level expressions of porphyry type copper-molybdenum (Cu +/- Mo) deposits that occur in the northern Sierra Madre. Many of the known mineral deposits were formed during the Laramide period (Late Cretaceous-early Tertiary) in northwest Mexico. These include Cu +/- Mo porphyry deposits and skarns, tungsten (W) deposits and related Au-Ag quartz veins. Most of the mineralization is related to calc-alkaline magmatism that was emplaced in a variety of environments from near-surface volcanic to deep plutonic settings. The middle Tertiary period (late Eocene-Oligocene) experienced a major mineralizing event, with the formation of a large number and variety of ore deposits in the SMO. Several of these deposits occur near the boundary of the UVS and LVS. The principal deposit types include low-sulfidation epithermal veins of Ag-Au (+/- Pb-Zn-Cu), high-sulfidation Au and Au-Cu deposits, and high-temperature carbonate hosted Pb-Ag deposits (Duncan, 2012).

Three significant epithermal gold-silver deposits are located northeast of the Property (Figure 5.). These include Pan American Silver's Dolores mine (124 kms ENE of the Property at 29°00' North, 108°32' West) which commenced operation in 2009. Current production from open pit operations is 20,000 TPD and production to date has been 31.6 Mozs of silver and 794,000 ounces of gold. Current proven and probable reserves (December 2017) are 34.7 Mt grading 30 g/t (33.0 Mozs silver) with 0.93 g/t gold (1,048 Mozs Au) and probable 16.3 Mt grading 25 g/t Ag (13.1 Mozs Ag) and 0.69 g/t Au (360koz Au). The Dolores mine is a low sulfidation epithermal system with gold and silver mineralization hosted in mid-Tertiary volcanic rocks as veins, stockworks, breccias, and shears (<https://www.panamericansilver.com>). Alamos Gold Inc's Mulatos mine (35 kms ENE of the Property at 108° 44' by 28° 39', Figure 7.1) is an epithermal high-sulfidation disseminated gold system hosted in a mid-Tertiary dacite dome complex. By early 2018, open-pit operations generated more than 1.7 million ounces of gold. As of EOY 2019, Proven (12,610,000 tonnes at an average grade of 1.28 g/t containing 520,000 ounces gold) and Probable (28,562,000 tonnes at an average grade of 1.14 g/t containing 1,043,000 ounces gold reserves) were 41.172Mt at a grade of 1.14 g/t gold containing 1.563M ounces (<https://www.alamosgold.com>). The La India mine of Agnico

Eagle, located about 17 kms northwest of Mulatos (at 24°43'19.6" North by 108°53.17'17.8" West) is an intrusion related, high sulfidation, epithermal gold-silver system. The mine, which began production in February 1, 2014 had Proven reserves of 279,000 tonnes, grading 0.49 g/t Au and 1.64 g/t Ag, and Probable reserves of 20,152,000 tonnes grading 0.75 g/t Au, and 2.63 g/t Ag as of December 31, 2019 (<https://www.agnicoeagle.com>).

The resources and reserves on the Mulatos, Dolores, and La India mines discussed above are not necessarily indicative of the mineralization on the Property and should not be relied on for any economic assessment of the Property.

## 7.2 Property geology

Regency has not yet conducted any geologic mapping on and around the Property and the descriptions of the lithology, structure, alteration and mineralization are based on the author's field visit, review of the available drill core, and descriptions from previous reports, some of which are listed in the References section.

The Dios Padre mine and surrounding area is underlain dominantly by porphyritic andesite, porphyritic rhyolite, and younger basalt (Figure 7.3). Previous authors (see Phillips, 2005, Duncan, 2012) surmise that these units lie within the uppermost LVC (Lower Volcanic Series). This conclusion is supported by Ferrari, et. al. (2007) who described the upper part of the Lower Volcanic Series (LVC) as being comprised of Eocene andesite and lesser rhyolite "traditionally" grouped in the LVC. In the Dios Padre mine area, these units are capped by basalt which may be part of the Upper Volcanic Series (UVC) suggesting a profound unconformity separating the basalt from older units. The base of the basalt was noted by Mclean and Ledgerwood (1966) to be mineralized, but no other observers commented on this. The age of mineralization at the La Colorada mine (22-27 Ma) located 152 kms west-northwest of the Property, would suggest that the basalts are well within the UVC as described in Figure 7.2, above. Volcaniclastic arenaceous sediments overlie the basalt. The thickness of the basalt and overlying sediment is believed to be less than 60 m.

The andesite has been described by Konkin (1996) as a medium to dark grey-green rock containing up to 10-15% 1-4 mm calcite altered plagioclase phenocrysts. Minor 2-3% 1-2 mm chlorite altered hornblende phenocrysts are also common with trace to 1% disseminated fine pyrite. The rhyolite porphyry is described as a pale buff yellow beige rock with 10-15% 1-3 mm plagioclase and quartz phenocrysts. Drill logs from the 1996 program describe dominant intervals of rhyolite porphyry intercepted in drill holes and this is confirmed by subsequent authors (Phillips, 2006, Duncan, 2012). Lithologic logging of just completed Regency drill holes indicated that the major lithology intercepted was andesite. Surface geologic mapping completed by First Majestic in 2006 indicated the western part of the Dios Padre stock is principally underlain by andesite while the eastern portions are comprised of rhyolite (Figure 7.3). Within and surrounding the Dios Padre stock, previous evaluators have logged transitional sub-volcanic rocks ranging from rhyodacite to latite in some drill holes indicating the composited nature of the stock.

*Dios Padre breccia zone:* As presently defined by drill holes and underground workings, the dimensions of the Dios Padre mineralized stock (i.e., the "Dios Padre breccia zone" or "DP breccia") are believed to be approximately 300 m long by 115 m wide, with a depth of at least 200 m aligned along a N70°E trend (Figure 7.4). To date, the DP breccia has not been completely closed off either laterally or at depth. The DP breccia is described as a semi-tabular to oval plug deformed to a bell-shaped body partly to completely constrained by pre-, syn- and post-mineral faults. However, based on drill evidence, the certainty of the fault-bounded contacts is greater in some areas than others.

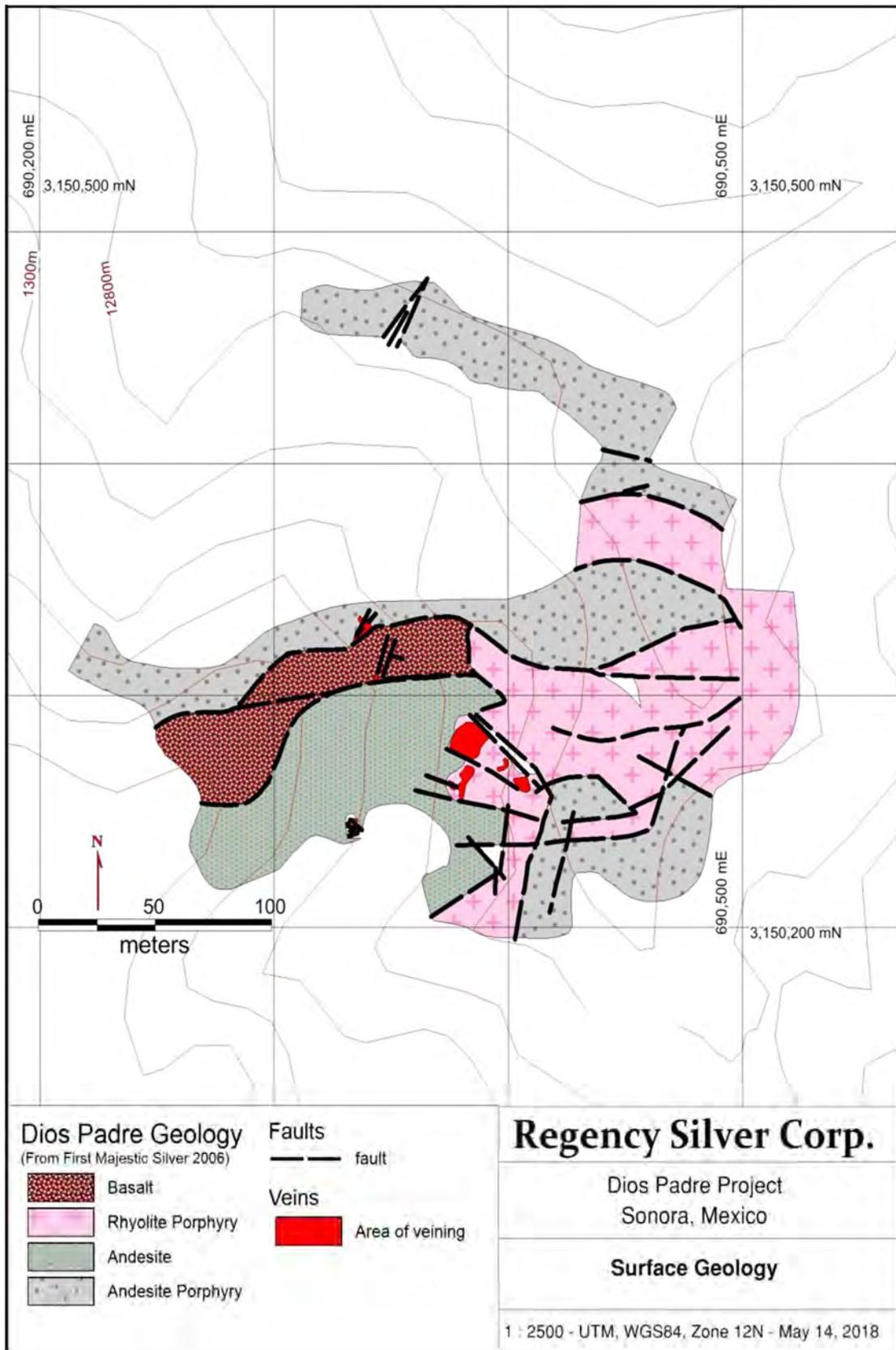


Figure 7-3. – Surface geologic map of the Dios Padre drill area.



Figure 7-4. Dios Padre mineralized breccia looking south.

The DP zone is made up of several composite magma pulses, has a  $70^\circ$  dip on the south side and a  $40^\circ$  dip on the north side. Konkin (1996) suggested the mineralized stock is bounded on the east by a northerly fault, while the north and south sides are constrained by a single anastomosing fault which was intercepted in Silver Standard drill holes DPD 96-09, and DPD 96-10.

Internally, the DP breccia is cut by numerous fractures and related breccias that in general, strike northwest and dip northeast at  $40^\circ$  to  $70^\circ$  (Mclean, Ledgerwood, 1966) while other fractures strike northeast and dip steeply to the northwest (Phillips, 2006). Konkin (1996) described internal, unaltered fault-bound blocks of andesite within the rhyolite porphyry, intercepted in drill holes DP 96-09 and DPD 96-10. In drill hole DPD 96-09 fracturing and brecciation intensified at higher levels of the stock. Konkin (1996) observed centimeter-scale, tabular brecciation and other observers noted flat-lying horizontal fractures and joints. Shearing has produced conjugate and link fractures and associated brecciation. Recent logging of Regency drill holes has defined several faults internal to the breccia body which are believed to be important to hosting mineralization. These are designated as *Fault 1*), the most common fault is characterized by 1 – 3 m wide crushed zones comprised of oxidized clay gouge, brecciated angular to infrequent milled fragments, and coarse rubble, *Fault 2*) small fractures 3-10 cm in width, with incremental slippage with clay at the top hanging wall and dry rock at the footwall, and *Fault 3*) a commonly intercepted set of listric-shaped, conjugate micro – fracture/faults, with a basal low angle  $5- 25^\circ$  from horizontal which transition to near vertical accommodation fractures dipping  $5-30^\circ$  at the upper end over a scale of less than 0.25 m. Many of these smaller faults and fractures with both normal and reverse movement strike north-northwest. Surface geologic mapping by NS Silver in 2011 recognized in road cuts, predominantly are east-west

(70°-80°) faults which dip either steeply south or more generally north 50° to 70°. Based on drill hole intercepts, dip angles of all faults within the mineralized Dios padre breccia are estimated at 20% at 0-20°, 60% at 20 to 60° and 20% at 70-80°. Fault widths (down-hole, not true widths) range from less than a meter to as much 15 meters. At least two stages of brecciation occurred. Primary breccia fragments (Stage 1 breccias) are often broken and partially or completely re-healed. Secondary breccias (Stage 2 breccias) consist of broken fragments of the Stage 1 type. In some instances, open voids and unfilled vugs suggest the second episode of brecciation and mineralization was not as intense as the first.

*Alteration – mineralization:* No definitive studies have been directed at determination of the mineralogy or paragenesis. However, previous evaluators (see Phillips, 2006, Duncan, 2012, Mclean, Ledgerwood, 1966) have described freibergite, pyrrargyrite, native silver, argentite, galena, tetrahedrite, sphalerite, chalcopyrite with quartz, pyrite, calcite, and especially common, barite gangue. Sulfide and sulfosalt minerals are generally coarse grained in vugs and cavities, and breccia fragment coatings, and fine grained in micro-fractures and stockworks and fault gouge. Konkin (1996) suggests that galena is more common in the upper limits of the breccia zone while tetrahedrite is more abundant in the lower part. Other evaluators indicate that sphalerite and barite occur only in the upper 30 m or so, while chalcopyrite, though scarce apparently increases with depth. Native silver was reported about 100 m beneath the surface. Typically, pyrite-galena-tetrahedrite (freibergite) associated with bladed barite and quartz occur as coarse in-filling in fractures and vugs. As observed by the authors in several drill holes, generally breccia fragments are closed (“crackle breccia”) with fragments partially or completely enclosed by quartz+barite+sulfides.

Logging of 2018 Regency drill holes, and selective re-logging of previous drill holes has defined mineralization types as 1) re-healed microfractures/stockworks, 2) fault conduits as gouge and breccia fragments, and 3) coarse breccia coatings, some of which are re-healed, and related fracture and vug fillings. Examples appear in Figure 7.5, below.

As would be expected, moderate argillic alteration is widespread around primary fault conduits, while discrete silicification is generally moderate to weak except in areas of fine stockwork/fracture sets. Propylitic alteration is more common and widespread. Konkin (1996) described the andesite as locally altered by weak to moderate, pervasive propylitic alteration with up to 2-3% barren calcite and quartz veinlets and stringers. Rhyolite porphyry has been strongly clay altered proximal to fault conduits. Multi-element analyses from drill core indicates that potassium is widely elevated in and around the Dios Padre stock, particularly in rhyolite. Quartz is reported as banded and sometimes drusy, typical of epithermal deposition. Oxidation is strongest in the upper 30 m or so and is mostly confined to and around structural conduits.

Metal associations of silver with copper, lead, zinc, and gold are poorly constrained. Table 7.1 indicates negative correlation of silver with gold copper lead and zinc. In contrast, base metals Cu-Pb-Zn have a strong correlation.

	<i>Ag_ppm_plot</i>	<i>Au_ppm_plot</i>	<i>Cu_pct_plot</i>	<i>Pb_pct_plot</i>	<i>Zn_pct_plot</i>
<i>Ag_ppm_plot</i>	1				
<i>Au_ppm_plot</i>	-0.028309395	1			
<i>Cu_pct_plot</i>	-0.003671991	-0.014544224	1		
<i>Pb_pct_plot</i>	-0.004697436	-0.015171807	0.99966979	1	
<i>Zn_pct_plot</i>	-0.003687024	-0.014548608	0.999999798	0.999673146	1

Table 7-1. Correlation of silver with Au, Cu, Pb, Zn based on all Ag intervals >71 g/t.



DP 21A -2013 39.5 – 41.9 m, 780 g Ag Breccia 1- stockwork, micro-fractures in rhyolite, note re-healed textures.



**RDP 18-02** 63.8 – 66.1 m, 931 g Ag Breccia 1,2 - primary and secondary breccia in andesite, note open vugs.



**DPD 26 -2013** 106 – 108 m, 1000 g Ag Fault 1 - fault gouge in rhyolite.

Figure 7-5. Mineralization textures, types at Dios Padre.

## 8.0 DEPOSIT TYPES

The Property is located at the southernmost tip of a belt of predominantly Low Sulphidation (“LS”) epithermal precious and base metal deposits that extends through much of western into southern Mexico. The mostly Tertiary deposits are generally associated with volcanic rocks comprising the Sierra Madre Occidental, which extends in excess of 2,000 kilometers from the US-Mexico border to the Trans-Mexican volcanic belt where it is covered (Figure 8.1). Epithermal deposits within the Tertiary volcanic belt mainly formed less than 2.0 million years after the occurrence of the youngest acid volcanic rocks in early Oligocene, (Camprubi, et. al., 2003).

The Mexican epithermal deposits are believed to be related to intrusive rocks that crystallized during pauses in volcanic activity, providing a heat source and related mineralizing fluids and ligands (Camprubi, et. al., 2003). The deposits are closely related to regional structures and although the overall trend is dominantly northwest, several east-northeast faults that are believed to have been reactivated during the Laramide Orogeny have localized systems (Camprubi, Albinson, 2007).

The breccia-hosted mineralization observed on the Dios Padre Property conforms to a low sulphidation epithermal Pacific Rim model of mineralization by Corbett and Leach (1998), (Figure 8.2). Specifically, within this environment, breccia-hosted mineralization Ag (+/-Au-Ag-Cu-Pb-Zn) is regarded as a phreatic breccia (or hydrothermal breccia). Phreatic breccia structures ubiquitously occur in the upper levels of hydrothermal systems, towards their discharge zone where physical conditions lead to hydraulic fracturing and hydrothermal/phreatic brecciation. Deep-seated hydrothermal/phreatic eruptions occur at depths of around 850-1,000 m depth. These deep phreatic events generate breccia conduits that represent the main access ways of the hydrothermal fluids

towards the surface. The major channeling of the mineralized solutions within the country rocks along these paths is mainly responsible for the genesis of high-grade ore bodies. The contacts of the phreatic breccia pipes with their host rocks are usually sharp, but they have an irregular shape, with multiple interpenetrations, which form finger-like contacts. Characteristics and features of phreatic breccias are summarized in Table 8.1 (Tamas, Milesi, 2003).

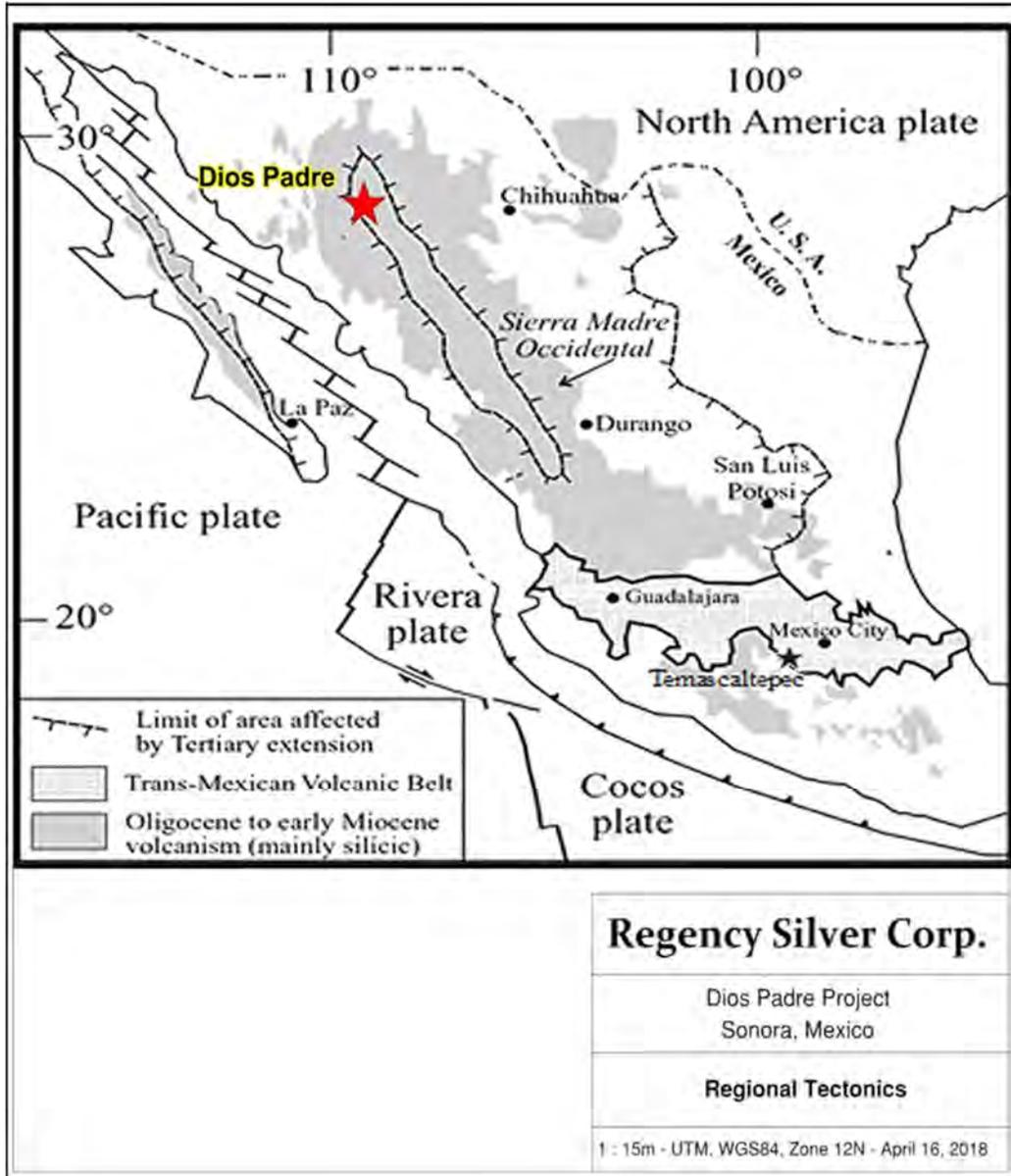


Figure 8-1 Tectonic map of Mexico. Tertiary extension and volcanism and the present configuration of plates (Camrubi, et. al., 2003). The Dios Padre Property is located by the red star.

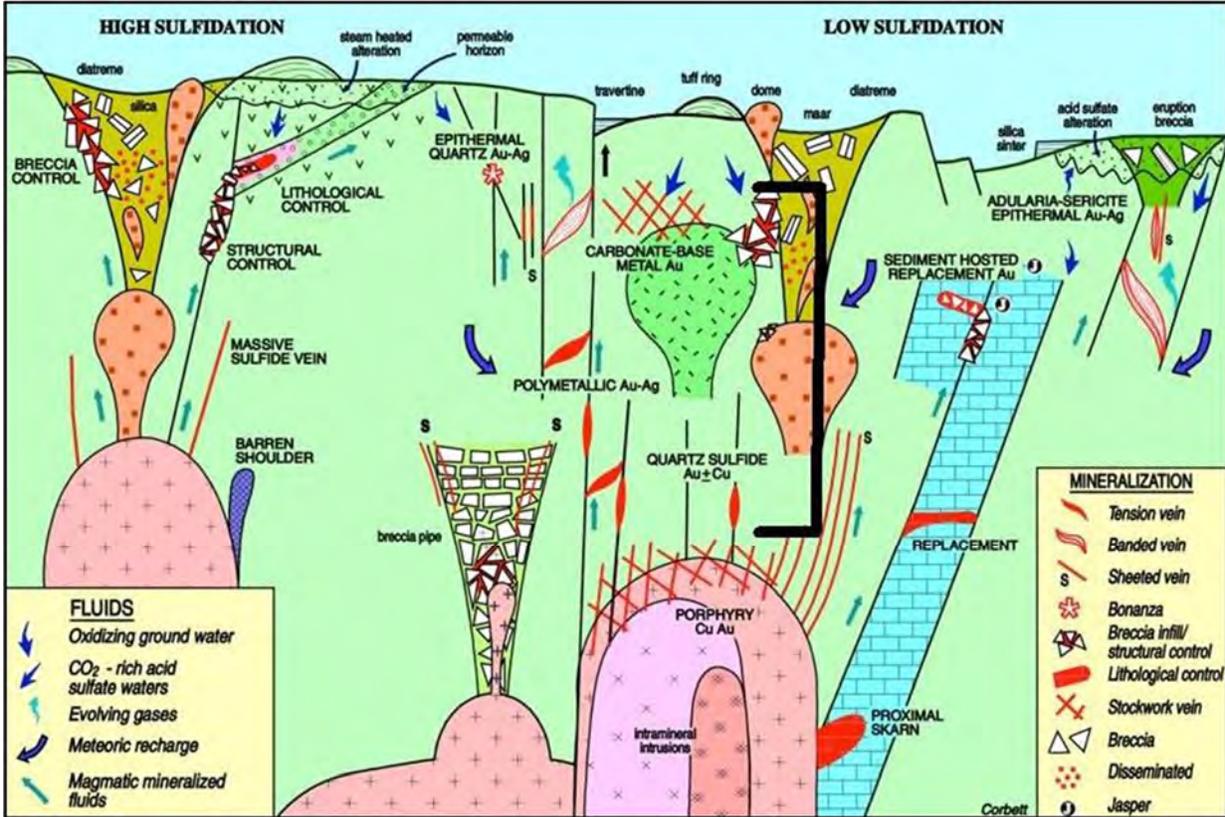


Figure 8-2 A Pacific Rim model of mineralization. The Dios Padre mineralized breccia occurs within the continuum (defined by the black lines) between an intrusive stock and the sub-surface. Vertical and horizontal distances are schematic (after Corbett, Leach, 1998).

<b>Items</b>	<b>Description</b>
<i>Environment/ Depth of formation</i>	Shallow depth of emplacement; volcanic/geothermal
<i>General form/ Geometry</i>	Inverted cone, pipe like but commonly irregular bodies (which range from small veins and veinlets to large pipes, tabular masses, and anastomosing bodies) <sup>3</sup>
<i>Dimensions</i>	Horizontal dimensions: several meters to hundreds of meters; usually up to 500m; Vertical dimensions: less than 300m (boiling level).
<i>Breccia – host rock contact features</i>	Sharp complex finger-like contacts; gradation to stockwork fracturing. Marginal sheeted zone and rocks adjacent to the pipe may be densely crackled, and lead to jigsaw (mosaic) or crackle breccias.
<i>Fragments</i>	Fragments mixed.  <u>Shape:</u> - angular to sub-rounded, generally more angular; The movement of the fragments within the pipe is often minor.  <u>Composition:</u> - no juvenile fragments;  - fragments from earlier mineralization events (with typical features of epithermal mineralization, such as crustiform banding, hydrothermal mud, gangue minerals); - significant proportion of stockworked country rock fragments and earlier breccias.
<i>Matrix</i>	- Variable amount of matrix, often low in volume, usually replaced; - matrix less than 50%, fragment dominated; - rock flour, hydrothermal clays and gangue minerals; - frequent open spaces and fragment supported breccias; - usually fragments are covered by hydrothermal cement (ore or gangue minerals); - rock flour matrix usually absent in the upper parts of the pipe.
<i>Alteration</i>	- Pervasive alterations (silicification, potassium silicate, phyllic, argillic); - clasts onion-skin or exfoliated textures; - hydrothermally altered clasts in a clayly matrix; - widespread occurrence of quartz as both pervasive replacement of, and cement to fragments.
<i>Mineralization</i>	- High grade mineralization mostly as vugs infilling, replacement of matrix and clasts; - ore clasts from earlier mineralization events; - ore cement; - overprinting veins;

Table 8-1. Features and characteristics of phreatic breccias (after, Tamas, Milesi, 2003).

## 9.0 EXPLORATION

With the exception of drilling described in Section 10, Regency has not conducted any exploration on the Property.

### 10.0 DRILLING

Under contract with Toro Drilling S.A. de C.V. (Hermosillo, Sonora, Mexico) Regency commenced a diamond drill campaign on January 23, 2018 which was completed on February 5, 2018. A Golden Bear 1400 Model N, track-mounted core rig (Figure 10.1) used HQ sized core rod reduced to NQ to penetrate underground workings. A Reflex EZ- Shot® electronic single shot magnetic instrument provided down-hole deflection. Drill operations were supervised on-site by the technical services company, ProDeMin of Guadalajara, Mexico. Execution and management of the drill program was supervised by three on-site, ProDeMin geologists and at the completion of the program two geologists remained to log core.

The 2018 drill program undertaken by Regency consisted of 13 drill holes accruing 1,208.3 m. Collar and down-hole parameters for each drill hole are summarized in Table 10.1 below. The overall objective of the program was in-fill, and confirmation drilling leading to development of a NI 43-101 compliant resource estimate described within section 14 of this Technical Report.



Figure 10-1. Regency diamond drill hole RDP-18-07.

Regency drill hole collars were capped, labeled and cemented with a plastic pipe and then accurately surveyed with a ProMark 200/220 differential GPS unit. Initially, the survey relied on a local base station but a malfunction required that the signal was subsequently acquired from the Hermosillo station.

Drill hole	WGS 84-Z 12N		Elev. m	Total depth m	Down Hole				
	East	North			Core-HQ	Core-NQ	Depth m	Azimuth	Inclination
<b>RDP-18-01</b>	<b>690,454</b>	<b>3,150,309</b>	<b>1,284</b>	<b>77.4</b>	<b>77.4</b>		<b>0</b>	<b>270</b>	<b>-75</b>
RDP-18-01							40	263.39	-75.81
RDP-18-01							77.4	263.99	-76
<b>RDP-18-02</b>	<b>690458</b>	<b>3150309</b>	<b>1284</b>	<b>80</b>	<b>80</b>		<b>0</b>	<b>206</b>	<b>-60</b>
RDP-18-02							40	199.96	-59.49
RDP-18-02							80	200.56	-59.82
<b>RDP-18-03</b>	<b>690,475</b>	<b>3,150,367</b>	<b>1,254</b>	<b>74</b>	<b>74</b>		<b>0</b>	<b>188</b>	<b>-65</b>
RDP-18-03							35	179.44	-64.1
RDP-18-03							70	181.94	-64.41
<b>RDP-18-04</b>	<b>690,470</b>	<b>3,150,369</b>	<b>1,252</b>	<b>88</b>	<b>88</b>		<b>0</b>	<b>270</b>	<b>-45</b>
RDP-18-04							40	263.54	-44.18
RDP-18-04							85	263.42	-44.65
<b>RDP-18-05</b>	<b>690,474</b>	<b>3,150,366</b>	<b>1,252</b>	<b>82.4</b>	<b>82.4</b>		<b>0</b>	<b>252</b>	<b>-50</b>
RDP-18-05							40	244.91	-49.61
RDP-18-05							82	245.03	-49.83
<b>RDP-18-06</b>	<b>690,444</b>	<b>3,150,278</b>	<b>1,275</b>	<b>86</b>	<b>86</b>		<b>0</b>	<b>350</b>	<b>-68</b>
RDP-18-06							43	335.24	-67.3
RDP-18-06							86	336.75	-67.33
<b>RDP-18-07</b>	<b>690,444</b>	<b>3,150,278</b>	<b>1,275</b>	<b>85.5</b>	<b>85.5</b>		<b>0</b>	<b>307</b>	<b>-45</b>
RDP-18-07							40	294.32	-45.28
RDP-18-07							85.5	294.7	-46
<b>RDP-18-08</b>	<b>690,444</b>	<b>3,150,278</b>	<b>1,275</b>	<b>80.4</b>	<b>53.4</b>	<b>27</b>	<b>0</b>	<b>265</b>	<b>-70</b>
RDP-18-08							40	253.88	-70.37
RDP-18-08							80	250.73	-70.35
<b>RDP-18-09</b>	<b>690,431</b>	<b>3,150,352</b>	<b>1,277</b>	<b>63.2</b>	<b>63.2</b>		<b>0</b>	<b>315</b>	<b>-45</b>
RDP-18-09							30	305.26	-45.12
RDP-18-09							63.2	303.81	-45.13
<b>RDP-18-10</b>	<b>690,433</b>	<b>3,150,352</b>	<b>1,274</b>	<b>82.7</b>	<b>76.7</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>-65</b>
RDP-18-10							38	355.13	-61.03
RDP-18-10							79.2	354.89	-60.86
<b>RDP-18-11</b>	<b>690,320</b>	<b>3,150,304</b>	<b>1,360</b>	<b>134</b>	<b>128</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>-70</b>
RDP-18-11							67	354.14	-71.24
RDP-18-11							134	355.64	-71.24
<b>RDP-18-12</b>	<b>690,373</b>	<b>3,150,301</b>	<b>1,328</b>	<b>143.5</b>	<b>35.5</b>	<b>108</b>	<b>0</b>	<b>240</b>	<b>-80</b>

RDP-18-12							70	248.12	-77.97
RDP-18-12							143	226.49	-77.64
<b>RDP-18-13</b>	<b>690,323</b>	<b>3,150,303</b>	<b>1,360</b>	<b>131.2</b>	<b>113.2</b>	<b>18</b>	<b>0</b>	<b>45</b>	<b>-75</b>
RDP-18-13							65	39.76	-75.31
RDP-18-13							131.2	34.8	-75.45

Table 10-1. Regency 2018 drill hole parameters.

Core recovery is the amount (i.e., length) of recovered core divided by the total length of the core run. Rock-quality designation (RQD) is a rough measure of the degree of jointing or fracturing in a rock mass, measured as a percentage of the drill core in lengths of 10 cm or more. High-quality rock has an RQD of more than 75%, low quality less than 50%. Average down-hole core recovery and RQD is summarized in Table 10.2 below. In general, core recovery was very poor when underground workings were intercepted, but generally excellent in areas of competent rock.

<b>Drill hole</b>	<b>Core Recov.%</b>	<b>RQD %</b>
<b>RDP-18-01</b>	93.7	71.5
<b>RDP-18-02</b>	92.6	55.4
<b>RDP-18-03</b>	92.1	69.4
<b>RDP-18-04</b>	83.7	51.4
<b>RDP-18-05</b>	92.5	69.3
<b>RDP-18-06</b>	97.3	78.2
<b>RDP-18-07</b>	96.6	76.2
<b>RDP-18-08</b>	80.7	53.2
<b>RDP-18-09</b>	82.3	11.7
<b>RDP-18-10</b>	76.9	55.4
<b>RDP-18-11</b>	86.1	15.8
<b>RDP-18-12</b>	83.1	32.2
<b>RDP-18-13</b>	93.0	47.0
Average	88.5	52.8

Table 10-2. Average core recovery and RQD, Regency 2018 drill holes.

Drill operations were conducted 24 hours per day, and shift changes occurred each 12 hours. Drill core was collected on site and packaged in plastic core boxes, labeled, and transported to the logging facility at the end of each shift. Core was then cleaned, and quick logged for obvious mineralization and structures. Core with visible or suspected mineralization was half-sawed with a 2-hp core saw with a 10-inch blade. All sawed and unsawed core was then systematically photographed. The half-sawed core selected for analyses was double-bagged in a plastic sample bags, with an inserted sample tag, and secured with a zip lock tie. All bagged samples ready for shipment to the assay lab, Bureau Veritas Mineral Laboratories in Hermosillo, Sonora were stored in a secure facility prior to transport. Bagged core ready for analyses was picked up approximately every 4-5 days and transported directly to the Hermosillo lab. All remaining core from the Regency program is stored in a locked secure facility at the project site.

The collar locations, and traces of all Regency drill holes, relative to historic drill holes are shown in Figure 10.3. Assay intervals for all Regency 2018 drill holes are summarized in Table 10.5. Down-hole assay intervals for silver from Regency and previous programs are shown in Figures 10.3 through 10.5. Un-assayed Regency core which contained no visible or apparent mineralization, as determined by the supervising ProDeMin geologist is summarized in Table 10.3.

In addition to drilling operations, ProDeMin geologists re-logged select historical drill core, focusing on lithology, alteration, mineralization, and structure (Figure 10.2). Recognized inconsistency in the quality of previous logging necessitated this exercise. A total of 2,410.5 m was re-logged during this phase of the drill operations (Table 10.4).

Company	Drill Hole	Sum of Intervals m	Total Depth m	% of Total Depth
Regency Silver	RDP-18-08	9.65	80.4	12
Regency Silver	RDP-18-09	63.2	63.2	100
Regency Silver	RDP-18-10	24.25	82.7	29
Regency Silver	RDP-18-11	71.5	134	53
Regency Silver	RDP-18-12	10.5	143.5	7
Regency Silver	RDP-18-13	19.65	131.2	15
<b>TOTAL</b>		<b>198.75</b>		

Table 10-3. Un-assayed Regency drill core.



Figure 10-2. Regency on-site core logging.

Drill hole	Meters	Drill hole	Meters
DP-07-2012	24	DPD 96-03	49.4
DP-09-2012	140	DPD 96-04	46.7
DP-10-2012	22.5	DPD 96-05	36.6
DP-11-2012	38	DPD 96-07	70.3
DP-12-2012	73.5	DPD 96-09	133.2
DP-14-2012	75	FMR-01-06	134.75
DP-16-2012	72	FMR-03-06	143
DP-18-2013	16.6	FMR-04-06	60.4
DP-19-2013	6.2	FMR-06-06	112
DP-20-2013	24	FMR-07-06	99.45
DP-21-2013	28	FMR-08-06	77.7
DP-21A-201	83.28	FMR-09-06	6.8
DP-22-2013	90	FMR-11-06	51.4
DP-26-2013	134.6	FMR-12-06	127.85
DP-29-2013	68.6	FMR-14-06	72.25
DP-30-2013	61.5	FMR-15-06	110.15
DP-32-2013	2	FMR-16-06	31.95
DPD 96-01	45.2	FMR-17-06	41.6

Table 10-4. Pre-Regency drill holes, re-log totals.

Significant underground workings consisting of stopes, adits, shafts, raises, levels, etc. have been historically documented. Historic reports discuss at length the geometry, extent, condition, and contents of the workings but the ultimate volume and extent of workings remains incompletely known. It is apparent from Regency and previous company drill intercepts logged as intercepting workings, that many areas of in-situ material consist of back-fill material remaining as a process of past mining. Some areas identified by log, and verified by core photos when available, represent areas of historic production. Through core drilling, some of the back-fill in these areas returned significant grades of Ag while many returned low Ag or are open void areas. Drill hole intercepts identified as “not in-situ material” i.e., back-fill (68 intercepts, 35 with backfill, 18 without backfill and 15 unknown) or no mention beyond encountering “workings” in the drill log are listed in Table 10.5. Based on Regency logging, work by First Majestic, and the proportion of drill hole intercepts identified as likely back-fill material or unknown material with Ag grades above 200 ppm, the authors estimate 5 % to 15 % of the total volume of the workings contain backfill that is mineralized above 100 ppm Ag.

Workings - Ag grades	Count of intervals	Meters	Average Ag ppm
>200 ppm Ag	10	27	377
100-200 ppm Ag	8	16.7	126
40-100 ppm Ag	11	34.9	69
10-40 ppm Ag	11	46.5	23
2-10 ppm Ag	5	30.4	6
0-2 ppm Ag	10	9.4	
Open Workings	13	92.2	
Total	67	252	

Table 10-5. Drill intercepts within workings and silver grades.

No drill intercepts which intersected underground workings were included in the resource estimate (section 14, below). All underground drill intervals within the block model were assigned “0” g/t Ag.

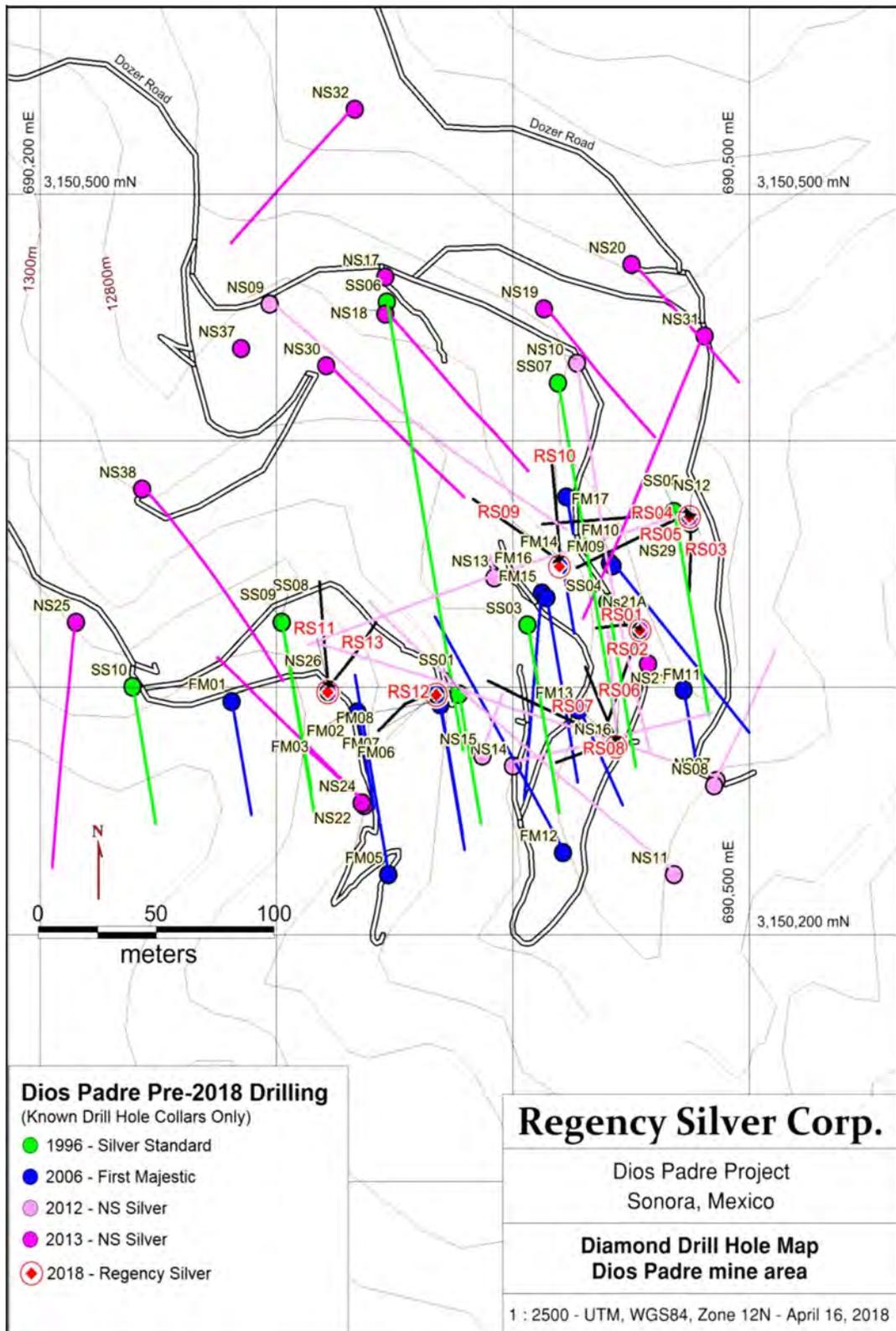


Figure 10-3. Regency 2018, and historic drill hole collars and traces.

Drill hole	From m	To m	Interval m	Ag ppm	Au ppm	Cu %	Pb %	Zn %
RDP-18-01	0.00	63.50	63.50	124	0.119	0.08	0.17	0.04
	26.00	34.00	8.00	369	0.052	0.16	0.06	0.03
	55.00	63.50	8.50	235	0.084	0.23	0.05	0.05
RDP-18-02	1.50	69.70	68.20	158	0.346	0.05	0.33	0.04
	21.00	69.00	48.00	209	0.470	0.07	0.22	0.03
	31.00	36.00	5.00	680	0.236	0.18	0.22	0.06
	<i>inc. 31.0</i>	<i>32.00</i>	<i>1.00</i>	<i>1241</i>	<i>0.204</i>	<i>0.2703</i>	<i>0.4308</i>	<i>0.0865</i>
	<i>inc. 34.0</i>	<i>36.00</i>	<i>2.00</i>	<i>967</i>	<i>0.1075</i>	<i>0.2988</i>	<i>0.1694</i>	<i>0.0825</i>
	50.00	68.00	18.00	224	0.257	0.07	0.37	0.04
	65.00	68.00	3.00	724	0.337	0.22	1.08	0.17
RDP-18-03	0.00	29.00	29.00	135	0.179	0.06	0.23	0.02
	8.00	25.00	17.00	189	0.230	0.08	0.14	0.02
	53.00	61.00	8.00	1.00	0.318	0.00	0.05	0.00
RDP-18-04	7.20	38.00	30.80	99	0.451	0.04	0.15	0.06
	16.00	29.00	13.00	201	0.214	0.07	0.17	0.03
	16.00	20.00	4.00	359	0.081	0.10	0.49	0.05
	<i>inc. 16.00</i>	<i>17.00</i>	<i>1.00</i>	<i>534</i>	<i>0.094</i>	<i>0.13</i>	<i>0.44</i>	<i>0.06</i>
RDP-18-05	0.00	66.35	66.35	47	0.557	0.02	0.20	0.02
	0.00	35.00	35.00	69	0.652	0.02	0.33	0.02
	22.60	34.00	11.40	26	1.513	No assay		
RDP-18-06	4.00	64.00	60.00	131	0.181	0.09	0.28	0.05
	0.20	12.00	11.80	76	0.047	0.10	1.38	0.04
	23.00	62.00	39.00	174	0.251	0.10	0.08	0.03
	23.00	29.00	6.00	230	0.020	0.06	0.05	0.03
	23.00	27.00	4.00	249	0.022	0.06	0.06	0.03
	29.00	57.00	28.00	89	0.333	No assay		
	38.00	41.00	3.00	445	0.171	0.13	0.27	0.02
	<i>inc. 39.00</i>	<i>40.00</i>	<i>1.00</i>	<i>812</i>	<i>0.153</i>	<i>0.21</i>	<i>0.47</i>	<i>0.03</i>
	58.00	62.00	4.00	718	0.075	0.68	0.04	0.12
	68.00	86.00	18.00	28	0.848	0.02	0.02	0.01
	<i>inc. 59.00</i>	<i>60.00</i>	<i>1.00</i>	<i>1704</i>	<i>0.074</i>	<i>1.63</i>	<i>0.05</i>	<i>0.28</i>
	RDP-18-07	1.50	57.00	55.50	40	0.038	0.04	0.41
1.50		21.00	19.50	85	0.051	0.08	0.75	0.08
69.00		85.50	16.50	64	0.221	0.02	0.14	0.05
RDP-18-08	0.50	60.00	59.50	76	0.082	0.04	0.50	0.06
	0.50	45.30	44.80	94	0.098	0.05	0.49	0.06
	0.50	24.00	23.50	143	0.115	0.07	0.61	0.04
	<i>inc. 5.40</i>	<i>6.00</i>	<i>0.60</i>	<i>746</i>	<i>0.188</i>	<i>0.9266</i>	<i>2.89</i>	<i>0.3599</i>
	40.00	45.30	5.30	103	0.297	0.03	0.48	0.04
	54.95	60.00	5.05	60	0.093	0.08	1.53	0.13

Drill hole	From m	To m	Interval m	Ag ppm	Au ppm	Cu %	Pb %	Zn %
<b>RDP-18-09</b>	No assay							
<b>RDP-18-10</b>	16.05	30.30	14.25	40	0.010	0.04	0.57	0.14
	60.45	79.70	19.25	104	0.207	0.05	0.17	0.02
	<i>inc. 78.7</i>	<i>79.70</i>	<i>1.00</i>	<i>680</i>	<i>0.071</i>	<i>0.33</i>	<i>0.06</i>	<i>0.07</i>
<b>RDP-18-11</b>	122.50	134.00	11.50	163	0.527	0.10	0.38	0.21
<b>RDP-18-12</b>	23.50	70.50	47.00	113	0.037	0.03	0.67	0.08
	25.50	66.50	41.00	121	0.034	0.04	0.70	0.07
	91.00	133.50	42.50	258	0.121	0.14	0.17	0.04
	98.50	111.00	12.50	558	0.070	0.26	0.41	0.07
	<i>inc. 103.70</i>	<i>106.00</i>	<i>2.30</i>	<i>1743</i>	<i>0.109</i>	<i>0.78</i>	<i>0.71</i>	<i>0.16</i>
<b>RDP-18-13</b>	104.90	120.30	15.40	326	0.103	0.17	1.64	0.10
	110.20	131.20	21.00	234	0.494	0.12	1.07	0.10
	<i>inc. 113.20</i>	<i>114.20</i>	<i>1.00</i>	<i>1273</i>	<i>0.258</i>	<i>0.8452</i>	<i>4.001</i>	<i>0.2069</i>
	<i>inc. 117.10</i>	<i>118.00</i>	<i>0.90</i>	<i>938</i>	<i>0.162</i>	<i>0.5674</i>	<i>3.84</i>	<i>0.2255</i>
	<i>inc. 119.20</i>	<i>120.30</i>	<i>1.10</i>	<i>670</i>	<i>0.12</i>	<i>0.1218</i>	<i>0.1328</i>	<i>0.1145</i>

Table 10-6. Regency 2018 drill holes, select assay results. *Inc.* means an intercept included in the interval above. Intervals reported are down-hole intercepts, not true thicknesses.

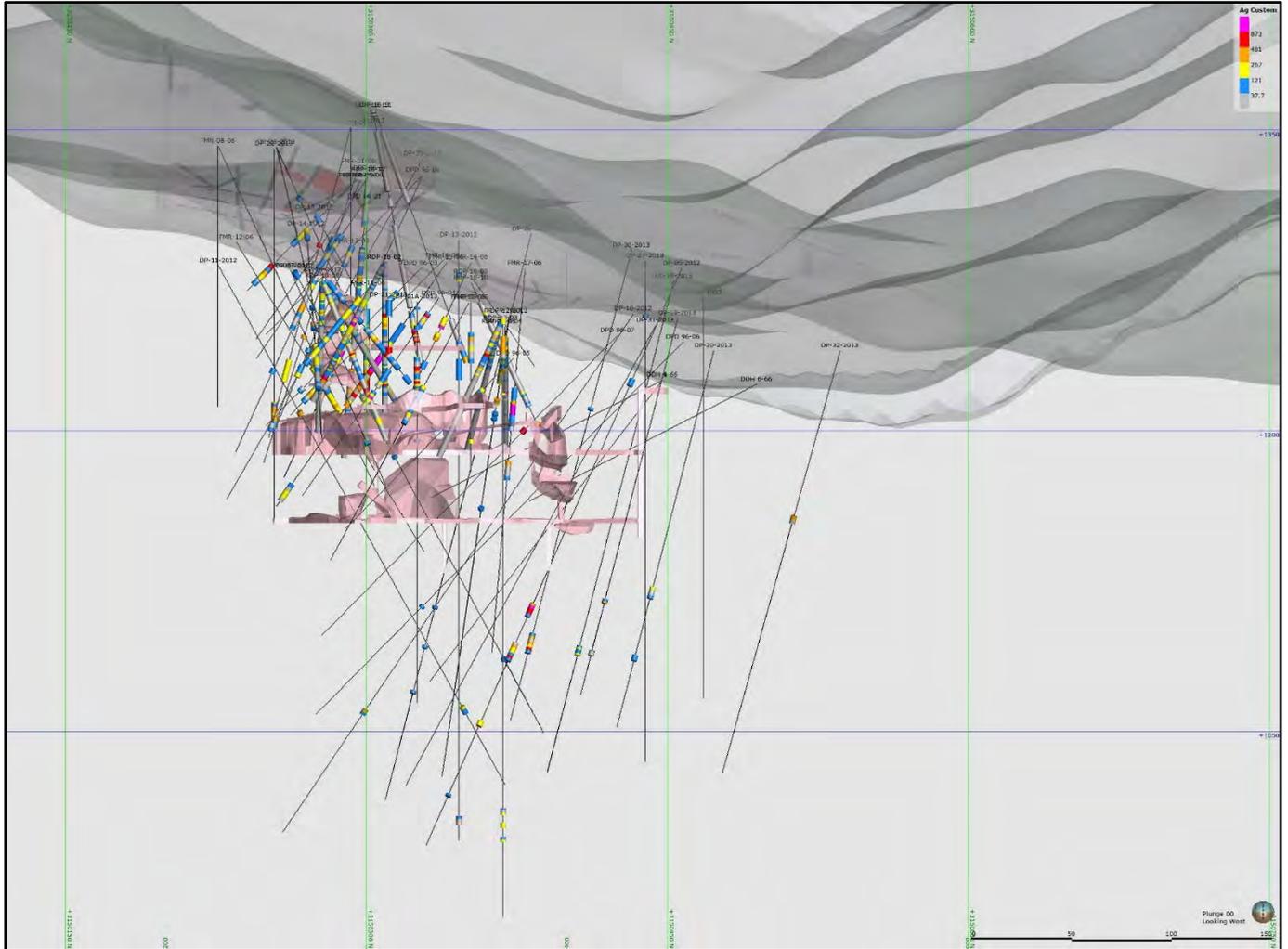


Figure 10-4. Regency and historic drill holes looking west. Dios Padre historic underground workings are shown in pink.

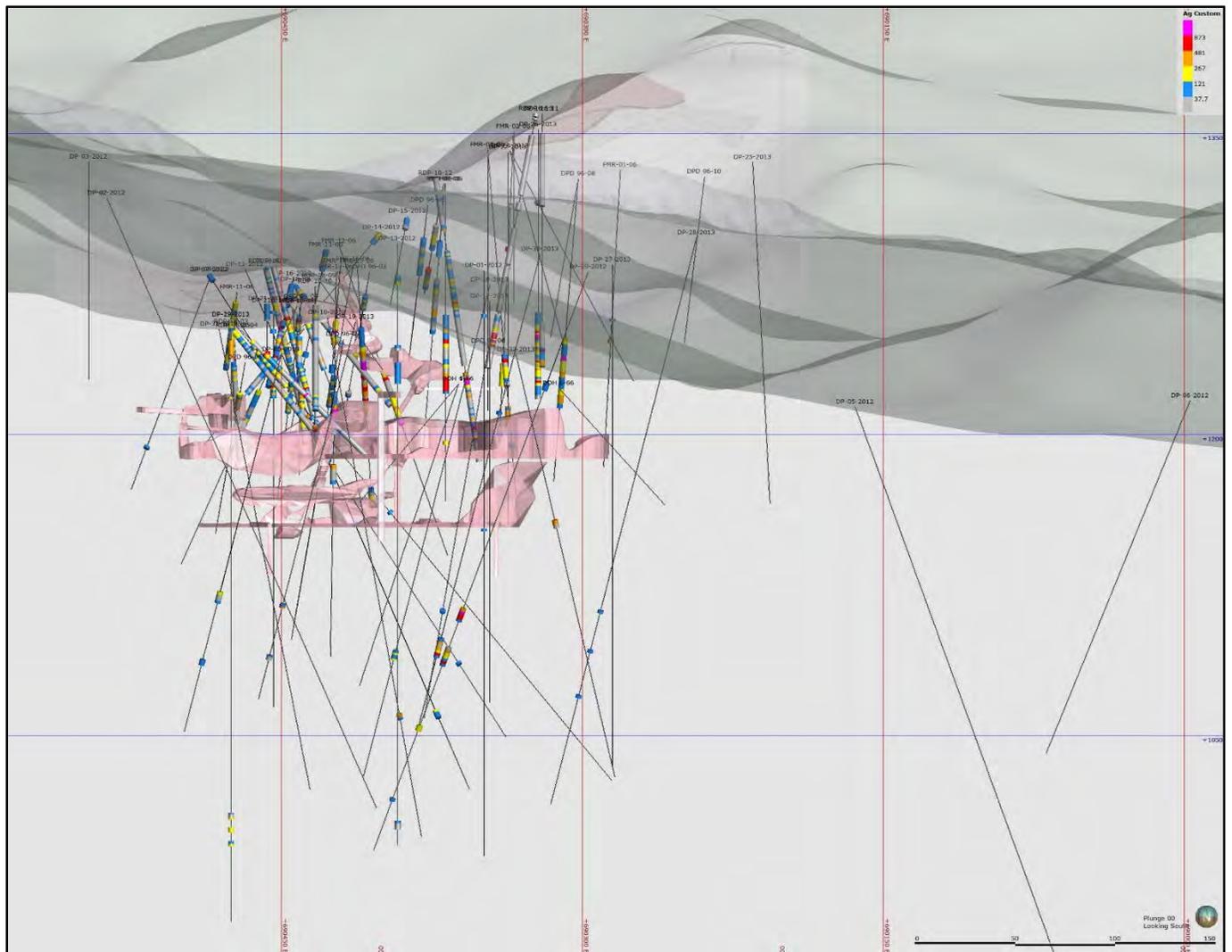


Figure 10-5. Regency and historic drill holes looking south. Dios Padre historic underground workings are shown in pink.

## 10.1 Summary and Interpretation

Silver +/-Au+Cu+Pb+Zn mineralization is directly related to proximity to fault conduits and intensity of brecciation. Mineralization is hosted in both rhyolite and andesite host rocks. Within highly fractured or brecciated areas, continuity of mineralization is good within the Dios Padre breccia, often extending over 10's of meters. Given the sometimes poorly constrained limits and often chaotically distributed breccia, the true thicknesses of mineralized intervals are not known. Results to date, indicate an upper zone of mineralization that has been partially historically exploited. Underground workings, some of which have back-fill material exceeding 100 g/t Ag, are extensive but unexploited mineralized breccia remains. For example, Regency drill hole RDP-18-13 intercepted a 7.1 m interval grading 660 g Ag (from 113.2 to 120.3 m), and bottomed in significant gold mineralization (1.7 m grading 2.11 g Au) at the hole terminus at 131.2 m. Although at least some of the margins of the breccia zone are believed to be fault bound (see Section 7.2 above) the extent, orientation, and continuity of these structures are not well known. Based on all drilling to date, the ultimate extent of brecciation and suspected mineralization is not well known.

## 11.0 SAMPLE PREPARATION, ANALYSES, AND SECURITY

Sample preparation, and security were supervised by the technical services company, Prospeccion y Desarrollo Minero (ProDeMin) based in Guadalajara, Mexico. Three ProDeMin geologists were continuously on site to assure that the drill program met all requirements, procedures, and protocols recommended under a drill program management manual, "Geologic Procedures & Guidelines at the Dios Padre Project, January 22, 2018", 24 p. The extensive and detailed manual was prepared by Dr. Craig Gibson, the Technical Director of ProDeMin, and a Qualified Person as defined by NI 43-101. Dr. Gibson visited the project site intermittently to assure that drill operations were proceeding as required.

*Sample collection, logging, security, and shipping:* As described in the Drilling section (10) above, all NQ and HQ core was retrieved at the end of the 12-hour shift and transported in plastic core boxes to the core processing facility under the supervision of the ProDeMin geologists. There, the core was washed, and quick logged. Core intervals were evaluated for visible and obvious mineralization, structures, veining, alteration, brecciation, etc. and selected for analysis. Not all core intervals from all Regency drill holes were assayed. The intervals selected for analysis were half-sawed with a 2-hp core saw. Sampled intervals of core ranged from 4.4 m to 0.35 m and averaged 1.2 m in length. At the judgement of the geologist, sample intervals were determined based on lithologic contacts, brecciation, faulting, mineralization and other factors. All core selected for analysis was double bagged in plastic sample bags, with an inserted anonymous sample control number, and secured with a plastic zip tie. Analytical samples were stored on site in a secured, fenced facility to await pick up and transport to the analytical lab, Bureau Veritas Mineral (BVM) Laboratories in Hermosillo, Sonora. BVM is a major analytical and testing laboratory with offices or labs in 130 countries around the world. All BVM facilities are registered or are pending registration to ISO 9001:2015 under the Bureau Veritas corporate registration. Additionally, a number of analytical labs have received ISO/IEC 17025 accreditation for specific laboratory procedures. Under the sole supervision of ProDeMin personnel, analytical core samples were picked up at the project site and transported directly to the BVM lab.

Concurrent with drill operations, all Regency drill core was logged onsite by ProDeMin geologists. Extensive parameters, including dates (start finish), hole location/orientation (azimuth, inclination, collar elevation), core size, depths, core recovery, RQD (rock quality designation – measuring sample length versus natural breaks in core intervals), lithology, alteration, structure, mineralization, brecciation, oxidation, veining, etc. Detailed information was initially entered on hard copy forms and then converted to digital logs using systematic codes. Subsequent to logging, each core box was methodically photographed with the hole number and interval displayed.

*Sample database:* As a part of Regency's drill program a detailed master sample data base was maintained, and updated with new information as it became available. This included sample ID, drill hole interval, sample tag number, lab analytical certificate number, and all multi-element analytical results. Additionally, all sample shipments were tracked and logged on a separate Excel sheet which includes sample numbers or series in each shipment, type of sample medium (rock, core), date shipped and date received at the lab, geologist supervising the shipment, and analytical certificate number pertaining to each shipment.

*Analytical laboratory, preparation, and analytical procedures:* The principal laboratory selected for the analytical determination of Regency 2018 drill core was BVM Laboratories in Hermosillo, Sonora, Mexico. Preparation procedures (crushing, grinding, pulverization) to produce sample pulps were conducted at the BVM Hermosillo facility and the prepared pulps were then shipped to the world headquarters of BVM in Vancouver, B.C. Canada for all analytical determinations.

BVM operates their labs with the highest professional standards using validated methods to achieve accurate reproducible results with equipment that is maintained and calibrated to achieve the highest

levels of performance. They employ extensive procedures for internal quality control, sample preparation, analyses, proficiency testing programs, and scheduled audits. BVM blanks, replicates, and reference standards are anonymously inserted into client's sample batches to assure analytical accuracy and validation.

The authors emphasize that ProDeMin and Regency personnel, their contractors, and the authors, are completely independent of BVM, its employees and operations. Under a chain of custody maintained by ProDeMin personnel, samples were submitted to the BVM facility in Hermosillo, and subsequently, preparation and analyses of all samples were conducted solely by BVM personnel.

*BVM preparation and analytical procedures:* Based on the type and tenor of mineralization, host rock, and metals of interest including Ag (+/- Au+Cu+Pb+Zn), R. Lunceford, the supervising QP on behalf of Regency, and Dr. Craig Gibson collaborated to select the most effective and appropriate type of preparation and analytical procedures offered by BVM for Dios Padre core analyses.

### Preparation

*PRP70 -250:* Bulk sample is crushed 1 kg to  $\geq 70\%$  passing 2mm - Pulverization 250 g  $\geq 85\%$  75 $\mu$ .

### Analyses

Modified Aqua Regia (1:1:1 HNO<sub>3</sub>: HCl:H<sub>2</sub>O), was selected to provide partial digestion regarding mobile and easily soluble species, such as base metal-sulfide and precious metal ores. Final metal assay and chemical content were determined using Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES), a type of emission spectroscopy that uses inductively coupled plasma to produce "excited" atoms and ions that emit electromagnetic radiation at wavelengths characteristic of a particular element. The intensity of this emission is indicative of the concentration of the element within the sample.

*AQ201:* Aqua Regia ICP-ES/MS, 36 elements, 15 g. Upper limit Ag 100 ppm, lower limit Ag 0.100 ppm.

*AQ370-X:* Aqua Regia ICP-ES, requires at least 2 g sample. Upper limit Ag 1000 ppm, lower limit Ag 2 ppm.

*FA530-Ag:* 30g/fire assay/gravimetric. No upper limit to Ag; lower limit Ag 20 ppm, no upper limit. Lead collection fire assay fusion is a classic method for total sample decomposition. Total Ag content is determined by digesting a dore bead and analyzing by AA, ICP-ES, or ICP-MS. Gravimetric analysis describes a set of methods used in analytical chemistry for the quantitative determination of an analyte (the ion being analyzed) based on its mass.

*Regency QA/QC:* ProDeMin geologists initiated and commenced a QA/QC sampling program concurrent with core logging and analytical sampling. The program included anonymous insertion of reference sample standards and blanks. Sample duplicates were not employed, partly due to the coarse nature of mineralization and difficulty of sawing a representative split. As described above, the principal analytical laboratory utilized to assay Regency core was BVM.

During and following drill operations ProDeMin geologists instituted a QA/QC to validate analytical results. The program consisted of a series of blanks, and sample reference standards that were inserted into the sample stream at the project site. To assure anonymity, selected standards, and blanks were inserted into plastic bags along with a sample tag and then secured with a zip tie, the same as each

analytical core sample. For each drill hole, blanks and/or standards were inserted into each sample batch approximately every 20 m. No sample duplicates were used.

Before the commencement of the program reference sample standards were purchased from Rocklabs of Auckland, New Zealand. Three standards were purchased, including the following:

*OxQ114*: Recommended Values and 95% Confidence Intervals; Gold Concentration: 35.20 (+/- 0.28) µg/g; Silver Concentration: 127.1 (+/- 1.5) µg/g.

*SP72*: Recommended Values and 95% Confidence Intervals; Gold Concentration: 18.16 (+/- 0.10) µg/g, Silver Concentration: 83.0 (+/- 0.9) µg/g.

*SQ70*: Recommended Values and 95% Confidence Intervals; Gold Concentration: 39.62 (+/- 0.25) µg/g; Silver Concentration: 159.5 (+/- 2.6) µg/g.

Before certifying the sample value for Au and Ag, Rocklabs submits a duplicate reference sample to 27 ISO/IEC certified analytical laboratories around the world. Assay results are then statistically validated. Blank material consisted of basalt lava rock used for decorative stone and grills purchased at a Home Depot store in Hermosillo.

“Outside” or external laboratory lab checks were also part of the Regency’s QA/QC program. One-hundred fifty duplicate sample pulps prepared by BVM were delivered to ALS Chemex in Hermosillo (ALS Chemex de Mexico, S.A. de C.V.). ALS is part of the ALS Group (a subsidiary of Campbell Brothers Ltd. – ASX:CPB) a diversified group of testing companies with offices strategically located around the world. Most ALS Geochemistry laboratories are registered or are pending registration to ISO 9001:2008, and a number of analytical facilities have received ISO 17025 accreditations for specific laboratory procedures. Sample pulps prepared in Hermosillo were then shipped to the Vancouver facility of ALS in Vancouver Canada for Ag and other multi- element determination using ALS analytical procedure *ME-ICP61a*, (ICP-ES) and for overlimit analysis, *ME-GRA22* (fire assay, gravimetric finish). Regency personnel, and contractors are completely independent of ALS, it’s employees and operations.

The use of sample blanks, standards, and “outside check” analyses are summarized in Table 11.1.

Analytical results appear in Figures 11.1.

QA/QC assay checks using anonymously labeled standard reference material inserted into each sample batch indicate an acceptable level of accuracy and precision when assays fall within one standard deviation of the original reference assay. All BVM Ag assays of reference material meets this criterion (Figure 11.1). BVM assays of blanks indicate acceptable results with the exception of sample blank #190480 (Figure 11.1, upper left graph), which returned elevated Ag (+/- 0.3 ppm) versus the nine other blanks which contained silver values ranging from 0.05 to 0.10 ppm. Sample #190480 was submitted with a sample batch that contained earlier adjacent core sample that exceeded 100 ppm Ag, suggesting that there was contamination of the blank sample material in the preparation procedure. In effect, the pulverizing machine in which the sample was prepared for analysis was not adequately cleaned between the sample run in question. Despite this one instance of apparent contamination, other blanks returned acceptable analyses. One hundred-fifty BVM sample pulps were collected and submitted to a third-party analytical laboratory ALS (Figure 11.2) adequately confirming original Ag analyses by BVM.

<b>Drill Hole</b>	<b>Standard &amp; blank</b>	<b># ALS re-assays</b>
<b>RDP-18-01</b>	STD-OxQ114	4
	STD-SP72	
	STD-SQ70	
<b>RDP-18-02</b>	Blank	25
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-03</b>	Blank	3
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-04</b>	STD-OxQ114	25
	STD-SP72	
	STD-SQ70	
<b>RDP-18-05</b>	Blank	13
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-06</b>	Blank	17
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-07</b>	Blank	8
	STD-OxQ114	
	STD-SQ70	
<b>RDP-18-08</b>	Blank	9
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-10</b>	Blank	3
	STD-SP72	
<b>RDP-18-11</b>	STD-OxQ114	2
	STD-SQ70	
<b>RDP-18-12</b>	Blank	19
	Blank	
	STD-OxQ114	
	STD-SP72	
	STD-SP72	
	STD-SQ70	
<b>RDP-18-13</b>	Blank	22
	STD-OxQ114	
	STD-SP72	
	STD-SQ70	
	STD-SQ70	

Table 11-1. Blanks, standards, check re-assays, Regency 2018 drill program. The re -assay totals are the number of pulp duplicate analyses, per hole, conducted by ALS. The standards and blanks are those anonymously inserted into each sample batch per drill hole.

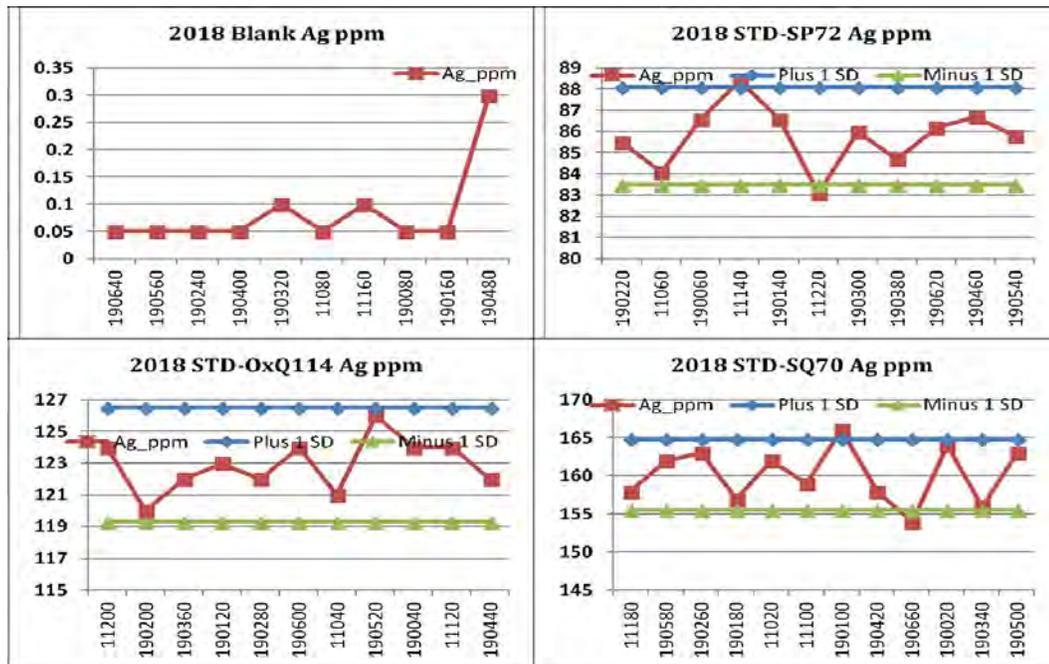


Figure 11-1. Blank and reference standard assays for Ag.

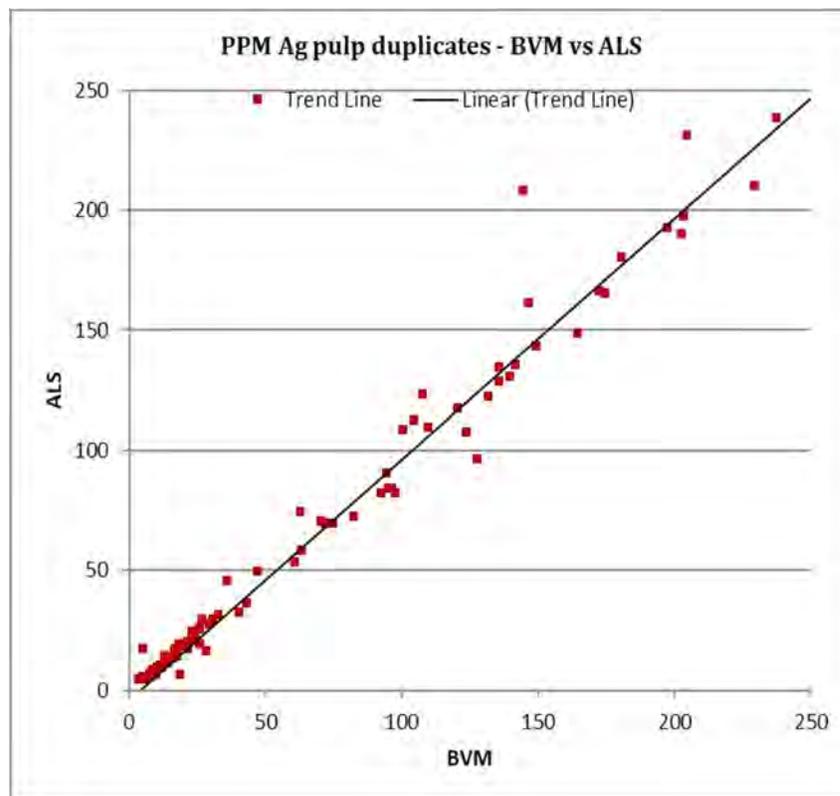


Figure 11-2. Pulp Ag re-assays BVM vs. ALS.

It is the opinion of the authors that the procedures and methods of sample collection, logging, security, shipping, preparation, and analyses are adequate and appropriate for the core samples obtained in Regency's drill program. The QA/QC program employed provides an adequate check on samples submitted to BVM to assure confidence in the results.

## 12.0 DATA VERIFICATION

A site visit was conducted to the Property on January 27 and 28, 2018. To confirm the presence of silver (+/- Au-Cu -Pb-Zn) six validation samples were collected including, two rock-chip and four ¼ cut core samples from 2018 and previous drill holes. During the site visit, the authors examined select previous, and available 2018 Regency core, which was selectively photographed, and examined various outcrops with exposed mineralization.

Additionally, the authors reviewed publications of the Geological Society of America, *Economic Geology*, and previous published NI 43-101 technical reports pertaining to the Property. Several summary reports generated by previous companies such as Silver Standard Resources Inc. (1995-1996), First Majestic Resource Corp. (2006) and NS Silver Inc./NS Gold Corporation (2012-2013) were also reviewed.

As received by the author's on November 2017, the initial Dios Padre Property data set consisted of drilling data that included a collar, survey, assay, and rock type set of tables. The data set apparently had been prepared for modeling purposes by previous workers in 2013. The original data did not indicate how the collar coordinates were determined, if down hole surveys had been completed, did not contain many original assay certificates, nor many original logs. Subsequent research has provided additional original assay certificates, drill logs, source commentary and some core photos. A new data set has been prepared for the resource estimate (section 14) which includes meta-data indicating method of determination, validity, source, time, etc.

Previous workers from 1996, 2006 and 2012-13 appear to have employed industry standard methods to verify available data. However, whether such work was supervised by Qualified Persons (as defined by NI 43-101) is not known. Based on a review of previous QA/QC sampling programs conducted, Silver Standard's logs (1996) indicate insertion of Standard Reference Material (SRM) samples, First Majestic reports graphs of SRM results (2005-2006) and assay certificates indicating insertion of SRM. NS Silver's work appears that reasonable, professional efforts were made in implementing QA/QC programs for sampling but no primary data is available. NS Silver's available original assay certificates include periodic samples with weights and clustered values suggesting they came from SRM samples. Selected intervals from First Majestic and NS Silver drill core available onsite and in a condition to verify in-sequence-conformity were selectively re-logged (Table 10-4), and/or re-sampled and photographed by ProDeMin geologists. The results of this resampling exercise are within acceptable ranges of repeatability.

### 12.1 Procedures

*Topography:* The topographic file contains contour lines in the WGS84, Zone 12 North coordinate system in meters. The file appears to be sourced from INEGI (the Instituto Nacional de Estadística Geográfica e Informática in Mexico) at a published 1:50,000 scale.

*Drill Collar Coordinates:* A total of 72 drill holes were used for the resource estimation process. Using a Promark 200/220 survey instrument and Spectra Precision software, the thirteen 2018 Regency Silver drill holes were recorded and entered into the collar table. Of the remaining historic 59 drill holes, 26 holes were located and surveyed with the Promark survey tool by ProDeMin geologists in January and February of 2018. Due to vegetation overgrowth and surficial erosion, the remaining drill locations could not be specifically located to allow a survey of the actual collar. The collar table contains documentation of past efforts to improve the quality of the location. Because of discrepancies with the collar elevation

and the location of the surface within the topography file, for the purposes of the resource estimate all collars were pressed to the surface.

*Review of Drill Core:* During the site visit by the authors, select higher grade intervals from the 2006 and 2012-13 drilling were examined in their core boxes. The core appears to have been sawn into half portions, with one half remaining in most cases, though zones of only quarter core remaining in the boxes were observed. In areas of highly broken rock associated with higher grade mineralized intervals, core recovery was poor, and no core remains. While reviewing pre-Regency core, full core remains were observed indicating that no core was cut for analyses (see Table 6.5, 10.3). Comparison between stated rock types in the as-provided rock type table (which originally distinguished 140 rock types) and observations by the authors suggest that in highly altered, multi-phase volcanic rocks like those found at Dios Padre, consistent determination of a base rock name has proven difficult. Adding in significant rock breakage, deformation and infill-replacement as rock type names, has led to a complete re-coding of the rock types based on the authors observations, core photos, and the notes found in logs for this Technical Report. The new classification is limited to basalt, rhyolite porphyry, andesite and andesite porphyry. Faulted, brecciated, altered, and mineralized properties, as recorded in the available logs, including the log notes, appear to have good agreement with the observed core.

*Core Photos:* Core photos from only three holes of the 2006 drilling program were included in the data set available to the authors. ProDeMin geologists photographed select intervals from the 2016 to 2012-13 drilling at a 180 dpi, 24-bit, resolution with a Canon PowerShot SX420 IS digital camera at f3.5, 1.25 sec, ISO-400, RGB and saved as .jpg type images. The 1996 Silver Standard core samples are in a generally chaotic state, with labels strongly faded or missing and require extensive re-organization and re-boxing to be acceptable for identifiable core photos.

*Drill Assay Database Preparation:* Visual checks between original assay certificates in .pdf format against values found in the data set showed consistent agreement. In addition, original assay result files in spreadsheet format were imported and checked based on sample ID as to appropriate interval and analytical result. Out of a total of 6,319 samples from all drilling that were analyzed and available in the database, 5,232 samples have confirmed source analytical certificates.

Silver Standard - Silver Standard drill holes contain 425 sample intervals. There are no original source assay sample results on hand. It appears that the values have been taken from the results written on the scanned logs that are a part of a report. Only two discrepancies were found in visual checking, related to the same interval having two results, including two sample ID's.

First Majestic - First Majestic drill holes contain 1001 samples in the database. Assay certificates are available for 515 samples and all sample interval values in the database matched to their source documentation.

NS Gold/NS Silver - The 2012-13 drilling has 3893 samples with 1986 samples that match to certificates on hand. From the samples with source certificates a total of 7 sample intervals in the database did not originally match exactly, and only two samples were different by more than 1 ppm Ag. Those two samples not matching by more than 1 ppm Ag, appear to have had re-runs.

All discrepancies between database sample values and available source documentation (Assay Certificates) have been corrected.

## 12.2 Author's audit samples

The author's sample results, collected January 28, 2018 appear in Table 12.1 below. The authors collected and transported the samples in their custody and delivered them directly to the preparation facility of ALS Chemex de Mexico S.A. de C.V. (see Section 10 - Sample Preparation, Analyses, and Security section, above) for silver and multi-element analyses. ALS Chemex in Mexico is part of the ALS Group a diversified, testing laboratory with offices strategically located around the world. Most ALS Geochemistry laboratories are registered or are pending registration to ISO 9001:2008, and a number of analytical facilities have received ISO 17025 accreditations for specific laboratory procedures. Author samples collected in at the Property were submitted to ALS, using the ALS analytical codes *ME-ICP61*, (33 element, four acid digestion) *Ag-ME-OG62* (ore grade Ag, four acid digestion), *Hg-MS42* (trace Hg by ICPMS). These analytical procedures employ an ICP (Inductively Coupled Plasma) method and either MS (Mass Spectrometer) or AES (Atomic Emission Spectroscopy) instrument for final determination of each element.

SAMPLE DESCRIPTIONS – Dios Padre, January 28, 2018						UTM, WGS84, 12A		PPM			
Sample #	Type	Description	Drill Hole	Interval m	Ag g original assay	E	N	Ag	Cu	Pb	Zn
412753	discont. chip, 5.0m	Red FeOx breccia, no silic, goethite, jarosite, limonite, barite.	NA	NA	NA	690828	3151044	12	1460	422	72
412854	discont. Chip, 8.0 m	Strong FeOx, jarosite, barite, resistant outcrop, strong silic, irregular fractures, breccia, altered phenos (alunite?).	NA	NA	NA	690814	3151022	37.1	246	190	33
412755	drill core, ¼ cut	Dacite porphyry texture 1-3 mm plagioclase white to crème in color. Tr-mnr open space infill with 40% FeOx and 60% Sulfides. Tr pyrite. Alteration away from openspaces fine grained it brown to tan color. 2% open space. Medium to light gray groundmass. Fractures at 45d to core-axis.	RDP-18-01	27-28	NA	NA	NA	551.0	1870.0	691.0	218.0
412756	drill core, ¼ cut	Tuff very fine grained. Pink tone. Strongly broken rock over 10cm interval zones of less than 50\$ recovery. Open space surface completely covered with 80% euhedral pyrite-chalcopyrite and 20% euhedral tenantite tetrahedrite dull gray sulfides. Fracture at 20d to core-axis and at 45d	DP-12-2012	123-124.5	26.4	NA	NA	182.0	2030.0	53.0	413.0

		to core-axis. 2012 assay: 26.4g Ag.									
412757	drill core, ¼ cut	Dacite porphyry texture plagioclase rims angular. Pyrite common as infill between porphyry phenocrysts. Micro fracture open space with plag replaced with dark grey blebs. Rare to trace other sulfides.	RDP-18-01	15-16.5	NA	NA	NA	50.1	176.0	6630.0	940.0
421758	drill core, ¼ cut	Lt tan color granular porphyritic, maybe tuff. Strongly altered and with replacement. Fracture fill 30% pyrite and quartz. Fracture sets at 80d to Core-Axis with dilation zones. Moderate porph phenos with soft edges. 5% open space. Brx angular with 1-3 mm matrix. Disseminated pyrite common. Tr dark sulfides. Completely altered. 2013 assay: 2120 ppm Ag.	DP-26-2013	102.7-104.5	2120.0	NA	NA	625.0	2350.0	9180.0	749.0

Table 12-1. Results of Author's audit samples, collected January 28, 2018. Sample locations for 412753 and 412754 are located on Figure 6-9.

Notes:

- Abbreviations: “discont. chip” is a rock chip sample, intermittently collected across an exposed face, “silic” – silicification, “phenos” – phenocrysts, “tr” – trace, “plag” – plagioclase, “lt” – light, “porph” – porphyry, “brx” – breccia.
- Gold analyses not conducted.
- All intervals are not true thicknesses.

### 12.3 Author conclusions on the adequacy of the data

No external technical auditor(s) or professional consultants, including the authors, has validated all aspects of the database to date. Only data believed to have been collected and recorded in a professional, industry standard manner is included

The authors have validated a sub-set of the data that has been compiled and is available. Due to issues related to the potential for errors found in the topography, collar locations, down hole surveys, and other factors, the updated, cleaned data set used for the resource calculation (section 14) is sufficient to report any resource at the **Inferred level of confidence** only. To determine a Measured and Indicated resource would require a measure of precision and reliability not demonstrated in the data at this time.

### 13.0 MINERAL PROCESSING AND METALLURGICAL TESTING

No mineral processing and metallurgical testing has been carried out by Regency on mineralized rock from the Property. The only documented process testing was completed in 1984 by Mountain States Research and Development (formerly Tucson, now Vail, Arizona) which described the mineral composition of samples of mill products from the Dios Padre mine (or alternatively the Pena Blanca Mine) with respect to silver and lead (Dudas, 1984). This report also provides insight as to the cause of silver losses in flotation tailings from the historic mill at the Pena Blanca Mine.

Despite the conclusions reached in the Dudas report, Duncan (2012) questioned whether the mineralized rock tested by Dudas was sourced from the Dios Padre mine as "... there is no indication in the Dudas report that Dios Padre is the actual source of the mill products..." examined. Duncan continues to explain, however, that "...Compania Sahuaripa was active at Dios Padre during this time period and likely would have sent samples of its products to Mountain States". The authors of this Technical Report note that despite the lack of explanation in the Dudas report regarding the confirmed source of the material tested, it is likely that the origin of the mineralized rock was the Dios Padre mine since the Pena Blanca mine name refers to the previous and current ownership entity, Pena Blanca S.A. de C.V. of the Property (see section 4, above).

The Dudas (1984) report investigated samples of ore feed, flotation concentrates, and flotation tailings for their volumetric percent distribution of minerals, categorized into either transparent (gangue) or opaque mineral types. Conclusions from the study are summarized as follows:

- Mineralogy of the samples is complex with both oxides and sulfides present.
- Gangue minerals dominate in the ore feed and flotation tailings (76% to 78% by volume), but only comprise 11% by volume in the flotation concentrate. Gangue minerals include sericite-clay-feldspar, quartz, biotite, jarosite, anglesite, cerussite, and barite.
- Opaque minerals comprised 29% by volume in the ore feed, 20% by volume in the flotation tailings, and 89% in the flotation concentrates. Hydrous iron oxides are the dominant opaque minerals in the ore feed and flotation tailings (14% and 10% by volume respectively), while only a trace amount was observed in the flotation concentrate. Since these oxides may carry Ag in solid solution, they may cause metallurgical recovery issues for Ag and Pb.
- Pyrite dominated in the flotation concentrates at 40% by volume, with a large portion of the pyrite existing as large particles (+ 65 mesh). Marcasite is a minor opaque mineral in the ore feed and flotation concentrates. Galena ranks third in frequency among the opaque minerals, with some galena grains carrying tetrahedrite and silver-sulfosalt inclusions. Sphalerite, covellite, chalcopyrite and rutile were observed as minor constituents of the opaque minerals.
- Due to mixing of oxide and sulfide mineral types, silver, lead and copper losses to flotation tailings is possible. An assay of a tailings sample showed it contained 1.6 ounces of silver per ton.

In conclusion, Dudas (1984) recommended that different metallurgical treatments be applied to the oxides and sulfides to improve recoveries. Since the mill feed consists of both hard and soft mineral types, the soft minerals are prone to overgrinding which can produce an undesirable amount of slimes in the flotation circuit, handicapping recoveries. Good screening and classification procedures will be required to mitigate this issue. The coarse pyrite grains in the flotation concentrates tested suggest poor grinding and classification in the mill. Improvements in the use of reagents to reduce the pyrite concentration were recommended. Low flotation recovery of silver is probably caused by the silver-bearing lead oxide minerals, anglesite and cerussite, which don't respond well to sulfide flotation treatment methods.

The authors note that, the Dudas samples tested would have been sourced from a small (100 TPD) mill in 1984 that would not have benefited from advances in flotation metallurgy over the last four decades. Dudas (1984) noted that the average recovery through the plant into concentrates was reportedly 84%. Thus, although the Dudas report mentions deficiencies in the processing plant, it is highly likely that many of the operating and metallurgical issues can be mitigated with modern metallurgical practices, and that significant improvement in Ag recoveries into flotation concentrates above the reported 84% can be achieved.

For the purposes of this resource estimate, it is assumed that +/- 92% recovery of silver and gold into either lead or bulk flotation concentrates is achievable. Similarly, the Dudas report suggests that mass pull into flotation concentrates at the historic mill at Dios Padre might have been high due to plant inefficiencies and metallurgical issues. For reasons stated above, it is assumed for the purposes of this resource estimate that modern metallurgical practices can result in mass pulls of 6%, resulting in a concentration ratio of 16.7 dry mill feed tonnes to dry concentrate tonnes. However, in the absence of production reports, it is not known to what extent the mill feed in 1984 is representative of the Dios Padre mineral deposit subject to this Mineral Resource estimate. Since tetrahedrite is a dominant silver-bearing mineral at Dios Padre, there could be processing and marketing issues with flotation concentrates due to the presence of antimony. The lead content of the Dios Padre mineralization may not be high enough to warrant marketing of a silver-lead concentrate to lead smelters. Conversely, the lead content may be high enough to cause metallurgical issues if cyanidation is utilized to recover silver and gold from Dios Padre.

## **14.0 MINERAL RESOURCE ESTIMATES**

### **14.1 Introduction**

The information and work in this Technical Report represents one of the first modern, industry standard, best practice mineral resource estimates completed on the Dios Padre Property. Gordon Gibson P. Geo., one of the authors has organized and conducted this mineral resource estimate in accordance with National Instrument 43-101 and CIM standards.

The effective date of the mineral resource estimate contained in this study is 29 August 2019.

### **14.2 Data**

The drilling sample database is kept in a Microsoft Access relational database. Seventy-two (72) drill holes in the data set have collars and assays. Six holes drilled outside of the Dios Padre historic mine area have been removed from the drill hole data set used in the mineral resource estimate. A total of 10,415.2 meters of drilling in 66 drill holes comprise the data set for modelling and mineral estimation. Master tables are built from the individual source files of analytical job batches and drill hole logs including documenting source file parameters. The lithology information is kept in a set of columns maintaining historic rock type categories, as well as the model final rock type. No geotechnical information is available for drilling prior to 2018. Geotechnical parameters were recorded in 2018 on to paper logs and a summary is provided in section 10 of the Technical Report. All analysed intervals have an Ag value. Table 6.5 and 10.3 of the Technical Report list core intervals that were never analysed. Some of the 1996 drilling results include Au, Cu, Pb, and Zn. The 2006, 2012-13 and 2018 drilling contain multi element analyses.

Microsoft Excel, and ASCII CSV type files comprise the current master table set which include collar, survey, assay log, and specific gravity tables used for loading data into Leapfrog+EDGE. Figure 14.1 shows a plan view of drill holes.



6. Build a lithology solid in Leapfrog representing the outer contact of the rhyolite porphyry stock using 3D polylines digitized from underground plans on 3 production levels, and surface geological mapping. Cross-check against downhole lithology data to ensure the solid is appropriate.
7. Build a lithology solid in Leapfrog to simulate unmined breccia bodies (UBx) by intersecting the union of anisotropic 200 g/t Ag grade shell(s) from 5 with the unmined volume surrounding the underground workings manifold surface from 4, while confining all to the interior of the RP solid from 6. This is the domain for the grade estimation.
8. Determine compositing length as guided by block model dimensions, and histogram of sample lengths.
9. Determine domain contact boundary nature, i.e., hard or soft, for Ag grades.
10. Build sub-block model on 5m x 5m x 5m parent block size, with 1m x 1m x 1m sub-blocks triggered by the underground workings manifold surface from 4.
11. Calculate/fit variogram profiles, determining the most appropriate model, and trend direction, trend strength and trend range(s) of the ellipsoid axis for the UBx domain.
12. Analyse results of 134 samples tested for specific gravity. Select global value for use in the mineral resource estimate.
13. Run grade estimation runs informing blocks for values for Ag, Au, Cu, Pb, Zn, As, and Sb for Ordinary Kriging, Nearest Neighbor, Inverse Distance and Radial Basis Function using the EDGE software. Determine method most appropriate for estimation.
14. Visual examination and validation of block assignments composite values, and geological trends in sections and plan views.
15. Prepare statistical checks of block model.
16. Prepare Resource Reports for Ag, Au and Ag equivalent

Build, review and finalize the mineral resource estimate.

#### 14.3.2 Domain Analysis

Determination of a domain takes into consideration the stationarity of analysis results, lithological continuity, consistent mineralization, fault types, fault extents, and degree of rock breakage. The quality rating of the data also influences the determination of domains.

For the Sub-block Model, the following assumptions and parameters were used.

Rock Types have been grouped into the following:

*Rhyolite Porphyry (RP)* consists of a lighter gray to tan colored rock often with abundant 3mm – to 5mm plagioclase phenocrysts, visible quartz phenocrysts, and is commonly broken, mineralized with sulfide infill (veinlets and stockworks), and alteration overprinting.

*Andesite Porphyry (AP)* consists of a darker gray and occasionally brown colored rock with abundant 1mm to 5mm plagioclase phenocrysts, generally breaks into larger clasts than the RP, is occasionally mineralized with sulfide infill. This unit as modeled includes fine grained rock with little to no visible phenocrysts.

*Basalt* (BS) consists of dark gray to black aphanitic to fine grained plagioclase phenocrysts. Often appears unbroken and fresh, though rarely with near horizontal mineralized zones 1 to 3 cm in width, and within proximity to contacts.

The rock type groups of basalt and andesite porphyry contain such a relatively small portion of the mineralization, that they do not impact the estimation process in a meaningful way. Since the great majority of silver mineralization is confined to rhyolite porphyry and breccia bodies contained therein, only RP was considered for the resource domain. Geological mapping on surface and underground reveal the RP to be a cylindrical, vertically emplaced stock more than 500m long, elliptical in cross-section, measuring about 265m ENE x 150m NNW - see Figure 14-2. In detail, the RP stock is partially bounded and cross-cut by younger faults, and contains screens and faulted-in blocks of wallrock.

### Structural Controls

There are no explicit faults in the model. Influence in building the model has taken into account faults that are recorded in four primary trends; a) N-NW at near vertical dips, b) E-W at near vertical dips with right lateral displacement noted, c) NE at moderate to near vertical dips and d) E-W at low angle toward the south dips. In the vicinity of the Dios Padre mine vertical drill holes have fracture sets composed of very low angles associated with very steep angles, and separately occurring individual fractures at intermediate angles. Mineralization is often associated with a conjugate set of very steep and very low angle fault/fracture intersections. The numerous thrust and reverse faults found in the area have so far precluded applying structural controls other than recognizing the formation of breccia and open space as important to mineralization.

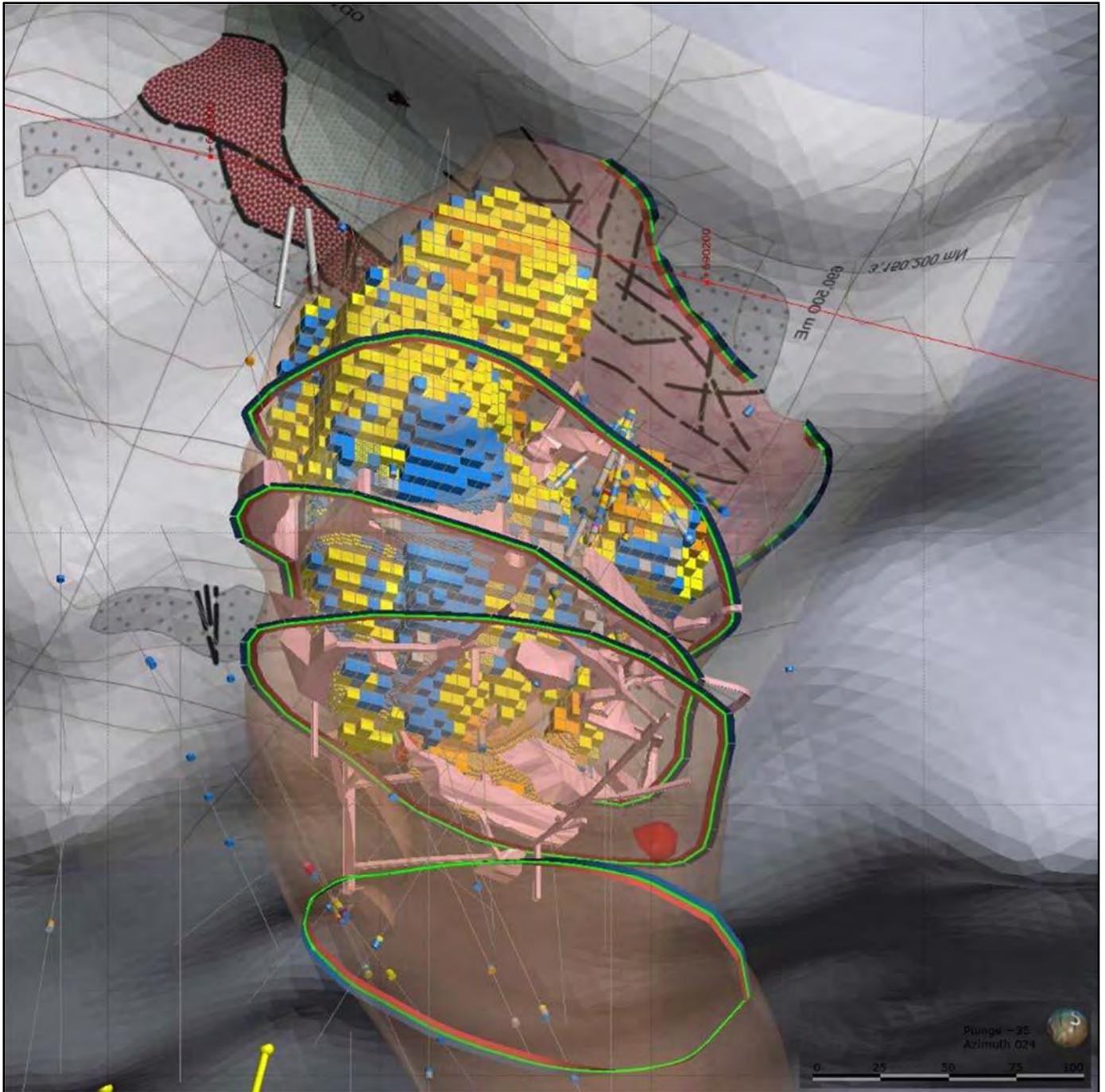


Figure 14-2. Oblique view from below showing the rhyolite porphyry stock in pale red enclosing the Dios Padre underground workings (pink) and sub-block model. 3D polylines used to guide & construct the outer boundary of the RP, shown in red & green, were digitized from underground plans of the Santa Fe (1154m), Arroyo (1188m), and Santa Gertrude (1242m) levels, and surface geological mapping. Note the fault complexity affecting the margins and interior of the stock, and the included wallrock mapped on surface.

Two ENE, N-dipping slightly offset trends were noted visually in examining the Ag 200 g/t RBF interpolant (isotropic) grade shells – these can reasonably be assumed to arise from alignment of fault-controlled mineralized breccia bodies. The trends were estimated to be:

Directions			Ellipsoid Ratios		
Dip	Dip Azimuth	Pitch	Maximum	Intermediate	Minimum
55	330	125	4	2	1
53	350	127	3	3	1

Table 14-1. Trend directions and ellipsoid ratios of Ag 200 g/t RBF interpolant grade shells.

Silver 200 g/t grade shells were regenerated using the parameters above and the union of the resulting isosurfaces comprise the “Breccia” (Bx) solid model in subsequent work.

### Underground workings

Significant underground workings consisting of stopes, adits, shafts, raises, winzes, etc. have been historically documented. Historic reports discuss at length the geometry, extent, condition, and contents of the workings but the ultimate volume and extent of workings remains poorly known. Drill hole intercepts identified as “not in-situ material” (68 intercepts, 35 with backfill, 18 without backfill and 15 unknown) or no mention beyond encountering “workings” in the drill log were noted. No drill intercepts which intersected underground workings were included in the mineral resource estimate.

Considerable effort was expended to recreate the underground workings as a mesh of 3Dfaces in AutoCAD Map 3D by orthogonal projection from available plans, sections, long sections (JPG format) and DXF files digitized by First Majestic from drawings prepared in the 1960’s – see Figure 14-3. The resulting mesh was converted from DXF to STL (stereolithography) format using CloudCompare-v2.11 and exported into MeshLab-v2016.12 for subsequent clean up involving removal of self-intersecting faces, removal of non-manifold edges, and merging of close vertices. The cleaned mesh was then saved as DXF and imported into Leapfrog Geo 3D-v4.5.1. Additional manual edits and iterations were required until the mesh imported without error as a single closed manifold “water-tight” surface into Leapfrog – see Figures 14-4, 14-5 and 14-6. This is the first attempt to render the Dios Padre historical underground (mining activity dates to the 1600’s) as a fully qualified 3D surface for modeling.

The volume of the Dios Padre underground workings so created to 15m north of the main shaft headframe, is approximately 150,000 cubic meters (150,310 cubic meters by actual calculation) but is subject to considerable uncertainty. Caution: results can only be expected to be as accurate and complete as the few available 2D hand-drafted plans & sections from which they are derived.

As a cross-check, those drill intercepts flagged as “not in-situ material”, etc. were examined against the new underground 3D geometry, with good agreement.

Finally, a solid model was created from the 3D underground manifold surface, and the unmined volume surrounding it was intersected with the “Breccia” solid model above, while confining all to the interior of the rhyolite porphyry volume to create the “Unmined Breccia” (UBx) volume - the ultimate domain for subsequent resource estimation in this study – see Figure 14-7.

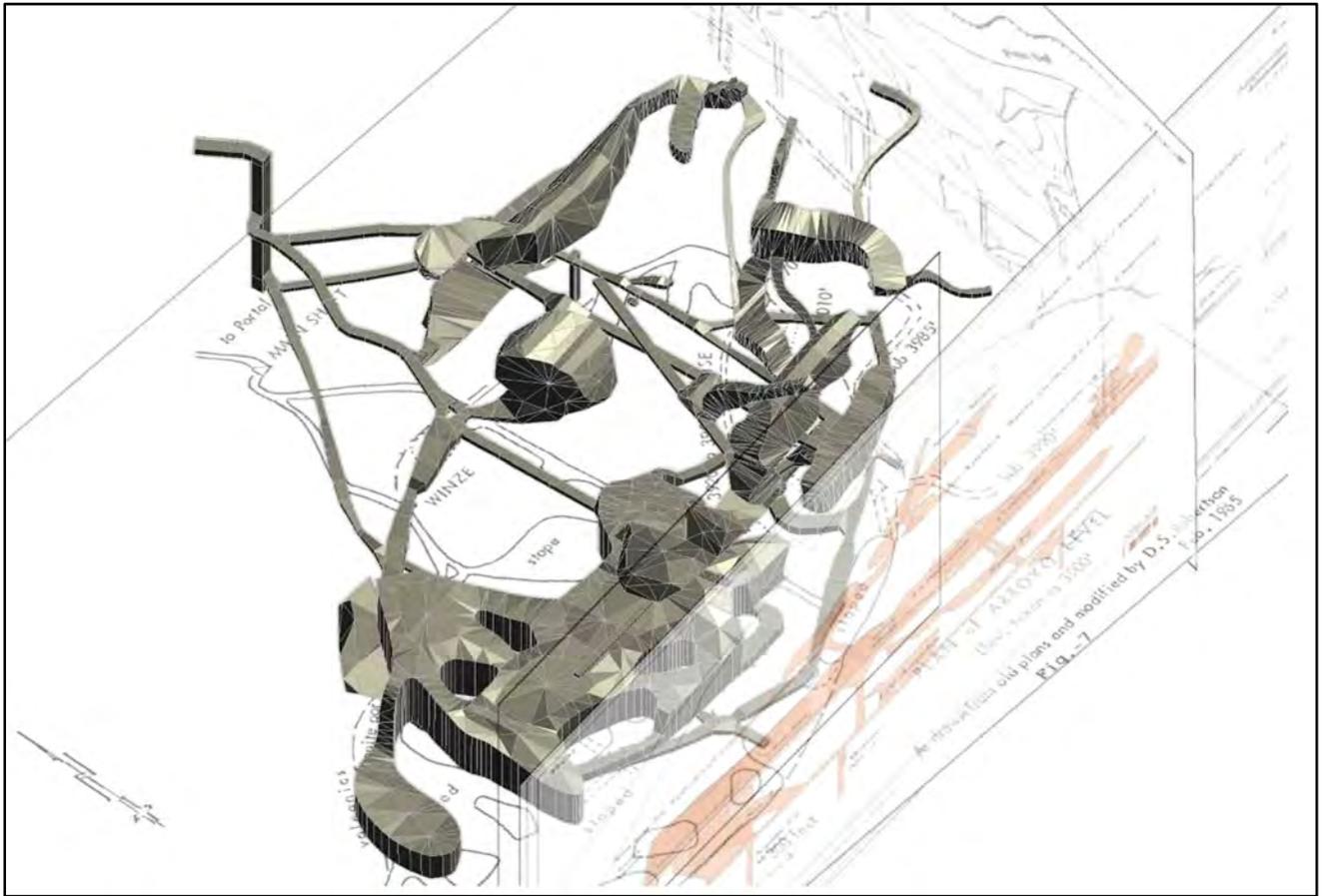


Figure 14-3. Dios Padre underground workings in AutoCAD Map 3D showing their construction as a mesh of 3D faces from historical plans & sections.

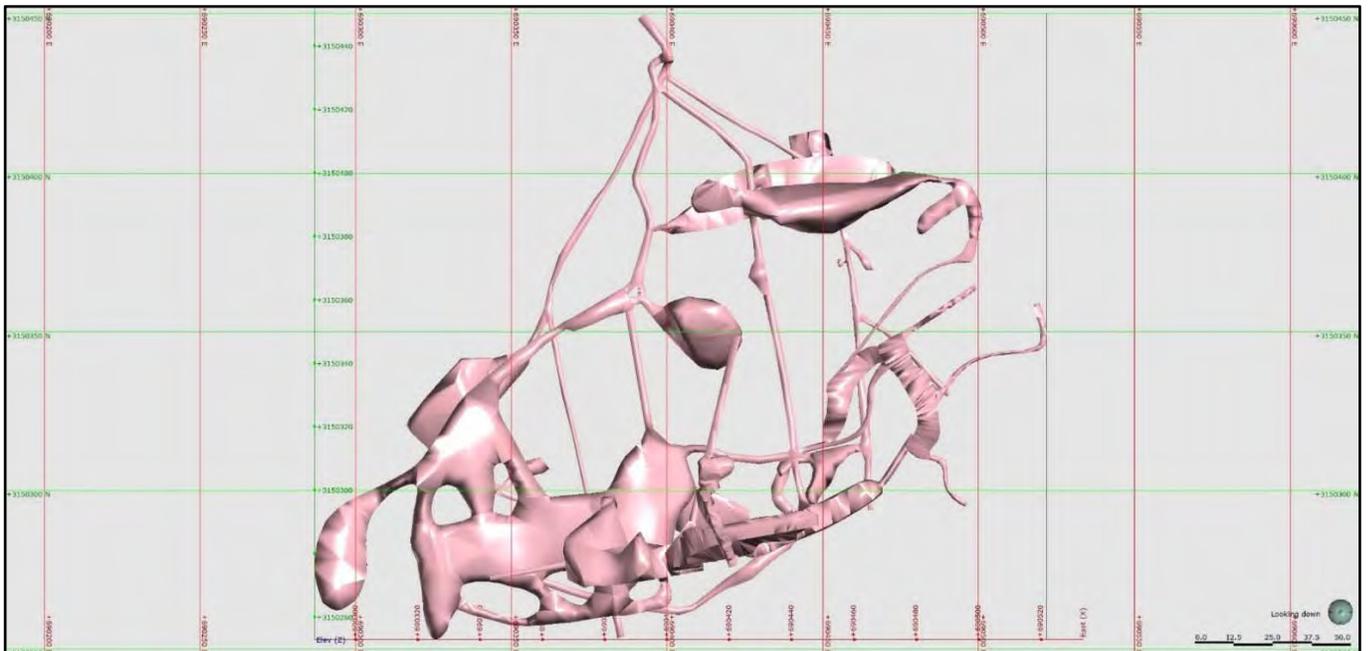


Figure 14-4. Dios Padre underground workings in Leapfrog Geo 3D. Smoothed. Plan view.

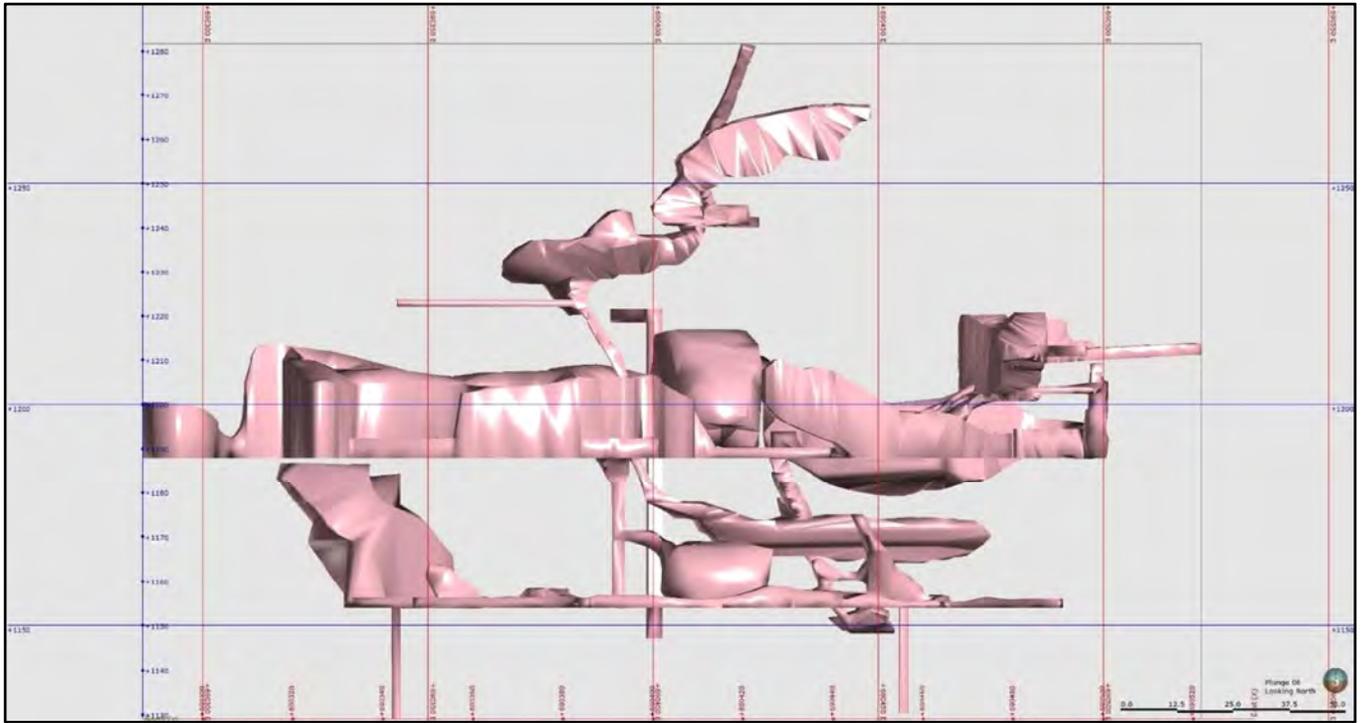


Figure 14-5. Dios Padre underground workings in Leapfrog Geo 3D. Smoothed. Long section looking north.

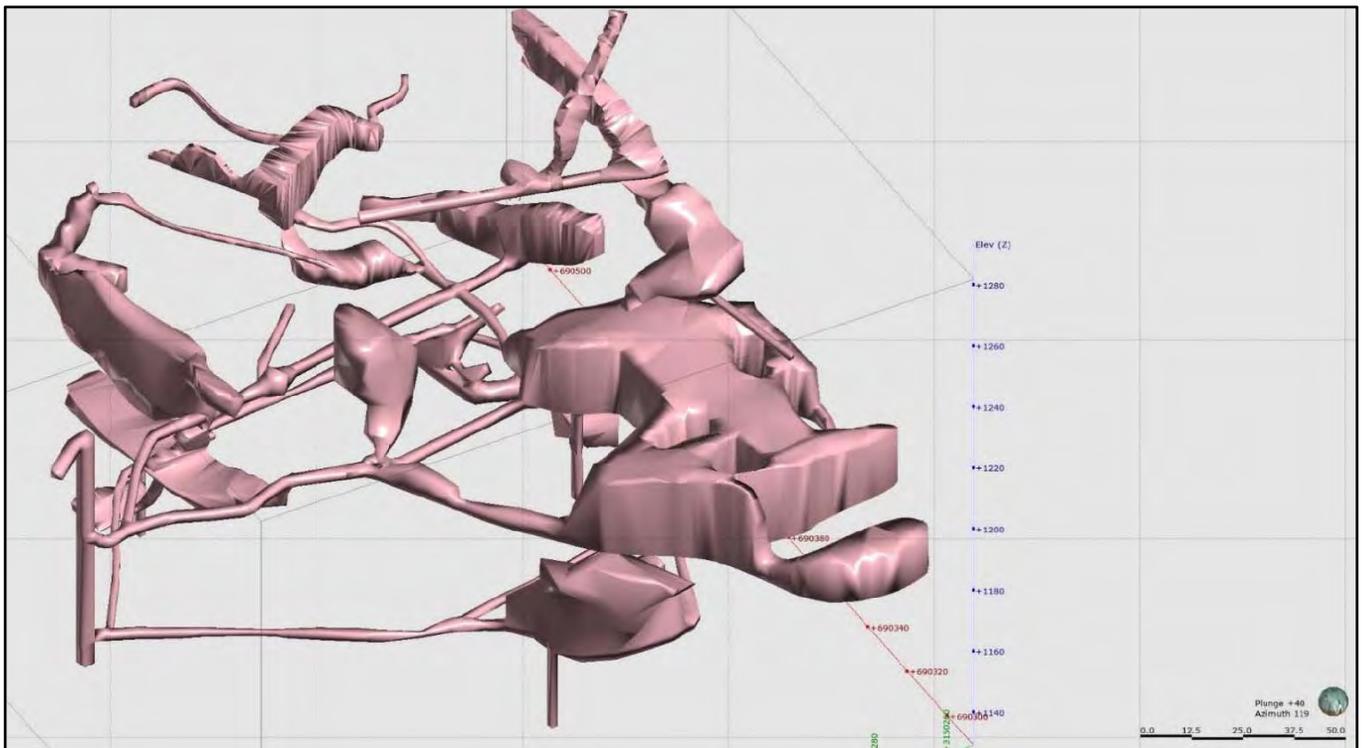


Figure 14-6. Dios Padre underground workings in Leapfrog Geo 3D. Smoothed. Oblique view looking southeast.

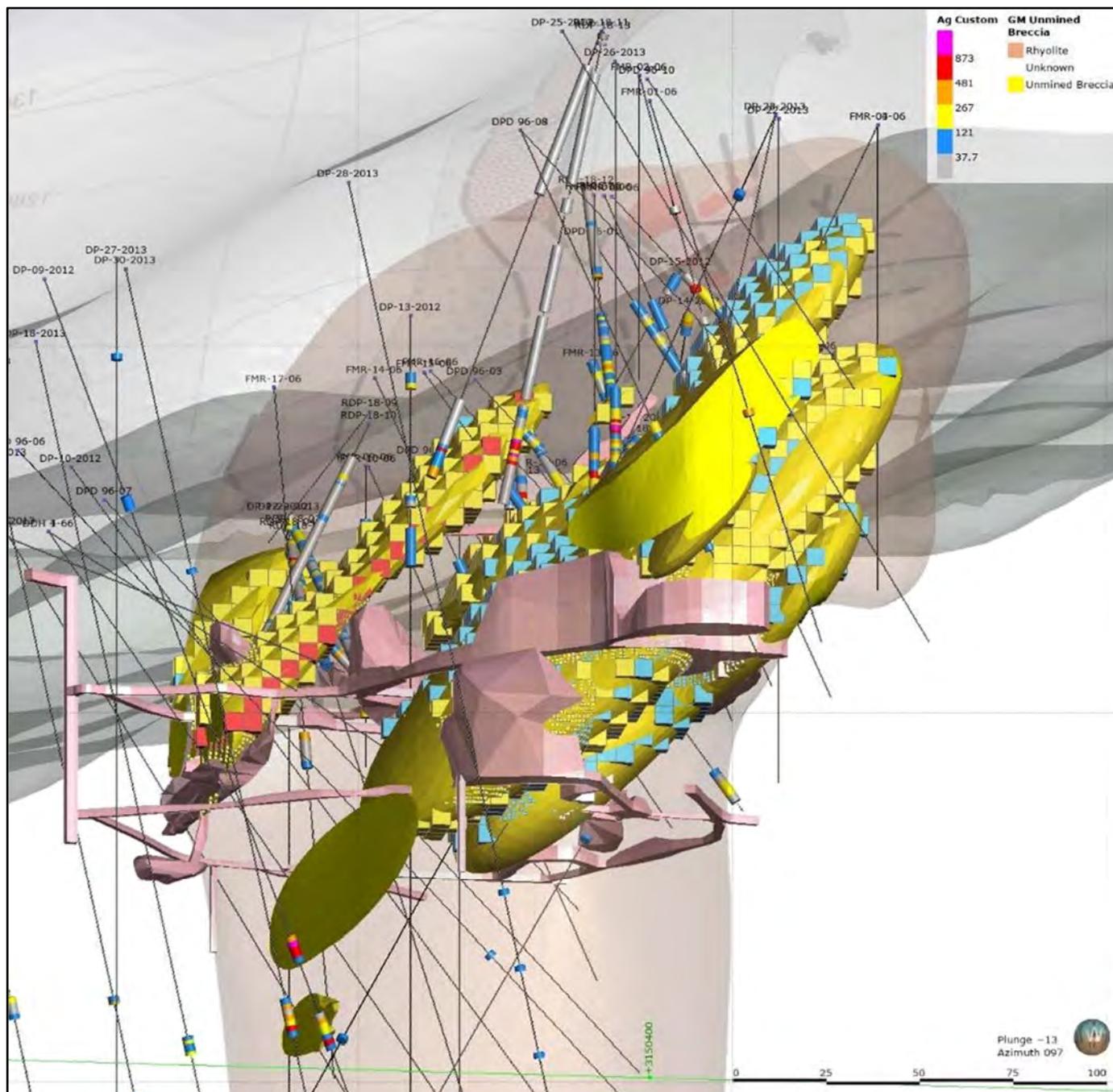


Figure 14-7. Oblique view looking east showing the rhyolite porphyry stock (pale red), Unmined Breccia (UBx) resource domain (yellow), Dios Padre underground workings (pink) and sub-block model. The UBx resource domain is constructed from 200 g/t Ag grade shells on two ENE trends thought to approximate fault-controlled mineralized breccia bodies. It excludes mined-out portions of the deposit and is truncated against the contacts of the RP stock. Note how the resource comprises 2 main lobes: a larger lower one and a smaller richer structurally higher one which is partially exploited by the Santa Fe and Cal y Canto stopes along the north margin of the stock, but is under-explored by drilling on its projection upward to surface.

### 14.3.3 Data Analysis

Rock Code	Ag Mean	Ag Max	Ag Min	Ag StDev
Unmined Breccia	169.41	676	0	97.70
Rhyolite	79.64	422	0	69.48
All other	43.99	540	0	61.97

Table 14-2. Basic summary statistics. Ag distribution within the modeled solids, un-composited.

### 14.3.4 Composites

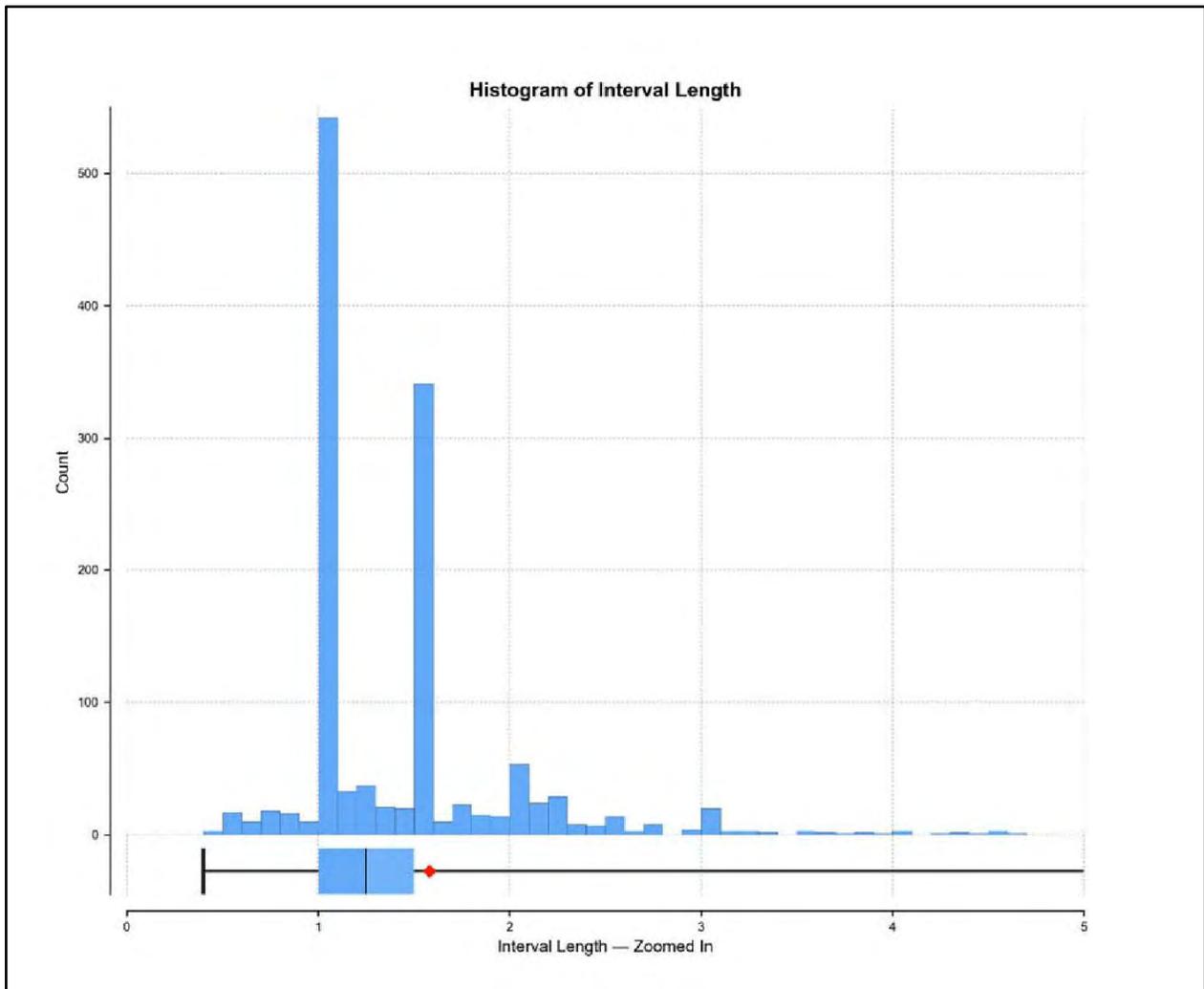


Figure 14-8. Assay Interval Lengths (range below 5 meters interval). 1m, 1.5m and 2m intervals comprise the majority of sample interval lengths.

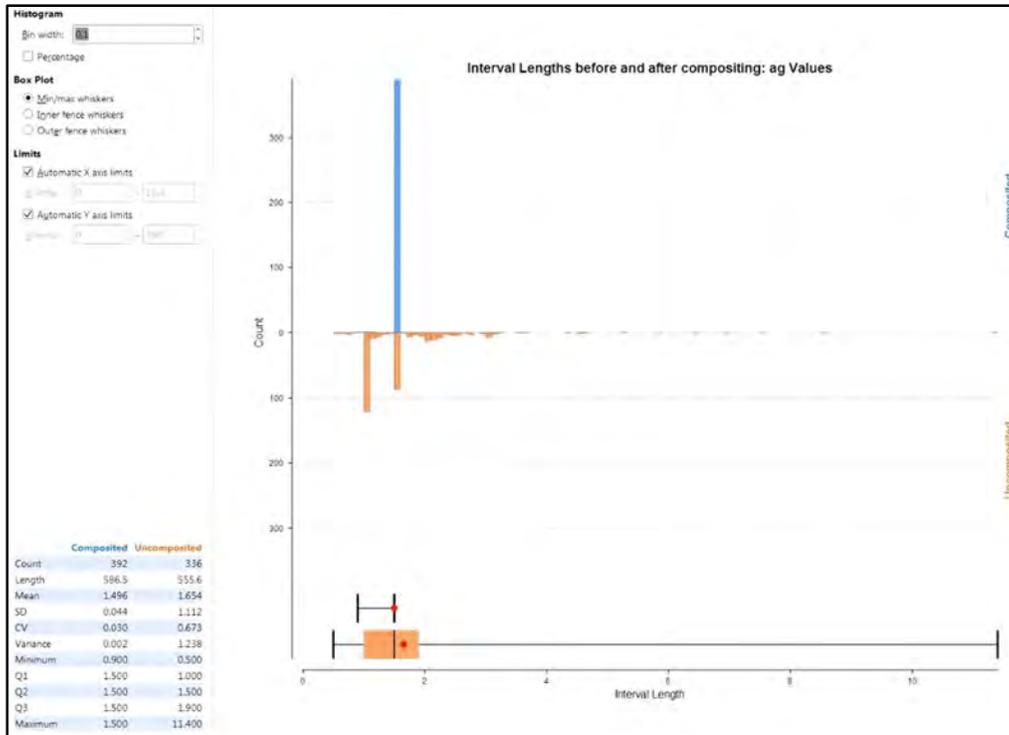


Figure 14-9. Unmined Breccia Ag values for comparison – Assay Interval Lengths vs Composite 1.5-meter Lengths. Mean values between composited and un-composited intervals within acceptable difference.

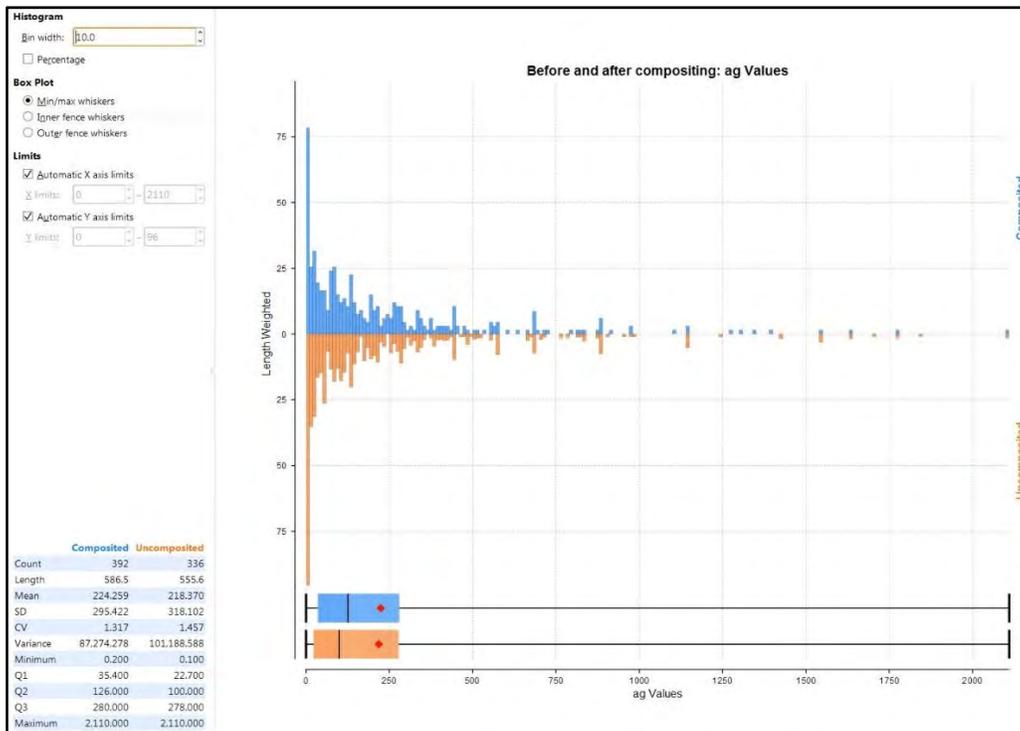


Figure 14-10. Histogram of composited and un-composited Unmined Breccia Ag values. Distribution retains form of un-composited interval lengths.

### 14.3.5 Ag distribution in the Unmined Breccia

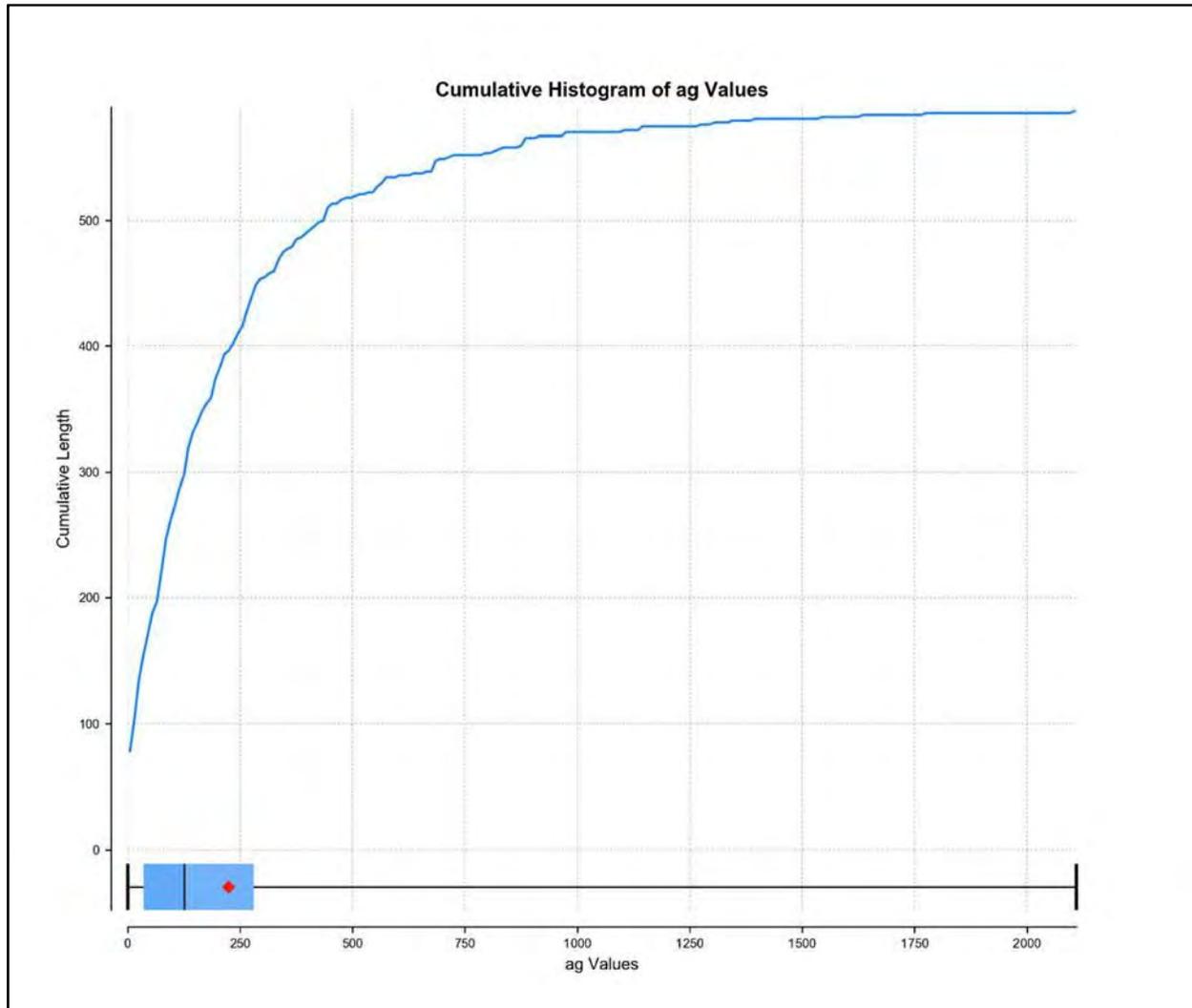


Figure 14-11. Ag cumulative histogram in the Unmined Breccia domain.

The Ag grade distribution as illustrated in Figure 14.11 of the Unmined Breccia exhibits the characteristics of a log normal distribution. It is believed that this does not warrant using log values of Ag in the resource estimation process. After consideration of the impact on uncertainty related to the problem of an exact block transform from log values, the composited, top cut Ag intervals established the basis for informing the block model.

No de-clustering of samples was performed. Visual inspection of section views, and test de-clustering indicate that higher grades encountered in different drill holes often have greater than 25-meter separation (5 blocks of separation).

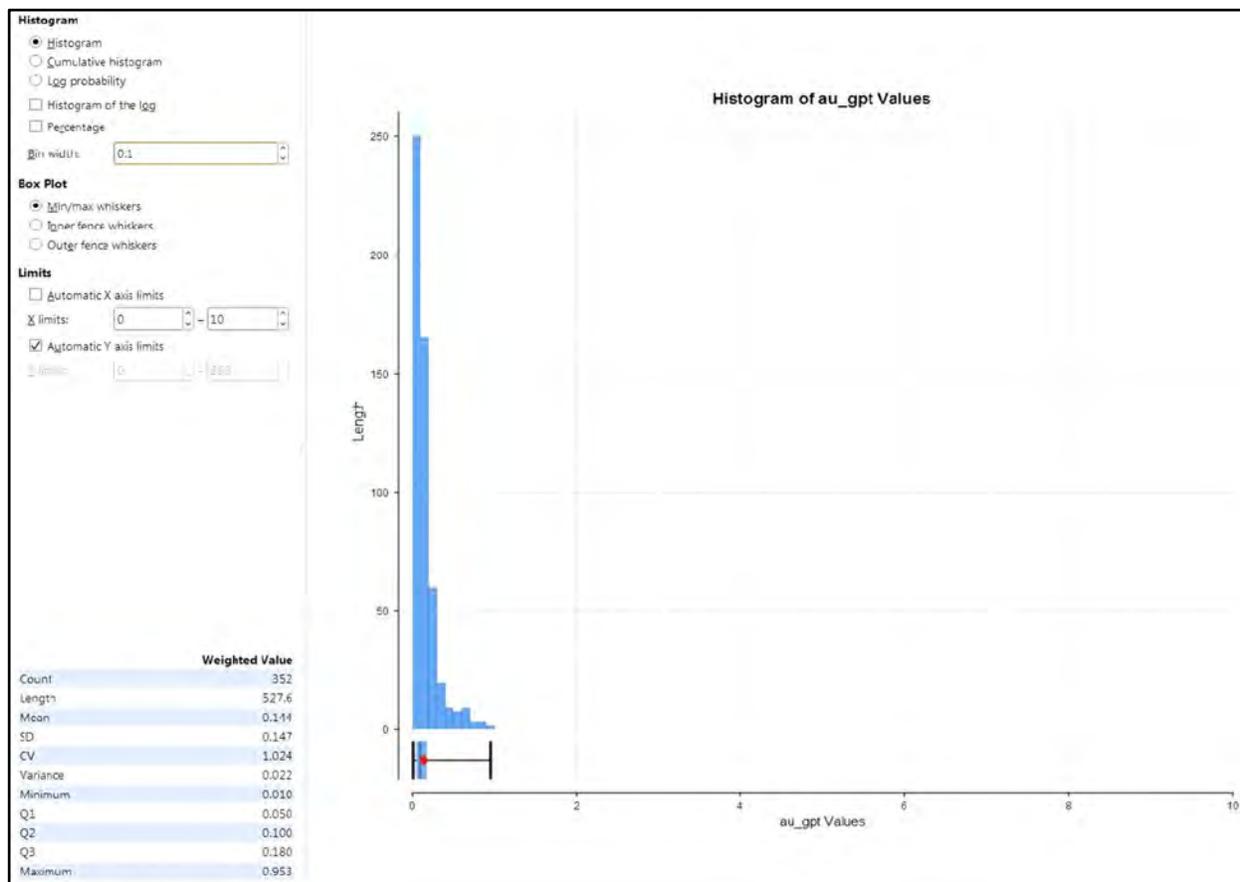


Figure 14-12. Au histogram in the Unmined Breccia domain. This is a strongly positive skew consistent with expected precious metal distributions.

#### 14.4 Outlier Assay Values

Extreme high grades can unduly influence the interpolation process. If deemed excessively high, grades should be set to a maximum cap value. After compositing to a 1.5m interval length the highest-grade Ag interval was 3220 ppm. An appropriate top cut was selected at 1000 g/t Ag and is believed to represent a relatively low risk of undue influence from outlier values based on visual inspection of histograms, and probability plots.

#### 14.5 Specific Gravity

During the 2018 drill program ProDeMin geologists collected 134 samples for density measurements from Regency and historic drill core. Eighteen of the samples were not sampled for Ag. The core selected for density measurements were sourced as follows; a) 27 samples from First Majestic, b) 39 samples from NS Gold/NS Silver, and c) 73 samples from Regency drill holes. Nineteen of these samples were sent to SGS Servicios Minerales (SGS) laboratory in Ciudad Durango (SGS, 2018). Industry standard pycnometer and wax-immersion methods were used for the determination of specific gravity of the samples.

The SGS and ProDeMin methodology for density measurements area described below. Samples are collected of split or unsplit core that has been sawed to about 10-15 cm length giving smooth surfaces. SGS used the wax immersion method for determination of bulk density in their laboratory in Durango, Mexico (SGS method G\_PHY17V). The samples are dried at low temperature, and then weighed. The samples are subsequently dipped in wax, applying a thin coating and covering holes or pores. The

samples are then weighed while immersed in water. The resulting bulk density is calculated by using the formula:

$$\text{bulk density} = \frac{\text{weight in air}}{(\text{weight in air} - \text{weight in water})}$$

The method used by ProDeMin at the core handling facility was similar, but using plastic wrap instead of wax to coat the sample and prevent water from entering pore space. Generally, about 10-20% of the samples measured in the field are checked at an independent laboratory.

The SGS results as compared to the ProDeMin determination indicated a 0.012 higher value, with plus 0.11 to -0.07 as the range. For values above Ag 40 ppm, SGS samples indicated a 0.014 higher value. The range of samples appears to be representative of rocks in the Dios Padre area. Based on the average value for all samples at 2.47 SG, plus the SGS average difference of + 0.012, a value of 2.48 SG is selected to inform the block model in the resource calculation.

The model uses a value of 2.48 SG for all rock types.

During the 2018 drill program ProDeMin geologists collected 134 samples for density measurements from Regency and historic drill core. Eighteen of the samples were not sampled for Ag. The core selected for density measurements were sourced as follows; a) 27 samples from First Majestic, b) 39 samples from NS Gold/NS Silver, and c) 73 samples from Regency drill holes. Nineteen of these samples were sent to SGS Servicios Minerales (SGS) laboratory in Ciudad Durango (SGS, 2018).

The SGS Industry standard pycnometer and ProDeMin methodology for density measurements are described below. Samples are collected of split or unsplit core that has been sawed to about 10-15 cm length giving smooth surfaces. SGS used the wax -immersion methods were used for the determination of bulk density in their laboratory in Durango, Mexico (SGS method G\_PHY17V). The specific gravity of the samples are dried at low temperature, and then weighed. The samples are subsequently dipped in wax, applying a thin coating and covering holes or pores. The samples are then weighed while immersed in water. The resulting bulk density is calculated by using the formula. Generally about 10-20% of the samples measured in the field are checked at an independent laboratory.

## 14.6 Variography

The Unmined Breccia experimental variogram model settled upon the search ellipsis at dip azimuth of 340 degrees, dip of -53 degrees, and a pitch of 113 degrees. Silver estimation used a multi-structured variogram model with search ellipses of the spheroidal variogram (ellipsis distances of 20 m maximum, 12 m intermediate, and 3 m minimum) and spherical variogram (ellipsis distances of 60 m maximum, 30 m intermediate, and 6 m minimum).

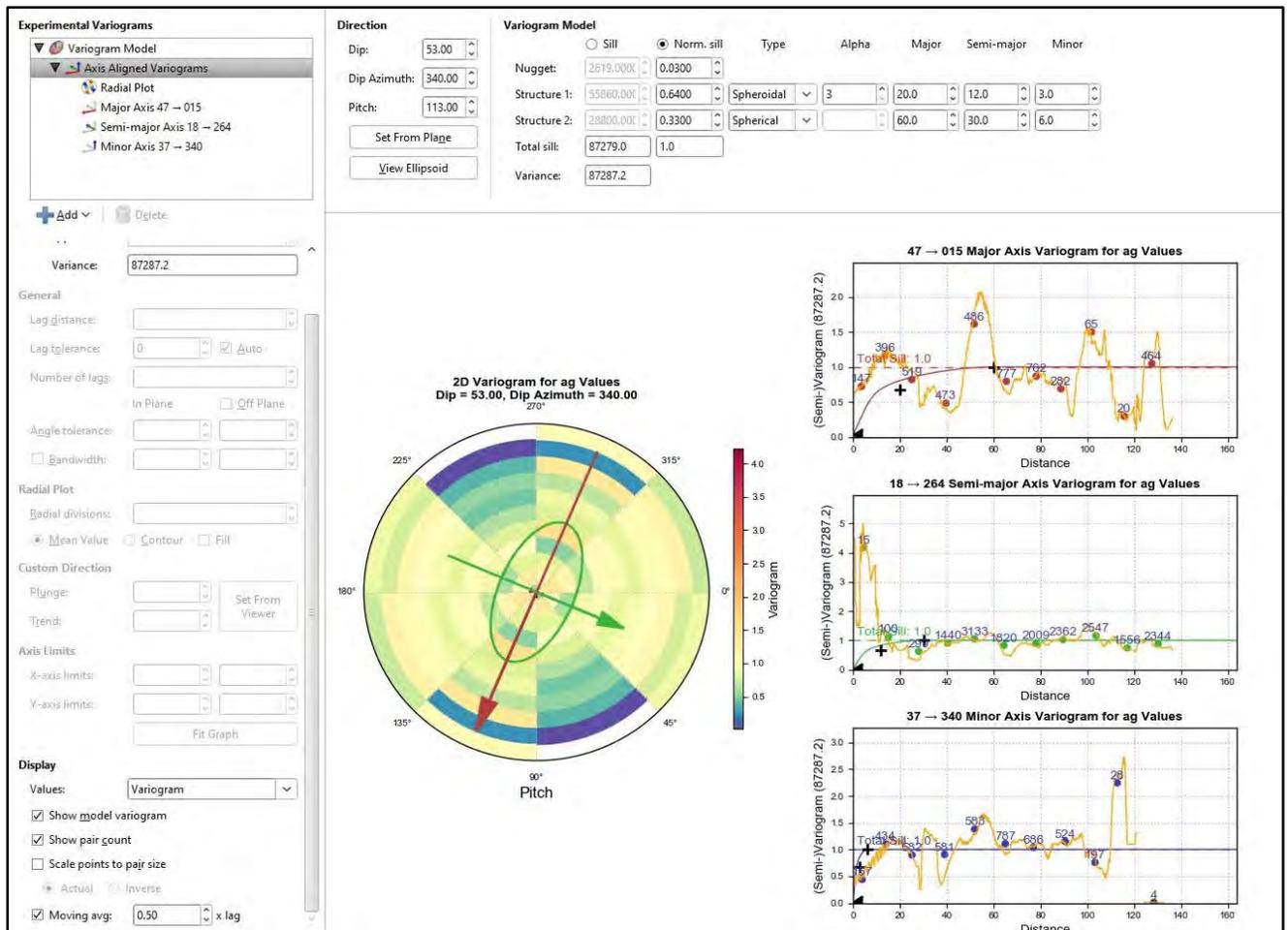


Figure 14-13. Variography of Unmined Breccia, silver.

### 14.7 Sub-block Model Definition

The sub-block model for this resource estimate is orthogonal, non-rotated and appropriately accommodates the geometry of the mineralization. Drill hole collar spacing varies from 0 (same drill pad), to 10 meters, to over 100 meters apart. The block size was selected at 5 m x 5 m x 5 m and was chosen to reflect good support for an appropriate standard mining unit (SMU). Sub-blocking using a 1m x 1m x 1m sub-block size triggered by the 3D underground manifold surface was employed to improve accuracy of the resource estimate in the immediate vicinity of mine openings and pillars – see Figures 14-14 and 14-15.

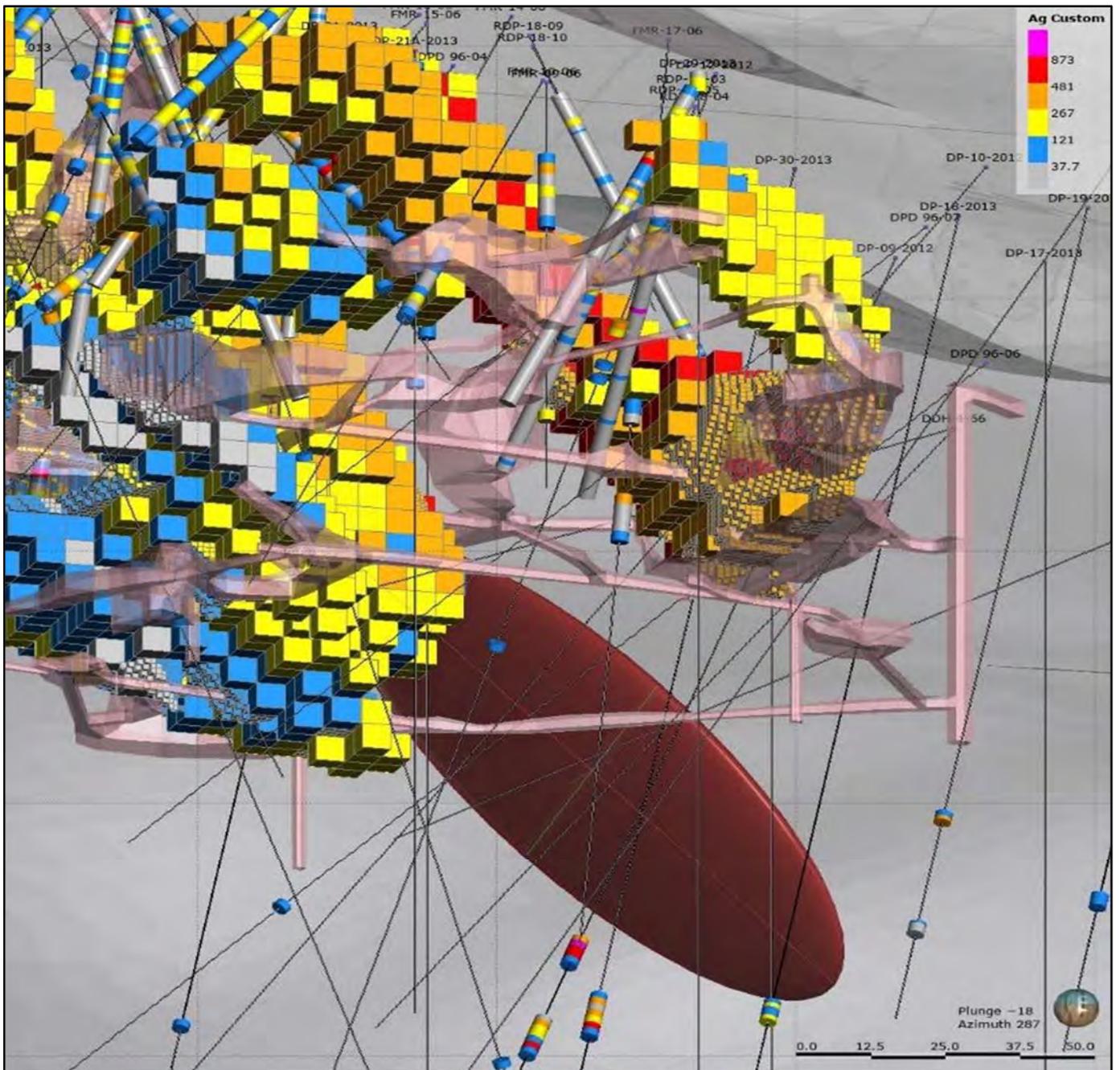


Figure 14-14. Oblique view looking northwest showing the Dios Padre underground workings (pink) and detail of sub-block model. Note automatic reduction in block size to 1m x 1m x 1m near mine openings. The Ag Unmined Breccia (UBx) domain variogram search ellipsoid is illustrated in dark red.

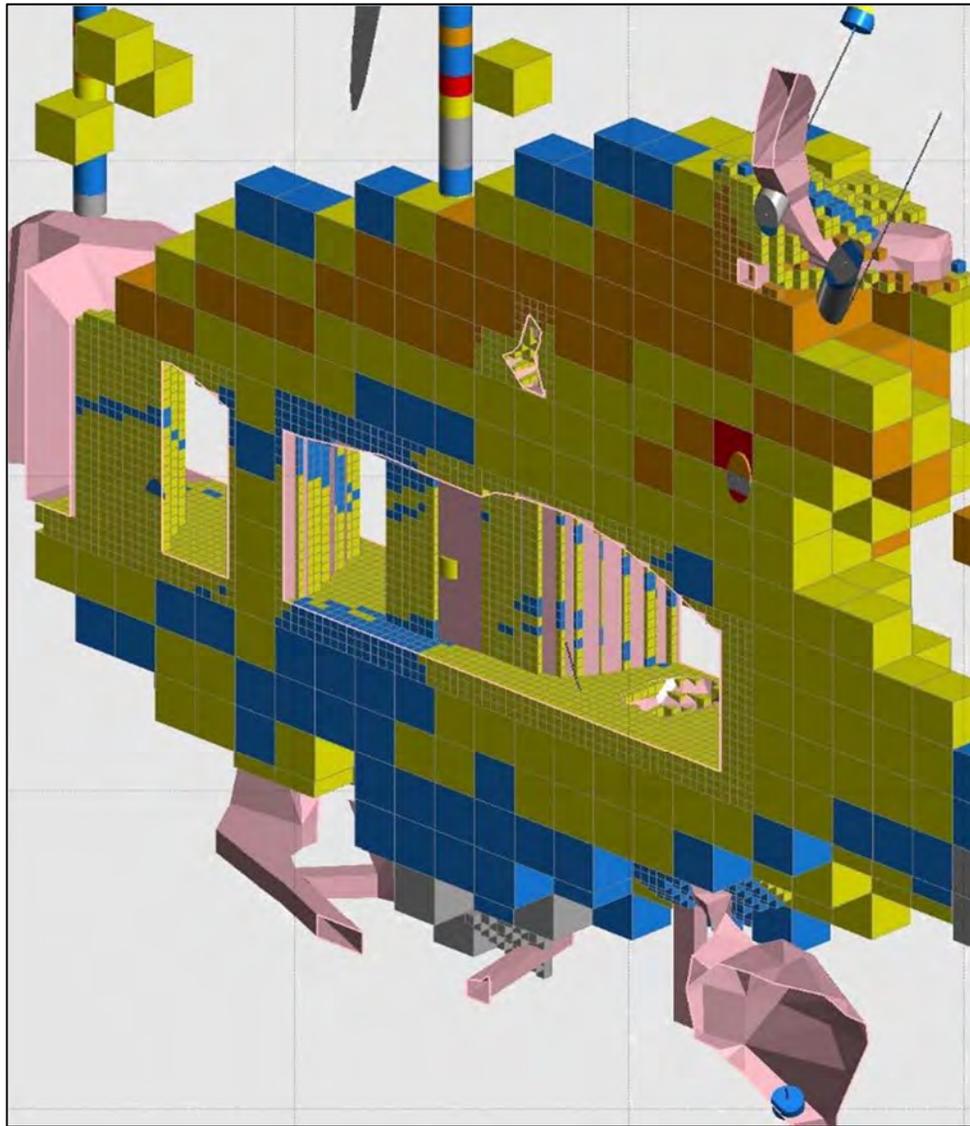


Figure 14-15. Oblique view looking northwest. Vertical east-west cutaway slice 15m (3 blocks) wide through Dios Padre underground workings and pillars (pink) at the Arroyo (1188m) level, showing detail of sub-block model.

#### 14.8 Resource Estimation Methodology

Estimation was conducted on Ag, Au, Cu, Pb, Zn, As, and Sb. Ordinary Kriged (OK), Inverse Distance (ID2.5), Nearest Neighbor (NN), and Radial Basis Function (RBF) methods were evaluated. The ordinary kriging method of informing block grades was selected for Ag and Au. Values for Cu, Pb, and Zn were determined to likely not meet reasonable economic thresholds for reporting. As and Sb were calculated for metallurgical consideration and were determined to be below thresholds likely to cause economic impact.

Silver estimation used a single pass, OK, using a multi-structured variogram model with search ellipses of the spheroidal and spherical variograms, maximum search distance of 60 meters at a dip azimuth of 340 degrees a dip of -53 degrees and a dip pitch of 113 degrees. A minimum of 5 samples and a maximum of 12 samples. Top cut was 1000 ppm Ag.

A soft estimation boundary was used for the Unmined Breccia Ag domain. This set a 2-meter buffer beyond the domain boundary causing composites exterior by 2 meters to be considered to influence the grade determination within the domain.

Gold estimation used a 1.5 composite with a 2-meter soft domain boundary, single pass, OK using a multi-structured variogram model with search ellipses of the spheroidal and spherical variograms, maximum search distance of 60 meters at a dip azimuth of 340 degrees and a dip of -53 degrees. A minimum of 5 samples and a maximum of 12 samples. Top cut was 2 ppm Au.

When estimation occurred that informed a block with negative weights, the value was set to 0, impacting a very small proportion of the blocks.

#### 14.9 Block Model Validation

- Graphical and statistical validation was performed on the block model.

A graphical validation involved examination of section, long section and plan views of the block model grades, block sample counts, drill hole Ag composites, and topography. It was observed that grades of the blocks exhibited reasonableness in relation to nearby composites, that the continuity of block grades match the local grade trends of the composites, all blocks within the mineralized zone have been estimated, that the topography was accounted for, and that extreme high grades have not unduly influenced nearby block grades. Every block grade appeared to reflect the proximate composites and estimation process used to inform. No block gave indication of an inappropriate estimation.

- Statistical validation of the block model.

The nearest neighbor unconstrained estimate may be considered a good representation of the global mean. Summary statistics for composites compared to block model silver grades, for block model estimation methods and swath plots between OK and NN suggest some variation within an acceptable minor bias.

	Mean	SD	CV	Var	Min	Q1	Q2	Q3	Max
UBx composites	224.26	295.42	1.32	87,274	0.20	35.40	126.00	280.00	2110
UBx Block Model	195.02	116.77	0.60	13,635	4.94	122.33	158.44	239.89	806

Table 14-3. Comparison of summary statistics for UBx 1.5 m composites to UBx block model Ag.

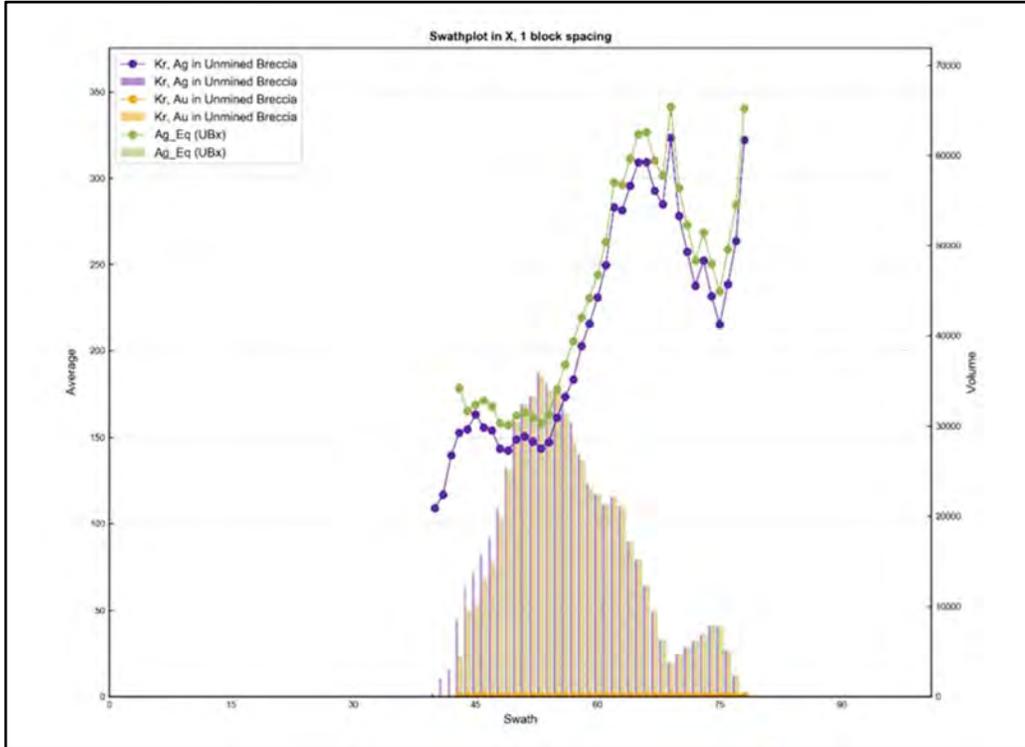


Figure 14-16. Swath plot 1 block spacing X direction UBx Ag OK, Au OK, and Ag\_Eq. Volume of blocks informing the calculation represented by vertical bars.

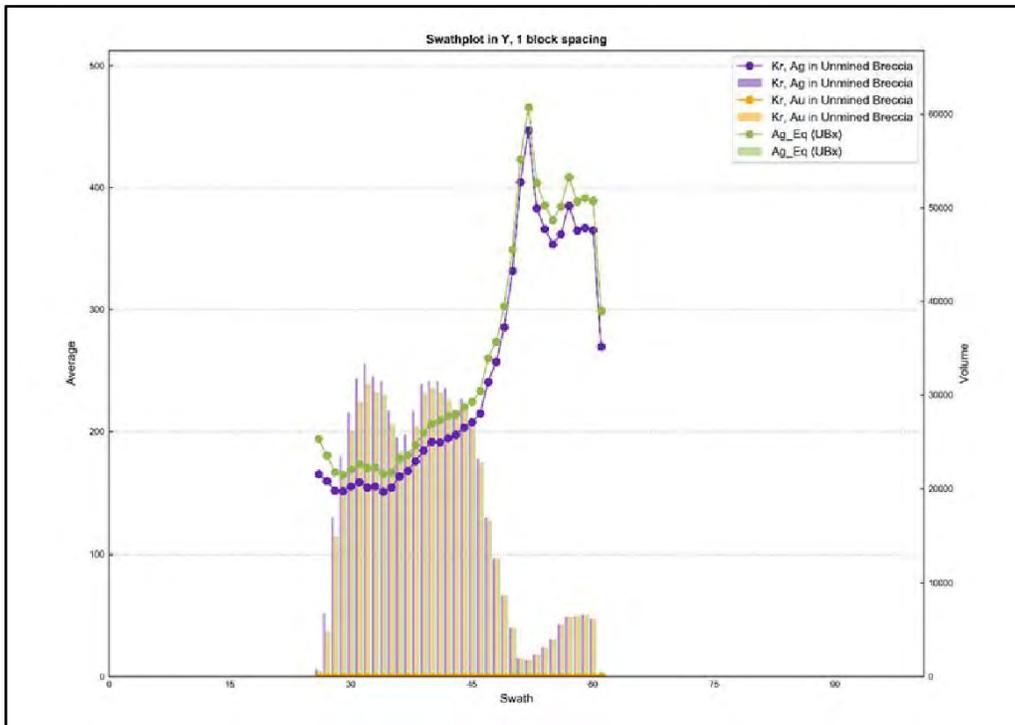


Figure 14-17. Swath plot 1 block spacing Y direction UBx Ag OK, Au OK, and AgEq. Volume of blocks informing the calculation represented by vertical bars.

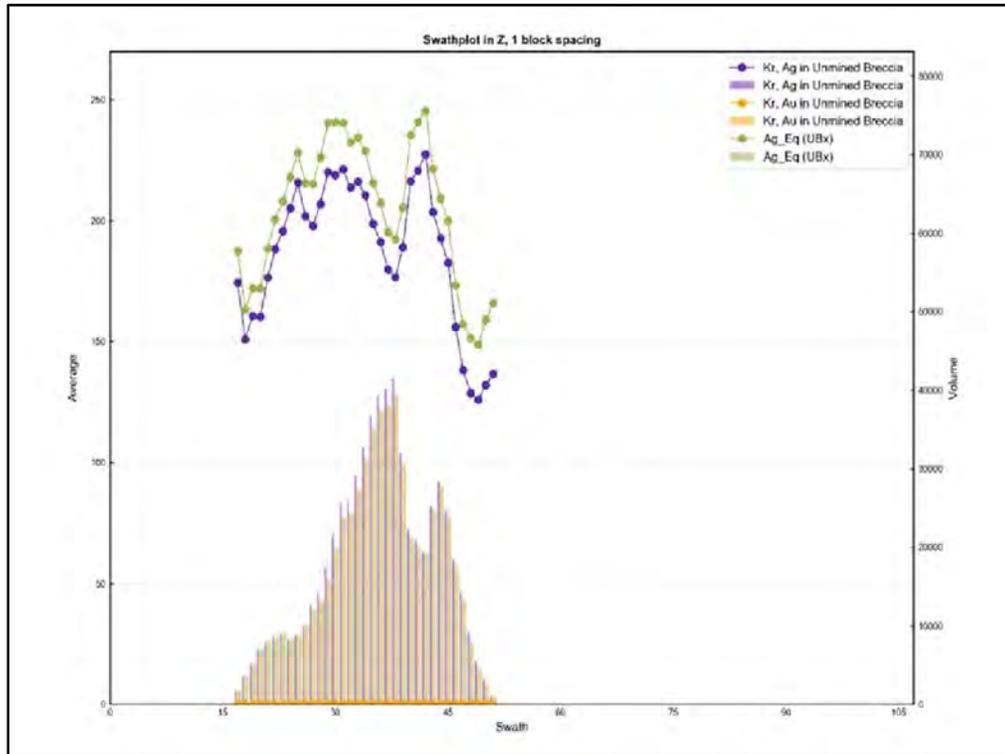


Figure 14-18. Swath plot 1 block spacing Z direction UBx Ag OK, Au OK, and AgEq. Volume of blocks informing the calculation represented by vertical bars.

## 14.10 Resource Classification

**This resource estimation meets the requirements for the INFERRED classification level.**

Mineral resource classification is a judgement process subject to industry best practices. Consideration of the degree of accuracy and repeatability of sampling, assaying, logging, and surveying determines the level of confidence that the volumes, grades, and tonnages exist. The degree of geological continuity, and geostatistical analysis, and characterization of stationary domains are as important as the quality of the underlying data. The difference between the levels of mineral classification: Measured, Indicated and Inferred reflect the amount and degree of the data available in that determination. The CIM Definition Standards for Mineral Resources and Mineral Reserves provide the framework for the assignment of confidence, using defined mineral resource and mineral reserve classes, for resource and reserve estimation. This estimate is prepared in accordance with said CIM Definition Standards, which are incorporated by reference into NI 43-101.

### Measured

A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.

Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.

A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

*Mineralization or other natural material of economic interest may be classified as a Measured Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such that the tonnage and grade or quality of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability of the deposit. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.*

## **Indicated**

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics as estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

*Mineralization may be classified as an Indicated Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. The Qualified Person must recognise the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Pre-Feasibility Study which can serve as the basis for major development decisions.*

## **Inferred**

An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. **It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.**

*An Inferred Mineral Resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drill holes. Inferred Mineral Resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under NI 43-101.*

*There may be circumstances, where appropriate sampling, testing, and other measurements are sufficient to demonstrate data integrity, geological and grade/quality continuity of a Measured or Indicated Mineral Resource, however, quality assurance and quality control, or other information may not meet all industry*

norms for the disclosure of an Indicated or Measured Mineral Resource. Under these circumstances, it may be reasonable for the Qualified Person to report and Inferred Mineral Resource if the Qualified Person has taken steps to verify the information meets the requirements of an Inferred Mineral Resource.

#### 14.11 Mineral Resource Statement

The Dios Padre Mineral Resource is envisioned to be extracted using underground mining methods and onsite processing involving a combination of flotation and hydrometallurgical methods.

The Dios Padre Mineral Resource Estimate is as summarized in Table 14-4.

Classification: Inferred  
 Domain: Unmined Breccia  
 Density: 2.48 g/cm<sup>3</sup>

Cut-off (AgEq) g/t	Tonnes Mt	Average Grade			Metal Content		
		AgEq g/t	Ag g/t	Au g/t	AgEq million t.oz	Ag million t.oz	Au million t.oz
100	1.363	225.79	211.35	0.17	9.893	9.260	0.007
110	1.322	229.49	215.05	0.17	9.755	9.141	0.007
<b>120</b>	<b>1.249</b>	<b>236.18</b>	<b>221.70</b>	<b>0.17</b>	<b>9.483</b>	<b>8.902</b>	<b>0.007</b>
130	1.186	242.03	227.52	0.17	9.232	8.679	0.006
140	1.094	250.99	236.47	0.17	8.832	8.321	0.006
150	0.976	263.80	249.21	0.17	8.281	7.823	0.005
160	0.887	274.72	260.07	0.17	7.839	7.421	0.005

Table 14-4. Inferred Mineral Resource Estimate Dios Padre Property for selected cut-off grades. *Note: the formula for silver equivalent used is: AgEq (g/t) = (Ag(g/t)\*Ag price\*Ag recovery) + ([Au (g/t)\*Au price\*Au recovery]) / (Ag price\*Ag recovery) based on a silver price of US\$17.00/oz and a gold price of US\$1479/oz, current as at 2019, July10, and assumed metallurgical recoveries of 92% Ag and 91% Au.*

#### 14.12 Economic Assumptions

The effective internal Cut-off grade can be calculated according to the following formula:

$$\text{AgEq Cut-off Grade} = \frac{[(\text{US}\$/\text{tonne marginal costs}) \times (31.1035 \text{ g/Troy oz})]}{[(\text{overall recovery}) \times (\text{US}\$/\text{Troy oz Ag Price})]}$$

Where marginal costs include the following:

General &  
 Administrative: US\$/tonne processed  
 Processing: US\$/tonne processed  
 Total Selling costs: US\$/tonne processed  
 US\$/tonne processed (1.5% at Dios Padre)  
 Total Royalties: Padre)  
 Total Payables: US\$/tonne processed  
 Total Marginal Costs: US\$/tonne processed

Comprehensive and reliable data on silver and gold recoveries and marginal cost breakdowns for past production at Dios Padre are not available. However, an estimate of the effective internal Cut-off grade can be obtained by examining production records for other underground Ag-Au mines in Mexico. For example, mineral Reserves for Fortuna Silver's San Jose Mine (located about 1800 km southeast of Dios Padre in the Taviche Mining District, Oaxaca) are estimated using an NSR break-even cut-off grade of US\$65.90/t, equivalent to **131 g/t AgEq** based on assumed metal prices of US\$18.25/oz Ag and US\$1,320/oz Au; estimated metallurgical recovery rates of 92% for Ag and 91% for Au and mining costs of US\$31.48/t; processing costs of US\$16.55/t; and other costs including distribution, management, community support and general service costs of US\$17.91/t based on actual operating costs. Mining recovery is estimated to average 89% and mining dilution 12%. Mineral Resources are estimated at a **100 g/t AgEq** cut-off grade using the same metal prices and metallurgical recoveries as for Mineral Reserves and a mine to mill operating cost of US\$52.50/t. Proven and Probable Mineral Reserves include 3.20 Mt containing 26.9 Moz of silver and 164 Koz of gold reported at a **134 g/t AgEq** cut-off grade, in addition to Inferred Resources totaling 1.32 Mt containing 7.1 Moz of silver and 49 Kozs of gold reported at a **100 g/t AgEq** cut-off grade, located in the Taviche Oeste concession and subject to a 2.5 % royalty [information provided by Bruce Bragagnolo 2019, June 19]. The San Jose Mine is considered a close analogue to Dios Padre, and is used in this Technical Report as the operation from which to establish the cut-off grade used to determine reasonable prospects for eventual economic extraction at Dios Padre.

#### **15.0 MINERAL RESERVE ESTIMATES**

There is no information available on the Dios Padre Property that would allow for estimation of a mineral reserve.

#### **16.0 MINING METHODS**

There is no information available on the Dios Padre Property that would allow for a discussion of mining methods.

#### **17.0 RECOVERY METHODS**

There is no information available on the Dios Padre Property that would allow for a review of the recovery methods anticipated.

#### **18.0 PROPERTY INFRASTRUCTURE**

There is no information available on the Dios Padre Property that would allow for the Property infrastructure to be reviewed.

#### **19.0 MARKET STUDIES AND CONTRACTS**

Possible market studies and contracts associated with possible development of the Dios Padre Property are not known.

#### **20.0 ENVIRONMENTAL, PERMITTING, SOCIAL OR COMMUNITY IMPACT**

No information is available on the Dios Padre Property to determine environmental, permitting, and social and community impact.

## 21.0 CAPITAL AND OPERATING COSTS

No information is available on the Dios Padre Property to determine possible capital and operating costs.

## 22.0 ECONOMIC ANALYSIS

No information is available on the Dios Padre Property to provide an economic analysis.

## 23.0 ADJACENT PROPERTIES

In April 2015, Compania Minera Oso Blanco S.A. de C.V., a wholly owned subsidiary of NS Silver Inc. held nine concessions comprising approximately 5,658 ha surrounding the Property on the south, east, and west borders. Geologic mapping, sampling, and trenching on these concessions, collectively referred to as the Oso Blanco project began in 2013. As of 2015, no drill operations had been conducted but sample values up to 2,030 g/t Ag and 9.4 g/t Au were reported (NSX Silver, 2015). The current status and ownership of these concessions and any work completed since 2015 is not known. The mineralization described on the Oso Blanco project has not been verified by the authors and is not necessarily indicative of the mineralization on the Property that is the subject of this Technical Report.

## 24.0 OTHER RELEVANT DATA AND INFORMATION

The authors found no evidence for significant environmental problems, social, or security concerns in the course of this investigation. The Company employs security and social protocols that conform to both Mexican and Canadian laws. The technical programs are supervised by a Qualified Person as defined by NI 43-101.

## 25.0 INTERPRETATION AND CONCLUSIONS

The Dios Padre Property is located within the western flank of the northern part of the Sierra Madre Occidental (SMO), a major magmatic-volcanic and tectonic feature dominating northern and central Mexico.

The Dios Padre mine and surrounding area is underlain dominantly by andesite, which has been intruded by porphyritic rhyolite, and subordinate, disconformable overlying basalt. Within this environment, Ag mineralization (+/-Au-Ag-Cu-Pb-Zn) is hosted in a phreatic breccia (or hydrothermal breccia) body. As presently defined by drill holes, and underground workings, the dimensions of the Dios Padre mineralized stock (or the Dios Padre breccia) are believed to be approximately 300 m long by 115 m wide, with a depth of at least 200 m aligned along a N70°E trend.

The morphology of the Dios Padre breccia is complex with an irregular shape and multiple interpenetrations, which form finger-like contacts. At least two and probably more stages of brecciation related to pre-, -syn, and post mineral faulting are evident. At least two episodes of sulfide mineralization occurred, consisting of coarse freibergite, pyrargyrite, native silver, argentite, galena, tetrahedrite, sphalerite, chalcopyrite with quartz, pyrite, calcite, and especially common, barite gangue.

A total of 10,415.2 meters of drilling in 66 drill holes comprise the data set for modeling and mineral estimation. From this data, an **Inferred Mineral Resource** estimate which is compliant with National Instrument 43-101 and CIM standards includes the following estimate (Table 25.1).

<b>Classification</b>	<b>Inferred</b>
<b>Cutoff Grade g/t AgEq</b>	120
<b>Tonnes</b>	1,249,000
<b>Est. Silver Grade g/t Ag</b>	221.70
<b>Est. Gold Grade g/t Au</b>	0.17
<b>Contained Silver Troy ozs</b>	8,902,000
<b>Contained Gold Troy ozs</b>	6,757

Table 25-1. Inferred Mineral Resource Estimate Dios Padre Property.

The uncertain morphology and poorly-constrained fault controls to the Dios Padre mineralized breccia provide opportunity and risk. Both internal (in-fill) potential is indicated as well as deep mineralization intercepted (e.g. drill holes beneath all working levels in previous drill campaigns). For example, NS Silver/NS Gold drill hole DP-26-2013 intercepted 41 m (91.3 to 132.3) grading 400.1 g/t Ag near the bottom of the hole at 134.6 and Regency in-fill hole RDP-18-13 near the central part of the Dios Padre breccia body which penetrated 15.4 m grading 452.2 g Ag/t from 104.9 to 120.3 m just off the hole bottom at 131.2 m. The erratic nature of the breccia hosted mineralization both in morphology and grade implies that continuity is uncertain both laterally and at depth.

## 26.0 RECOMMENDATIONS

The Regency drill campaign described within this Technical Report partially delineated significant silver (and +/- gold) mineralization and further drilling is warranted.

The next phase of drilling should focus on two high-priority target areas:

### Target I

In the Dios Padre mine vicinity with the purpose of expanding the rich, but poorly explored (and unmined) north plume of the established resource upward toward the ground surface in the area of known Ag mineralized showings in the stripped portion of the deposit – see Figure 26-1.

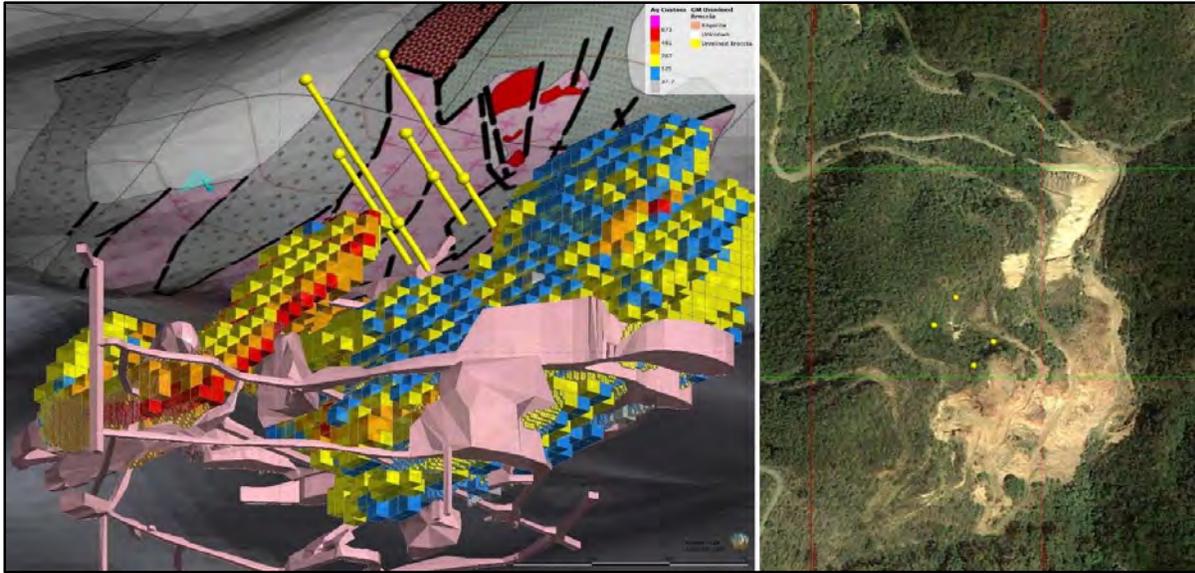


Figure 26-1. Target I. Proposed drill holes (in yellow). Left panel shows the north plume of the Dios Padre resource projecting upward toward Ag mineralized showings on surface. Right panel shows location of proposed drill collars north of the disturbed/stripped portion of the deposit.

This cost-effective drill program in four (4) shallow holes, totals just 156m – see Table 26-1.

Hole	Easting (m)	Northing (m)	Elev. (m)	Azimuth	Dip	Depth(m)
1	690405	3150307	1308	172°	-45°	18
2	690418	3150325	1300	172°	-45°	26
3	690380	3150337	1322	172°	-45°	52
4	690394	3150357	1312	172°	-45°	60
Total						156 m

Table 26-1. Target I. Proposed drill holes.

Trenching and sawn channel sampling is also recommended in the area of the surface Ag mineralization. Results of the drilling and trenching will be added to the digital database and used to recalculate and potentially enlarge the Dios Padre mineral resource estimate.

## Target II

Up to six (6) drill holes are recommended to test the prominent IP chargeability anomaly located 550 m north of the Dios Padre deposit – see Figures 26-2 and 26-3. One (or two) initial holes will determine the cause of the IP response. Subsequent drilling will be contingent on success from the initial holes. As much as 1520m (Table 26-2) of drilling is conditionally proposed.

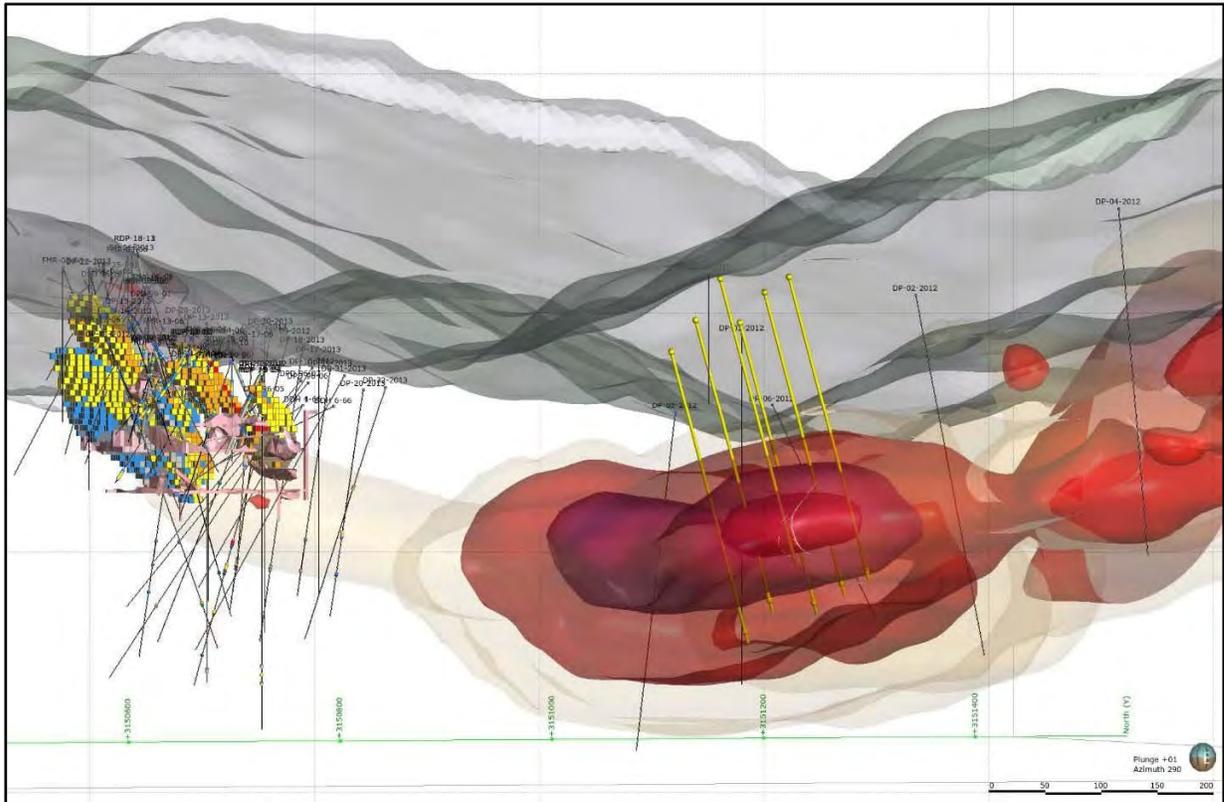


Figure 26-2. Target II. Sectional view toward the west, with the Dios Padre deposit, underground workings and block model visible on the left, and the IP chargeability response at depth on the right. Proposed drill holes (in yellow) will target the center of the IP anomaly 150-200m below surface.

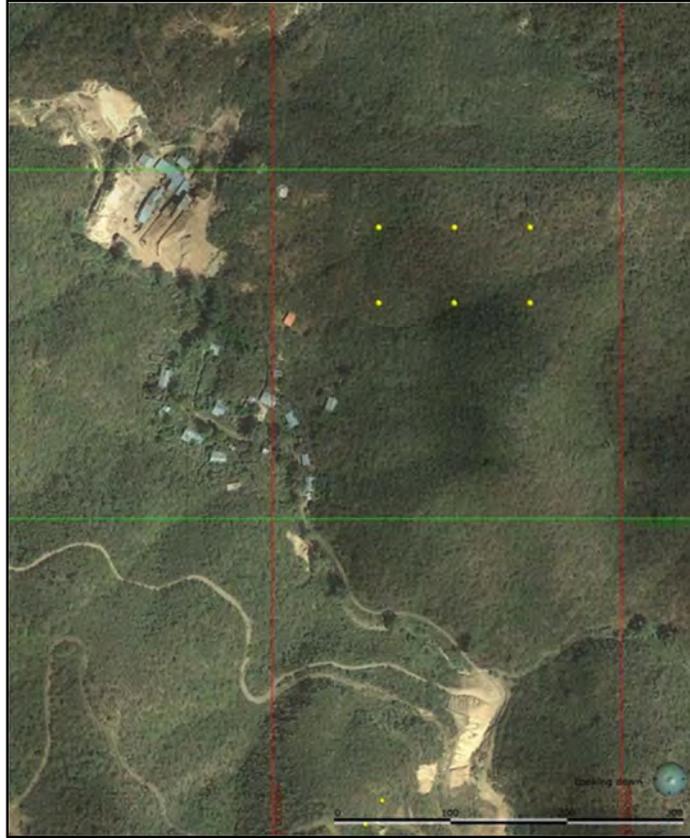


Figure 26-3. Target II. Proposed drill holes (in yellow). The holes are located on the hillside east of the Dios Padre mill complex.

Hole	Easting (m)	Northing (m)	Elev. (m)	Azimuth	Dip	Depth(m)
1	690391	3150850	1293	340°	-70°	250
2	690456	3150850	1320	340°	-70°	260
3	690521	3150850	1333	340°	-70°	260
4	690391	3150785	1269	340°	-70°	250
5	690456	3150785	1297	340°	-70°	250
6	690521	3150785	1332	340°	-70°	250
<b>TOTAL</b>						<b>1520 m</b>

Table 26-2. Target II. Proposed drill holes.

## 26.1 Budget

The budget proposed in Table 26.3 outlines the next phase of drilling (Phase 1) at the Dios Padre Property and is based on the drilling of up to 6 core holes to a maximum depth of 260 m on the IP (Induced Polarization)/Resistivity anomaly to the north and four shallower core holes to a maximum depth of 60 m near the Dios Padre Mine. The total cost of this program is estimated to be USD\$500,000 including assays and contingency for additional drill holes, if warranted.

<b>Item</b>	<b>Units</b>	<b>US \$</b>
Drilling	1,676m @ \$150/m	252,000
Down hole optical viewer - rental		3,000
Dozer		2,000
Water		1,400
supplies, local labor, etc.		10,000
Local lodging + meals		4,000
Transport		2,000
Assays, including transport	1,500 @ \$40/sample	60,000
Geologic services		50,000
Environmental permit		3,700
Supervision, data base, reporting QP		25,000
Administrative support		2,000
Contingency for additional drill holes (if warranted)		\$85,000
	<b>Total</b>	<b>\$500,000</b>

Table 26-3. Phase 1 proposed drill budget.

Future drill phases are anticipated but are contingent on positive results from the Phase 1 drill program.

**Schedule 2**

Interim Unaudited Condensed consolidated interim financial statements for the six months  
ended June 30, 2021

**REGENCY SILVER CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**(Unaudited - Expressed in Canadian Dollars)**

**Regency Silver Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Unaudited - Expressed in Canadian dollars)*

	Note	June 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 12,145	\$ 12,798
Amounts receivable		47,520	37,311
Prepaid expenses		12,500	14,384
		72,165	64,493
<b>Non-current Assets</b>			
Deposit	4	10,000	10,000
Exploration and evaluation assets	4	1,275,207	1,155,179
<b>TOTAL ASSETS</b>		<b>\$ 1,357,372</b>	<b>\$ 1,229,672</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 164,159	\$ 269,177
Note payable	6	51,250	-
		215,409	269,177
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	4,538,056	3,989,231
Reserves	5	7,379	7,379
Accumulated deficit		(3,403,472)	(3,036,115)
<b>Total shareholders' equity</b>		<b>1,141,963</b>	<b>960,495</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,357,372</b>	<b>\$ 1,229,672</b>

Nature of operations – Note 1  
Going concern – Note 2  
Contingency – Note 11  
Commitments – Note 12  
Subsequent events – Note 13

Approved on behalf of the Board of Directors:

“Gijsbert Groenewegen”, Director

“Bruce Bragagnolo”, Director

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

**Regency Silver Corp.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
*(Unaudited - Expressed in Canadian dollars)*

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	Note	Three months ended		Six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>EXPENSES</b>					
Consulting	7	\$ 7,500	\$ 478	\$ 15,000	\$ 24,000
Exchange and filing fees		8,298	-	18,298	-
Management fees	7	73,500	20,000	135,000	35,000
Office		37,458	40,350	84,299	53,979
Professional fees		43,478	63,270	73,721	77,770
Rent		5,634	-	12,760	-
		(175,868)	(124,098)	(339,078)	(190,749)
<b>OTHER ITEMS</b>					
Interest expense	6	(1,250)	-	(6,250)	-
Foreign exchange		(19,032)	-	(22,029)	-
<b>LOSS AND COMPREHENSIVE LOSS</b>		\$ (196,150)	\$ (124,098)	\$ (367,357)	\$ (190,749)
<b>Loss per share, basic and diluted</b>		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>		<b>47,090,157</b>	<b>39,033,423</b>	<b>45,251,965</b>	<b>34,367,034</b>

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

**Regency Silver Corp.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
*(Unaudited - Expressed in Canadian dollars)*

	<b>Share Capital</b>		<b>Subscriptions received in advance</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>	
	<b>Note</b>	<b>Number</b>	<b>Amount</b>				
			<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Balance, December 31, 2019</b>		<b>31,776,201</b>	<b>2,861,060</b>	<b>22,500</b>	<b>-</b>	<b>(2,274,463)</b>	<b>609,097</b>
Shares issued in private placement		8,545,000	654,500	-	-	-	654,500
Share based payments		1,000,000	100,000	-	-	-	100,000
Net loss for the period		-	-	-	-	(190,749)	(190,749)
<b>Balance, June 30, 2020</b>		<b>41,321,201</b>	<b>3,615,560</b>	<b>22,500</b>	<b>-</b>	<b>(2,465,212)</b>	<b>1,172,848</b>
<b>Balance, December 31, 2020</b>		<b>43,871,201</b>	<b>3,989,231</b>	<b>-</b>	<b>7,379</b>	<b>(3,036,115)</b>	<b>960,495</b>
Shares issued in private placement	5	4,525,500	563,825	-	-	-	563,825
Share issuance costs	5	-	(15,000)	-	-	-	(15,000)
Net loss for the period		-	-	-	-	(367,357)	(367,357)
<b>Balance, June 30, 2021</b>		<b>48,396,701</b>	<b>4,538,056</b>	<b>-</b>	<b>7,379</b>	<b>(3,403,472)</b>	<b>1,141,963</b>

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

**Regency Silver Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
*(Unaudited - Expressed in Canadian dollars)*

	<b>Six months ended</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (367,357)	\$ (190,749)
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	(10,209)	(3,037)
Prepaid expenses	1,884	-
Accounts payable and accrued liabilities	(105,018)	(190,730)
<b>Cash used in operating activities</b>	<b>(480,700)</b>	<b>(384,516)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(120,028)	(106,559)
<b>Cash used in investing activities</b>	<b>(120,028)</b>	<b>(106,559)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds received from issuance of note	51,250	-
Proceeds from issuance of common shares	548,825	790,650
<b>Cash provided by financing activities</b>	<b>600,075</b>	<b>790,650</b>
Change in cash	(653)	299,575
Cash, beginning of period	12,798	4,172
<b>Cash, end of period</b>	<b>\$ 12,145</b>	<b>\$ 303,747</b>

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

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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**1. NATURE OF OPERATIONS**

Regency Silver Corp. (the “Company”) was incorporated on March 23, 2017 under the laws of the Province of British Columbia, Canada, and its principal activity is the identification, evaluation, acquisition and exploration of mineral properties in Mexico and Peru. The corporate head office, principal address and registered and records offices of the Company are located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, V6C 3P1, Canada.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these condensed consolidated interim financial statements.

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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

The Company is proposing to complete an initial public offering (“IPO”) as further described in note 13.

**2. GOING CONCERN**

These condensed consolidated interim financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficit at June 30, 2021 of \$143,244 (December 31, 2020 – \$204,684) and an accumulated deficit of \$3,403,472 (December 31, 2020 - \$3,036,115). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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**3. BASIS OF PRESENTATION**

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

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s audited consolidated financial statements for the year ended December 31, 2020. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 1, 2021.

**3.1. Basis of Consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Regency Silver S.A. de C.V., incorporated and located in Mexico (“Regency Mexico”) and Regency Mining SAC, incorporated and located in Peru (“Regency Peru”). All significant intercompany transactions and balances have been eliminated on consolidation. The functional currency of the Company and its wholly-owned subsidiaries is Canadian dollars.

**3.2. Significant judgments, estimates and assumptions**

The preparation of the Company’s condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

*Functional currency*

Determination of an entity’s functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

*Going concern*

The assessment of the Company’s ongoing viability as an operating entity and determination of the related disclosures require significant judgment. The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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*Impairment of exploration and evaluation assets*

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

**Critical Accounting Estimates**

*Income Taxes*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

*Provision for Litigation*

Management has assessed the future obligation of the Company in relation to the claim disclosed in Note 11. Provisions are measured at their best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material. As of the date of these financial statements, uncertainty exists relating to the timing and amounts of any possible cash settlements. Accordingly, management has not recorded a provision in these condensed consolidated interim financial statements for the claim.

*Valuation of share-based compensation*

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. Common shares issued for compensation are valued based on the most recent third-party financing values.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS**

A continuity of the Company's exploration and evaluation assets is as follows:

	<b>Dios Padre</b>	<b>El Tule</b>	<b>Total Expenditure s</b>
	\$	\$	\$
<b>Balance, December 31, 2019</b>	<b>773,845</b>	<b>152,368</b>	<b>926,213</b>
Acquisition cost	34,468	61,663	96,131
Assaying	5,483	-	5,483
Consulting and professional fees	52,573	9,952	62,525
Geologist fees	8,883	-	8,883
Property taxes and payments	33,687	18,217	51,904
Other payments	4,040	-	4,040
<b>Balance, December 31, 2020</b>	<b>912,979</b>	<b>242,200</b>	<b>1,155,179</b>
Acquisition cost	18,830	52,401	71,231
Consulting and professional fees	27,204	769	27,973
Property taxes and payments	12,672	8,152	20,824
<b>Balance, June 30, 2021</b>	<b>971,685</b>	<b>303,522</b>	<b>1,275,207</b>

***Dios Padre Property, Mexico***

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
  - US\$25,000 on the date of signing (paid);
  - US\$30,000 on or before November 27, 2018 (paid);
  - US\$30,000 on or before November 27, 2019 (paid);
  - US\$30,000 on or before November 27, 2020 (paid); and
  - US\$30,000 on or before November 27, 2021 (paid up to date).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
  - US\$250,000 on or before November 27, 2018; (incurred)
  - US\$500,000 on or before November 27, 2021;
  - US\$250,000 on or before April 30, 2022.

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US\$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021 and October 12, 2021 (the “Amended Extension Agreement”) wherein Minera Pena granted Regency Mexico an extension until January 31, 2022 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures was extended until June 30, 2022. The time to make payment of the sum of US\$10,000 to Minera Pena as consideration for the extensions was also extended to the earlier of the date which is 10 days from the listing of the Company’s shares on any recognized exchange in Canada or January 31, 2022.

Ejido La Trinidad Agreement

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017 requiring the Company to make annual payments of US\$6,000 and minor improvement costs.

***El Tule Property, Mexico***

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the “Armenta Agreement”) to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US\$600,000 whereby US\$100,000 will be paid within the first four months, US\$400,000 will be paid over 4 years (in 6-month increments) and US\$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

The Armenta Agreement also calls for a bonus payment of US\$1,000,000 on delivery of a NI 43-101 report which identifies one million ounces of gold on the property. Pursuant to the Armenta Agreement, in the event that the shares of the Company get listed on a stock exchange, the Company may issue common shares for payments in an amount totaling US\$200,000.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US\$25,000 to keep the Armenta Agreement in good standing.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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*(Unaudited - Expressed in Canadian dollars)*

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On August 14, 2020, December 14, 2020, and April 5, 2021, the Armenta Agreement was amended and the payments were changed to US\$604,000 as follows:

- US\$20,000 paid to date;
- US\$6,000 per month for the months of December 2020 to June 2021 (paid);
- US\$42,000 by July 14, 2021; and
- US\$50,000 by October 14, 2021 and every 6 months thereafter until a total of US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

***La Libertad Project, Peru***

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines.

**5. SHARE CAPITAL**

*Authorized Capital*

The authorized capital of the Company consists of an unlimited number of common shares without par value.

*Issued Share Capital*

During the six months ended June 30, 2021, the Company issued a total of 4,525,500 common shares as follows:

- In January 2021, the Company closed a private placement through the issuance of 1,500,000 units at \$0.10 per unit for total proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant in the first year, and \$0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. In connection with the private placement, the Company paid \$15,000 in share issuance cost.
- In January 2021, the Company closed a private placement through the issuance of 800,000 common shares at \$0.10 per common share for gross proceeds of \$80,000.
- In March 2021, the Company closed a private placement through the issuance of 680,000 common shares at \$0.15 per common share for gross proceeds of \$102,000.
- In April 2021, the Company closed a private placement through the issuance of 729,500 common shares at \$0.15 per common share for total proceeds of \$109,425.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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- In May 2021, the Company closed a private placement through the issuance of 816,000 common shares at \$0.15 per common share for total proceeds of \$122,400.

During the year ended December 31, 2020, the Company issued a total of 12,095,000 common shares as follows:

- In January 2020, the Company closed a private placement through the issuance of 1,500,000 units at a price of \$0.10 per share for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per warrant, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.
- In May 2020, the Company issued 1,000,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$100. A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.
- In May 2020, the Company closed private placements through the issuance of 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 and 250,000 common shares at a value of \$0.10 per share for gross proceeds of \$25,000.
- In June 2020, the Company closed a private placement through the issuance of 3,795,000 common shares at a value of \$0.10 per share for gross proceeds of \$379,500. The Chairman and the CEO of the Company assigned \$150,000 in amounts owed for outstanding management fees. These amounts were satisfied by the issuance of 1,500,000 common shares to the assignees at a price of \$0.10 per share, which has been included in the June 2020 share issuance.
- In June 2020, the Company issued 2,000,000 common shares, pursuant to a brokered financing, at a value of \$0.10 per share for gross proceeds of \$200,000. In connection with the financing, the Company paid \$23,950 in cash finders fees and other share issuance costs and issued 140,000 brokers warrants with a fair value of \$7,379. Each broker warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 24 months from the date of issuance.
- In July 2020 the Company closed a private placement through the issuance of 1,000,000 common shares at a value of \$0.10 per share for gross proceeds of \$100,000.
- In July 2020, the Company issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to a newly appointed officer. A balance of \$25,000 was recorded as share-based payments expense.
- In August 2020, the Company closed a private placement through the issuance of 500,000 common shares at a value of \$0.10 per share for gross proceeds of \$50,000.
- In November 2020, the Company closed a private placement through the issuance of 100,000 common shares at a value of \$0.10 per share for gross proceeds of \$10,000.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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*(Unaudited - Expressed in Canadian dollars)*

- In December 2020, the Company closed a private placement through the issuance of 700,000 common shares at a value of \$0.10 per share for gross proceeds of \$70,000.

*Warrants*

A summary of the changes in warrants is presented below:

	Share Purchase Warrants	
	Number	Weighted average exercise price
Outstanding, December 31, 2019	-	\$ -
Granted	1,640,000	0.10
Outstanding, December 31, 2020	1,640,000	0.10
Granted	1,500,000	0.30
Outstanding, June 30, 2021	3,140,000	0.27
Exercisable, June 30, 2021	3,140,000	\$ 0.10

The following warrants were outstanding as at June 30, 2021:

Number	Exercise price	Expiry Term
140,000	\$ 0.10	*24 months
1,500,000	\$ 0.10	*24 months
<u>1,500,000</u>	\$ 0.30	**24 months
<u>3,140,000</u>		

\*These warrants expire 24 months from the date the Company is listed on a Canadian stock exchange.

\*\* These warrants expire 24 months from the date the Company is listed on a Canadian stock exchange and have an exercise price of \$0.35 in year two of the warrant term.

*Stock Option Plan*

The Company adopted a Stock Option Plan where directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan. The maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange. Vesting terms are also determined by the Board of Directors.

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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During the year ended December 31, 2020, the Company granted 4,100,000 incentive stock options at a purchase price equal to the price of the Company's IPO exercisable for a period of five years. Since the stock options are contingent on the IPO closing, the share-based compensation expense has not been recognized during the period.

During the period ended June 30, 2021, the Company agreed to grant a total of an additional 750,000 incentive stock options to its directors subject to the completion of the IPO.

**6. NOTE PAYABLE**

On January 18, 2021, the Company issued a promissory note to an arm's length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Company paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum from April 1, 2021. On October 14, 2021, the promissory note was amended such that the Company received an extension until January 31, 2021.

**7. RELATED PARTY TRANSACTIONS**

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the six months ended	
	June 30, 2021	June 30, 2020
Management and director compensation:		
Management fees	\$ 133,000	\$ 59,000
Consulting fees	15,000	-
<b>Total management compensation</b>	<b>\$ 148,000</b>	<b>\$ 59,000</b>

Included in accounts payable and accrued liabilities is \$6,054 (2020 - \$29,367) owed to the CEO of the Company. These amounts are non-interest bearing with no specific terms of repayment.

**8. MANAGEMENT OF CAPITAL**

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

## **9. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Receivables are due from a government agency.

### *Foreign Exchange Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and certain transactions are conducted in the US dollar.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

### *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 this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

### *Fair value measurement*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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*(Unaudited - Expressed in Canadian dollars)*

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The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and note payable approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable, accounts payable and accrued liabilities, and note payable at amortized cost. Cash is measured using level 1 inputs.

**10. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment being the exploration and evaluation of exploration and evaluation assets. As at June 30, 2021, and December 31, 2020, the full exploration and evaluation asset balance relates to expenditures incurred in Mexico.

**11. CONTINGENCY**

The Company and one of its directors have been named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia. The legal proceeding claims damages against the directors and the Company for a breach in an agreement. The hearing was held on January 6, 2021. The Supreme Court of British Columbia reserved judgement until a later date. As of the date of these condensed consolidated interim financial statements, uncertainty exists relating to the timing and amount of any possible cash settlements. A provision has not been recorded as of June 30, 2021.

**12. COMMITMENTS**

On June 1, 2020 the Company entered into a management consulting agreement with the Executive Chairman of the Company whereby the Executive Chairman agreed to provide management services to the Company. The agreement provides for the payment of \$10,000 per month commencing June 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 1, 2020 the Company entered into a management consulting agreement with the CEO and President of the Company whereby the CEO and President agreed to provide management services to the Company. The agreement provides for the payment of \$8,000 per month commencing July 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 27, 2020, the Company entered into an independent consultant agreement with the CFO of the Company for the provision of financial consulting services to the Company. The agreement provides for the payment of \$3,000 per month plus the goods and services tax for the months of August and September, 2020. Commencing October 1, 2020, the fees will be \$2,500 per month. The CFO will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the agreement without cause. The CFO was granted 250,000 common shares as a signing bonus (Note 5).

**Regency Silver Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended June 30, 2021**  
*(Unaudited - Expressed in Canadian dollars)*

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**13. SUBSEQUENT EVENTS**

Subsequent to June 30, 2021, the Company:

- The Company issued 1,256,667 common shares at \$0.15 per common share for gross proceeds of \$188,500.

Proposed transaction

- The Company intends to complete an initial public offering (“IPO”) of up to 12,000,000 common shares at a price of \$0.25 per common share for gross proceeds of up to \$3,000,000. As part of the IPO, the Company has entered into an engagement letter with Research Capital Corporation (the “Agent”). On the closing of the IPO, the Company will:
  - issue Agent’s Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent’s Warrant will entitle the Agent to purchase one Agent’s Warrant Share at an exercise price equal to \$0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised during a term of 24 months commencing on the Closing Date;
  - pay a cash commission equal to 8% of the gross proceeds raised under the IPO payable in cash or common shares;
  - pay the Agent’s Commission, payable in cash or common shares and the balance of the Corporate Finance Fee, being \$15,000 (plus GST);
  - pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid and \$15,000 (plus GST) of which is due on the closing date of the IPO; and
  - be responsible for all expenses and fees incurred in connection with the IPO, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the IPO; the fees and expenses of the Issuer’s counsel; and all costs incurred in connection with the preparation of documents relating to the IPO.

### **Schedule 3**

Interim MD&A of the Issuer for the six months ended June 30, 2021

**REGENCY SILVER CORP.**  
(the “Company”)

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2021**

The following Management’s Discussion and Analysis is prepared as of October 27, 2021 and should be read together with the condensed consolidated interim financial statements for the six months ended June 30, 2021 and the related notes attached thereto. Accordingly, the condensed consolidated interim financial statements and MD&A include the results of operations and cash flows for the six months ended June 30, 2021 and the reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in Canadian dollars.

Unless otherwise stated, financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

Management’s Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between profit or loss and cash flows from operating activities can be found in the statement of cash flows.

Certain statements contained in this management discussion and analysis may contain words such as “could”, “should”, “expect”, “believe”, “will” and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of the Company’s prospects, political and economic conditions, commodity prices and other factors.

### **Description of Business**

Regency Silver Corp. (the “Company”) was incorporated on March 23, 2017 pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company’s business objective is the identification, evaluation, acquisition and exploration of mineral properties. The head office and the registered office of the Company is located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1. The Company has two wholly owned subsidiaries, Regency Silver S.A. de C.V. (“Regency Mexico”) which was incorporated pursuant to the laws of Mexico on October 26, 2017 and Regency Mining SAC (“Regency Peru”) which was incorporated pursuant to the laws of Peru on April 10, 2018.

### **Exploration and Evaluation Assets**

A continuity of the Company’s exploration and evaluation assets is as follows:

	<b>Dios Padre</b>	<b>El Tule</b>	<b>Total Expenditure s</b>
	\$	\$	\$
<b>Balance, December 31, 2019</b>	<b>773,845</b>	<b>152,368</b>	<b>926,213</b>
Acquisition cost	34,468	61,663	96,131
Assaying	5,483	-	5,483
Consulting and professional fees	52,573	9,952	62,525
Geologist fees	8,883	-	8,883
Property taxes and payments	33,687	18,217	51,904
Other payments	4,040	-	4,040
<b>Balance, December 31, 2020</b>	<b>912,979</b>	<b>242,200</b>	<b>1,155,179</b>
Acquisition cost	18,830	52,401	71,231
Consulting and professional fees	27,204	769	27,973
Property taxes and payments	12,672	8,152	20,824
<b>Balance, June 30, 2021</b>	<b>971,685</b>	<b>303,522</b>	<b>1,275,207</b>

### *Dios Padre Property, Mexico*

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
  - US\$25,000 on the date of signing (paid);
  - US\$30,000 on or before November 27, 2018 (paid);
  - US\$30,000 on or before November 27, 2019 (paid);
  - US\$30,000 on or before November 27, 2020 (paid); and
  - US\$30,000 on or before November 27, 2021 (paid up to date).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
  - US\$250,000 on or before November 27, 2018; (incurred)
  - US\$500,000 on or before November 27, 2021;
  - US\$250,000 on or before April 30, 2022.

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US\$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021 and October 12, 2021 (the “Amended Extension Agreement”) wherein Minera Pena granted Regency Mexico an extension until January 31, 2022 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures was extended until June 30, 2022. The time to make payment of the sum of US\$10,000 to Minera Pena as consideration for the extensions was also extended to the earlier of the date which is 10 days from the listing of the Company’s shares on any recognized exchange in Canada or January 31, 2022.

### ***Ejido La Trinidad agreement***

To acquire necessary surface access and use, the Company executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017. The agreement allows for the Company’s work operations to be conducted on 600 hectares of the total 2,191 Ha of the Ejido. To maintain the Ejido agreement, the Company is required to make annual payments of US\$6,000 and minor improvement costs.

### ***El Tule Property. Mexico***

The Company entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement (the “Armenta Agreement”) with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 to acquire a 100% interest in the El Tule project located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US\$600,000 whereby US\$100,000 will be paid within the first four months, US\$400,000 will be paid over 4 years (in 6-month increments) and US\$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US\$25,000 to keep the Armenta Agreement in good standing.

On December 14, 2020, and April 5, 2021 the Armenta Agreement was further amended such that the US\$604,000 would be paid as follows:

- US\$20,000 paid to date;
- US\$6,000 per month for the months of December, 2020 to June, 2021;
- US\$42,000 by July 14, 2021; and
- US\$50,000 by October 14, 2021 and every 6 months thereafter until a total of US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Mr. Carrillo Armenta may at his option elect to take payment of up to USD\$200,000 of the purchase price by taking shares of the Company based on the prior closing day closing price. There is no royalty payable however a bonus of USD\$1 million is payable upon publication of a NI 43-101 report which estimates a resource of 1 million ounces of gold in the measured or indicated categories.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement.

## ***La Libertad Property, Peru***

The Company, through Regency Peru, holds title to 5 claims located in the La Libertad Mining District in north-central Peru. The claims cover an area of 3,700 ha and are in proximity to the Lagunas Norte and La Arena mines.

### **Going Concern**

The condensed consolidated interim financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficiency at June 30, 2021 of \$143,244 (December 31, 2020 – \$204,684) and a deficit of \$3,403,472 (December 31, 2020 - \$3,036,115). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

This information has been prepared in accordance with IFRS and is presented in Canadian dollars, which is the functional currency of the Company. For more detailed information please refer to the Company's financial statements.

### **Summary of Quarterly Results**

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
For the three months ended:	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets:	1,357,372	1,388,078	1,229,672	1,195,589
Working capital (deficiency)	(143,244)	(130,312)	(204,684)	28,659
Loss for the period	(196,150)	(171,207)	(210,947)	(359,956)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
For the three months ended:	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets:	1,352,552	1,034,217	945,967	943,932
Working capital deficiency	(32,681)	(322,136)	(327,116)	(316,512)
Loss for the period	(124,098)	(66,651)	(1,601,597)	(77,060)
Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.09)	\$ (0.00)

The quarterly trend in total assets and working capital is primarily driven by movements in cash balance related to the Company's financing activities and spending on corporate costs and exploration programs.

The quarterly trend in loss for the period and loss per share is primarily driven by the Company's corporate costs. There was a significant increase in net loss during the three months ended December 31, 2019 as the Company recognized share-based payments expense of \$1,542,325.

### **Liquidity, Capital Resources and Going Concern**

The Company does not generate sufficient cash from operations. The Company finances its activities by raising equity capital from private placements. The Company may encounter difficulty sourcing future financing.

The Company had cash of \$12,145 at June 30, 2021 (2020 - \$12,798) and the Company had a working capital deficit of \$143,244 at June 30, 2021 (2020 - \$204,684).

The Company has no commitments for capital expenditures other than those already disclosed under "*Exploration and Evaluation Assets*".

The Company defines the capital that it manages as its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Please also refer to "*Going Concern*" for further discussion on the availability of capital resources.

### **Results of Operations**

#### Net Loss

##### *Three months ended June 30, 2021*

For the three months ended June 30, 2021, the Company incurred a loss of \$196,150 compared to a loss of \$124,098 for the comparative period. Items contributing to the increase in net loss for the period include professional fees of \$43,478 (2020 - \$63,270), management fees of \$73,500 (2020 - \$20,000), and office expenditures of \$37,458 (2020 - \$40,350).

##### *Six months ended June 30, 2021*

For the six months ended June 30, 2021, the Company incurred a loss of \$367,357 compared to a loss of \$190,749 for the comparative period. Items contributing to the increase in net loss for the period include professional fees of \$73,721 (2020 - \$77,770), management fees of \$135,000 (2020 - \$35,000), and office expenditures of \$84,299 (2020 - \$53,979).

## Exploration and Evaluation Assets

During the six months ended June 30, 2021, the Company incurred \$58,706 on its Dios Padre project in Mexico. Notable items included in amounts spent during the period include the following:

- Consulting and professional fees of \$27,204 in 2021 (December 31, 2020 - \$52,573);
- Property taxes and payments of \$12,672 in 2021 (December 31, 2020 - \$33,687); and
- Acquisition costs of \$18,830 in 2021 (December 31, 2020 - \$34,468).

During the six months ended June 30, 2021, the Company incurred \$61,322 on its El Tule project in Mexico, which consisted primarily of acquisition costs of \$52,401 (December 31, 2020 – \$61,663).

Please refer to the table in “*Exploration and Evaluation Assets*” for further information on amounts spent and project status on the Company’s mineral property interests.

## **Cash Flows**

As at June 30, 2021, the Company had cash outflows of \$480,700 from operating activities compared to \$384,516 as at June 30, 2020.

In addition to the Company’s accumulated deficit and working capital position, the Company has not generated revenues and does not anticipate generating revenues in the near future to meet its operating and administrative expenses. These circumstances may cast significant doubt on the validity of the going concern assumption.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of investigating new potential properties and exploration work on those potential properties, the Company will require additional financing through debt or equity issuances or other available means.

Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

The Company’s condensed consolidated interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Cash used in operating activities is primarily driven by professional and consulting fees, which have increased over the prior year periods due the acquisition of the Dios Padre Property.

Cash from financing activities has been generated via issuances of common shares.

## **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as at the date of this MD&A.

## **Investor Relations**

The Company has no investor relations agreements in place as at the date of this MD&A. Bruce Bragnolo, Executive Chairman of the Company, will be primarily responsible for communicating with shareholders and prospective investors in regard to investor relations matters.

## Related Party Transactions

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the six months ended	
	June 30, 2021	June 30, 2020
Management and director compensation:		
Management fees		
Bruce Bragnolo	\$ 70,000	\$ 35,000
Gijsbert Groenewegen	48,000	24,000
Mathew Lee	15,000	-
Total management fees	133,000	59,000
Consulting fees - Michael Thomson	15,000	-
Total management and director compensation	\$ 148,000	\$ 59,000

Included in accounts payable and accrued liabilities is \$6,054 (2020 - \$29,367) owed to the Chief Executive Officer of the Company. These amounts are non-interest bearing with no specific terms of repayment.

## Share Capital Highlights

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Since incorporation, the Company's capital resources have been limited. The Company has had to rely upon the sale of equity securities for the cash required for property acquisition payments, office and miscellaneous expenses and accounting, audit and legal fees, among other expenses.

During the six months ended June 30, 2021, the Company issued a total of 4,525,500 common shares as follows:

- In January 2021, the Company closed a private placement through the issuance of 1,500,000 units at \$0.10 per unit for total proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant in the first year, and \$0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. In connection with the private placement, the Company paid \$15,000 in share issuance cost.
- In January 2021, the Company closed a private placement through the issuance of 800,000 common shares at \$0.10 per common share for gross proceeds of \$80,000.
- In March 2021, the Company closed a private placement through the issuance of 680,000 common shares at \$0.15 per common share for gross proceeds of \$102,000.
- In April 2021, the Company closed a private placement through the issuance of 729,500 common shares at \$0.15 per common share for total proceeds of \$109,425.
- In May 2021, the Company closed a private placement through the issuance of 816,000 common shares at \$0.15 per common share for total proceeds of \$122,400.

## **Outstanding Share Information**

As of the date of this MD&A, the Company had 49,653,368 shares, and 3,140,000 warrants outstanding.

## **Subsequent Events**

Subsequent to June 30, 2021, the Company:

The Company issued 1,256,667 common shares at \$0.15 per common share for gross proceeds of \$188,500.

### Proposed transaction

- The Company intends to complete an initial public offering (“IPO”) of up to 12,000,000 common shares at a price of \$0.25 per common share for gross proceeds of up to \$3,000,000. As part of the IPO, the Company has entered into an engagement letter with Research Capital Corporation (the “Agent”). On the closing of the IPO, the Company will:
  - issue Agent’s Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent’s Warrant will entitle the Agent to purchase one Agent’s Warrant Share at an exercise price equal to \$0.25 per Agent’s Warrant Share. The Agent’s Warrants may be exercised during a term of 24 months commencing on the Closing Date;
  - pay a cash commission equal to 8% of the gross proceeds raised under the IPO payable in cash or common shares;
  - pay the Agent’s Commission, payable in cash or common shares and the balance of the Corporate Finance Fee, being \$15,000 (plus GST);
  - pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid and \$15,000 (plus GST) of which is due on the closing date of the IPO; and
  - be responsible for all expenses and fees incurred in connection with the IPO, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the IPO; the fees and expenses of the Issuer’s counsel; and all costs incurred in connection with the preparation of documents relating to the IPO.

## **Changes in Accounting Policies and Initial Adoption**

The Company did not adopt any new accounting polices during the period.

## **Critical Accounting Estimates**

The critical accounting estimates used by the Company are described in the audited consolidated financial statements for the year ended December 31, 2020.

## **Financial Instruments and Risks**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash held in bank accounts. As most of the Company’s cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies.

### *Foreign Exchange Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and transactions are conducted in the US dollar.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

### *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 this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

### *Fair value measurement*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and note payable approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable, accounts payable and accrued liabilities, and note payable at amortized cost. Cash is measured using level 1 inputs.

### *Capital Management*

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company and its Board of Directors will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged.

## **Risk Factors**

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the Company's Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus.

The possible sale of common shares released from escrow on each release date could negatively affect the market price of the Company's common shares and also result in an excess of sellers of common shares to buyers of common shares and seriously affect the liquidity of the common shares.

## **No Ongoing Operations and No Production History**

The Company is a mineral exploration company and has no operations or revenue.

## **Limited Operating History**

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Company's properties. There is no assurance that the Company will ever discover any economic quantities of mineral reserves.

## **Negative Operating Cash Flow**

Since inception, the Company has had negative operating cash flow. The Company has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration programs on the properties and administrative costs. The Company cannot predict when it will reach positive operating cash flow.

## **Requirement for Further Financing**

The Company has limited financial resources and may need to raise additional funds to carry out exploration of its properties. There is no assurance the Company will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Company. If the Company's exploration programs are successful and favourable exploration results are obtained, the properties may be developed into commercial production. The Company may require additional funds to place the properties into production. The only sources of future funds presently available to the Company are the sale of equity capital, debt, or offering of interests in its properties to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company's properties to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company and could cause the Company to forfeit its interest in its properties and reduce or terminate its operations. The proceeds from the Offering will be used to carry out the exploration programs recommended by the 43-101 Technical Reports. Additional funds will be required should the Company decide to carry out additional work programs. There is no assurance the Company will be able to raise additional funds.

## **Exploration**

At present, there are no bodies of ore, known or inferred, on the properties and there are no known bodies of commercially recoverable ore on the properties. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore on the properties.

## **Development**

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Company's properties are at the early exploration stage.

## **Title to Properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated its title to the properties, for which it holds exploration licenses or exploration license applications, and the Company is satisfied with its review of the title to the properties, the Company cannot give an assurance that title to the properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance on the properties. A successful claim that the Company does not have title could cause the Company to lose its rights to the properties, perhaps without compensation for its prior expenditures relating to the properties.

## **Surface Rights**

The Company does not own the surface rights to the properties. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the properties becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

## **Management**

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

## **Requirement for Permits and Licenses**

The Company has obtained certain licenses and permits from applicable authorities and is pending receipt of approval of certain licenses and permits. Further, the Company will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the properties, and the Company believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and

licenses will be required should the Company proceed beyond exploration. There can be no guarantee that the Company will be able to obtain such licenses and permits.

### **Environmental Risks and other Regulatory Requirements**

The current or future operations of the Company, including the exploration activities and commencement of production on the properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Company may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

### **Uninsurable Risks**

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against environmental risks.

### **Competition**

Significant and increasing competition exists for mineral opportunities in Mexico. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Company.

The Company may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration programs will yield any reserves or result in any commercial mineral operations.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

## **Conflicts of Interest**

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

The Company and one of its directors are named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia under Civil Claim number S1913530. The legal proceeding claims damages. The Company and the director have filed a Response to the claim. No trial date has been set.

Apart from the above there are no legal proceedings outstanding, threatened or pending as of the date of this MD&A by or against the Company or to which it is party or its business or any of its assets are the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

## **No Cash Dividends**

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

## **Ore Reserves and Reserve Estimates**

The Company's business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

## **Fluctuating Mineral Prices**

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the Company's control may affect the marketability of any minerals discovered. The prices of base and precious metals have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the Company's control. The market price of metals and minerals is volatile and cannot be controlled by the Company. Metal prices have fluctuated widely, particularly in recent years. Factors beyond the control of the Company may affect the marketability of minerals or concentrates produced, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

## **Share Price Volatility**

The Company has applied to list its common shares on the Exchange. In the event of such listing, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward mining sector stocks, may have a significant impact on the market price of the common shares. Global stock markets, including the Exchange, have experienced extreme price and volume fluctuations from time to time. The same applies to companies in the mining sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

## **Increased Costs of Being Publicly Traded**

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

## **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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

## **Approval**

The board of directors of the Company approved the disclosure contained in this MD&A on October 27, 2021.

A copy of this MD&A will be provided to anyone who requests it.

**Schedule 4**

Audited consolidated financial statements of the Issuer for the years ended  
December 31, 2020 and 2019

**REGENCY SILVER CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Regency Silver Corp.

**Opinion**

We have audited the consolidated financial statements of Regency Silver Corp. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Financial Statements of the Company as of December 31, 2019 and for the year ended December 31, 2019, which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those Financial Statements on October 27, 2021.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

October 27, 2021

p | 604.683.3277  
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9



charlton & company  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Directors of:  
Regency Silver Corp.

### Opinion

We have audited the accompanying consolidated financial statements of Regency Silver Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that as at December 31, 2019, the Company's current liabilities exceeded its current assets by \$327,116 and the Company's accumulated deficit was \$2,274,463. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "Charlton & Company". The signature is written in dark ink on a light-colored background.

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC  
October 27, 2021

**Regency Silver Corp.**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars)*

	Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 12,798	\$ 2,535
Amounts receivable		37,311	7,219
Prepaid expenses		14,384	-
		64,493	9,754
<b>Non-current Assets</b>			
Deposit	5	10,000	10,000
Exploration and evaluation assets	5	1,155,179	926,213
<b>TOTAL ASSETS</b>		<b>\$ 1,229,672</b>	<b>\$ 945,967</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 269,177	\$ 336,870
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	3,989,231	2,861,060
Subscriptions received in advance		-	22,500
Reserves	6	7,379	-
Accumulated deficit		(3,036,115)	(2,274,463)
<b>Total shareholders' equity</b>		<b>960,495</b>	<b>609,097</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,229,672</b>	<b>\$ 945,967</b>

Nature of operations – Note 1  
Going concern – Note 2  
Contingency – Note 11  
Commitments – Note 12  
Subsequent events – Note 15

Approved on behalf of the Board of Directors:

“Gijsbert Groenewegen”, Director

“Bruce Bragagnolo”, Director

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

**Regency Silver Corp.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian dollars)*

		<b>For the year ended</b>	
	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>EXPENSES</b>			
Consulting	7	\$ 15,300	\$ 82,858
Exchange and filing fees		13,107	-
Foreign exchange		(23,765)	6,018
Management fees	7	202,247	106,000
Office		128,977	5,887
Professional fees		284,488	19,205
Rent		15,666	-
Share-based payments	6,7	124,900	1,542,325
Travel		732	4,132
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>\$ (761,652)</b>	<b>\$ (1,766,425)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.02)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding</b>		<b>38,555,653</b>	<b>18,837,509</b>

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

**Regency Silver Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(Expressed in Canadian dollars)*

	Share Capital			Subscriptions received in advance	Subscriptions receivable	Reserves		Deficit	Total
	Note	Number	Amount			\$	\$		\$
<b>Balance, December 31, 2018</b>		<b>13,495,001</b>	<b>1,059,500</b>	<b>28,750</b>	<b>(43,671)</b>	-		<b>(508,038)</b>	<b>536,541</b>
Shares issued in private placement	6	18,031,200	1,776,560	(6,250)	43,671	-		-	1,813,981
Shares issued for mineral properties	5,6	250,000	25,000	-	-	-		-	25,000
Net loss for the year		-	-	-	-	-		(1,766,425)	(1,766,425)
<b>Balance, December 31, 2019</b>		<b>31,776,201</b>	<b>2,861,060</b>	<b>22,500</b>	-	-		<b>(2,274,463)</b>	<b>609,097</b>
Shares issued in private placement	6	9,345,000	884,600	(22,500)	-	-		-	862,100
Share issuance costs	6	-	(31,329)	-	-	7,379		-	(23,950)
Shares issued for services	6	1,500,000	150,000	-	-	-		-	150,000
Share-based payments	6	1,250,000	124,900	-	-	-		-	124,900
Net loss for the year		-	-	-	-	-		(761,652)	(761,652)
<b>Balance, December 31, 2020</b>		<b>43,871,201</b>	<b>3,989,231</b>	-	-	<b>7,379</b>		<b>(3,036,115)</b>	<b>960,495</b>

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

**Regency Silver Corp.**  
**Consolidated Statements of Cash Flows**  
*(Expressed in Canadian dollars)*

	For the year ended	
	December 31, 2020	December 31, 2019
<b>OPERATING ACTIVITIES:</b>		
Net loss for the year	\$ (761,652)	\$ (1,766,425)
Items not affecting cash:		
Share-based payments	124,900	1,542,325
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	(30,092)	5,917
Prepaid expenses	(14,384)	-
Accounts payable and accrued liabilities	58,307	110,636
<b>Cash used in operating activities</b>	<b>(622,921)</b>	<b>(107,547)</b>
<b>INVESTING ACTIVITIES</b>		
Deposit	-	(10,000)
Exploration and evaluation assets	(227,466)	(153,575)
<b>Cash used in investing activities</b>	<b>(227,466)</b>	<b>(163,575)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from subscriptions receivable	-	43,671
Proceeds from issuance of common shares	860,650	227,985
<b>Cash provided by financing activities</b>	<b>860,650</b>	<b>271,656</b>
Change in cash	10,263	534
Cash, beginning of year	2,535	2,001
<b>Cash, end of year</b>	<b>\$ 12,798</b>	<b>\$ 2,535</b>

Supplemental disclosure with respect to cash flows - Note 13

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

**Regency Silver Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(Expressed in Canadian dollars)*

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**1. NATURE OF OPERATIONS**

Regency Silver Corp. (the “Company”) was incorporated on March 23, 2017 under the laws of the Province of British Columbia, Canada, and its principal activity is the identification, evaluation, acquisition and exploration of mineral properties in Mexico and Peru. The corporate head office, principal address and registered and records offices of the Company are located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, V6C 3P1, Canada.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these consolidated financial statements.

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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

The Company is proposing to complete an initial public offering (“IPO”) as further described in note 15.

**2. GOING CONCERN**

These consolidated financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficit at December 31, 2020 of \$204,684 (December 31, 2019 – \$327,116) and an accumulated deficit of \$3,036,115 (December 31, 2019 - \$2,274,463). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

**Regency Silver Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(Expressed in Canadian dollars)*

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**3. BASIS OF PRESENTATION**

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on October 1, 2021.

**3.1. Basis of Consolidation**

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Regency Silver S.A. de C.V., incorporated and located in Mexico (“Regency Mexico”) and Regency Mining SAC, incorporated and located in Peru (“Regency Peru”). All significant intercompany transactions and balances have been eliminated on consolidation.

**3.2. Significant judgments, estimates and assumptions**

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

*Functional currency*

Determination of an entity’s functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

*Going concern*

The assessment of the Company’s ongoing viability as an operating entity and determination of the related disclosures require significant judgment. The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

*Impairment of exploration and evaluation assets*

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators

that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

### **Critical Accounting Estimates**

#### *Income Taxes*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

#### *Provision for Litigation*

Management has assessed the future obligation of the Company in relation to the claim disclosed in Note 11. Provisions are measured at their best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material. As of the date of these financial statements, uncertainty exists relating to the timing and amounts of any possible cash settlements. Accordingly, management has not recorded a provision in these consolidated financial statements for the claim.

#### *Valuation of share-based compensation*

The Company uses the Black-Scholes option pricing model for valuation of share-based. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. Common shares issued for compensation are valued based on the most recent third-party financing values.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Exploration and Evaluation Assets**

#### **(i) Pre-license costs:**

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

#### **(ii) Exploration and evaluation costs:**

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage. From time to time, the Company may acquire or dispose of properties pursuant to the terms of the option agreements. Due to the fact that the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not accrued, but rather recorded when payment is made or received.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

#### **4.2 Decommissioning and Restoration**

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2020 and 2019, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations.

#### **4.3 Impairment of exploration and evaluation assets**

Management reviews the carrying values of its exploration and evaluation assets on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's exploration and evaluation assets may not be recoverable and there is a risk that these costs may be written down in future periods. Impairment is charged through profit or loss.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

**Regency Silver Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(Expressed in Canadian dollars)*

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **4.4 Functional Currency**

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The reporting currency of the Company is the Canadian dollar. The functional currency of Company and its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded in profit or loss in the period in which they occur.

#### **4.5 Provisions**

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

#### **4.6 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects

**Regency Silver Corp.**  
**Notes to the Consolidated Financial Statements**  
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*(Expressed in Canadian dollars)*

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taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### **4.7 Share capital**

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

#### **4.8 Share-based Payments**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable,

**Regency Silver Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
*(Expressed in Canadian dollars)*

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are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to reserves. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

#### **4.9 Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

#### **4.10 Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

#### **4.11 Financial Instruments**

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Financial assets and liabilities carried at FVTOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

#### **4.12 Share Issuance Costs**

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

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**4.13 Comprehensive Income (Loss)**

Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income includes items such as gains and losses on re-measuring available-for-sale financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

**5. EXPLORATION AND EVALUATION ASSETS**

A continuity of the Company's exploration and evaluation assets is as follows:

	<b>Dios Padre</b>	<b>El Tule</b>	<b>Total Expenditures</b>
	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>650,743</b>	<b>96,895</b>	<b>747,638</b>
Acquisition cost	65,198	39,801	104,999
Assaying	7,062	-	7,062
Consulting and professional fees	-	4,738	4,738
Extension fees	25,000	-	25,000
Geologist fees	12,708	-	12,708
Property taxes and payments	3,305	10,934	14,239
Other payments	9,829	-	9,829
<b>Balance, December 31, 2019</b>	<b>773,845</b>	<b>152,368</b>	<b>926,213</b>
Acquisition cost	34,468	61,663	96,131
Assaying	5,483	-	5,483
Consulting and professional fees	52,573	9,952	62,525
Geologist fees	8,883	-	8,883
Property taxes and payments	33,687	18,217	51,904
Other payments	4,040	-	4,040
<b>Balance, December 31, 2020</b>	<b>912,979</b>	<b>242,200</b>	<b>1,155,179</b>

***Dios Padre Property, Mexico***

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
  - US\$25,000 on the date of signing (paid);
  - US\$30,000 on or before November 27, 2018 (paid);
  - US\$30,000 on or before November 27, 2019 (paid);

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- US\$30,000 on or before November 27, 2020 (paid); and
  - US\$30,000 on or before November 27, 2021 (paid up to date).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
- US\$250,000 on or before November 27, 2018; (incurred)
  - US\$500,000 on or before June 30, 2021;
  - US\$250,000 on or before February 28, 2022.

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US\$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021 and October 12, 2021 (the “**Amended Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until January 31, 2022 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures was extended until June 30, 2022. The time to make payment of the sum of US\$10,000 to Minera Pena as consideration for the extensions was also extended to the earlier of the date which is 10 days from the listing of the Company’s shares on any recognized exchange in Canada or January 31, 2022.

#### Ejido La Trinidad Agreement

To acquire necessary surface access and use, Regency Mexico executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017 requiring the Company to make annual payments of US\$6,000 and minor improvement costs.

#### ***El Tule Property, Mexico***

Regency Mexico entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 (the “**Armenta Agreement**”) to acquire a 100% interest in the El Tule property located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US\$600,000 whereby US\$100,000 will be paid within

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the first four months, US\$400,000 will be paid over 4 years (in 6-month increments) and US\$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

The Armenta Agreement also calls for a bonus payment of US\$1,000,000 on delivery of a NI 43-101 report which identifies one million ounces of gold on the property. Pursuant to the Armenta Agreement, in the event that the shares of the Company get listed on a stock exchange, the Company may issue common shares for payments in an amount totaling US\$200,000.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US\$25,000 to keep the Armenta Agreement in good standing.

On August 14, 2020, December 14, 2020, and April 5, 2021, the Armenta Agreement was amended and the payments were changed to US\$604,000 as follows:

- US\$20,000 paid to date;
- US\$6,000 per month for the months of December 2020 to June 2021;
- US\$42,000 by July 14, 2021; and
- US\$50,000 by October 14, 2021 and every 6 months thereafter until a total of US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement.

The El Tule Property is comprised of certain concessions in the State of Nayarit, Mexico.

***La Libertad Project, Peru***

The Company, through Regency Peru, holds title to certain claims located in the La Libertad Mining District in north-central Peru in proximity to the Lagunas Norte and La Arena mines.

**6. SHARE CAPITAL**

*Authorized Capital*

The authorized capital of the Company consists of an unlimited number of common shares without par value.

*Issued Share Capital*

During the year ended December 31, 2020, the Company issued a total of 12,095,000 common shares as follows:

- In January 2020, the Company closed a private placement through the issuance of 1,500,000 units at a price of \$0.10 per share for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per warrant, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.

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- In May 2020, the Company issued 1,000,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$100 (Note 7). A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.
- In May 2020, the Company closed private placements through the issuance of 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 (Note 7) and 250,000 common shares at a value of \$0.10 per share for gross proceeds of \$25,000.
- In June 2020, the Company closed a private placement through the issuance of 3,795,000 common shares at a value of \$0.10 per share for gross proceeds of \$379,500. The Chairman and the CEO of the Company assigned \$150,000 in amounts owed for outstanding management fees. These amounts were satisfied by the issuance of 1,500,000 common shares to the assignees at a price of \$0.10 per share, which has been included in the June 2020 share issuance.
- In June 2020, the Company issued 2,000,000 common shares, pursuant to a brokered financing, at a value of \$0.10 per share for gross proceeds of \$200,000. In connection with the financing, the Company paid \$23,950 in cash finders fees and other share issuance costs and issued 140,000 brokers warrants with a fair value of \$7,379. Each broker warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 24 months from the date of issuance.
- In July 2020 the Company closed a private placement through the issuance of 1,000,000 common shares at a value of \$0.10 per share for gross proceeds of \$100,000.
- In July 2020, the Company issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to a newly appointed officer. A balance of \$25,000 was recorded as share-based payments expense (Note 7).
- In August 2020, the Company closed a private placement through the issuance of 500,000 common shares at a value of \$0.10 per share for gross proceeds of \$50,000.
- In November 2020, the Company closed a private placement through the issuance of 100,000 common shares at a value of \$0.10 per share for gross proceeds of \$10,000.
- In December 2020, the Company closed a private placement through the issuance of 700,000 common shares at a value of \$0.10 per share for gross proceeds of \$70,000.

During the year ended December 31, 2019 the Company issued a total of 18,281,200 common shares as follows:

- On February 21, 2019, the Company closed a private placement through the issuance of 531,200 common shares at a price of \$0.05 per share for gross proceeds of \$26,650.
- On March 26, 2019, the Company closed a private placement through the issuance of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000.

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- On September 1, 2019, the Company issued 250,000 common shares with a value of \$0.10 per share in consideration of the Extension Agreement dated September 1, 2019 between the Subsidiary and Minera Pena (Note 5).
- On October 15, 2019, the Company issued 1,250,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$6,250. A balance of \$118,750 was recorded as share-based payments expense. The Company received proceeds based on \$0.005 per common share and recorded the difference between \$0.005 per common share and the fair value of \$0.10 per common share as share-based payments expense.
- On October 15, 2019, the Company issued 14,250,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$1,425. A balance of \$1,423,575 was recorded as share-based payments expense (Note 7). The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.

*Warrants*

A summary of the changes in warrants is presented below:

	Share Purchase Warrants	
	Number	Weighted average exercise price
Outstanding, December 31, 2019 and 2018	-	-
Granted	1,640,000	\$ 0.10
Outstanding, December 31, 2020	1,640,000	\$ 0.10
Exercisable, December 31, 2020	1,640,000	\$ 0.10

The following warrants were outstanding as at December 31, 2020:

Number	Exercise price	Expiry Term
140,000	\$ 0.10	24 months*
<u>1,500,000</u>	\$ 0.10	24 months*
<u>1,640,000</u>		

\*These warrants expire 24 months from the date the Company is listed on a Canadian stock exchange.

As part of a finders' fee agreement, the Company issued 140,000 warrants of the Company, each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.10 per warrant expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada. These warrants were valued at \$7,379 using the Black-Scholes Option Pricing Model using the following assumptions: expected volatility: 100%, expected life of the warrants: 2

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years, expected dividend yield: 0%, and risk-free interest rate: 1.38%.

*Stock Option Plan*

The Company adopted a Stock Option Plan where directors, officers, employees, consultants and related persons of the Issuer, or persons engaged in investor relations activities on behalf of the Issuer are eligible to receive grants of options under the Stock Option Plan. The maximum number of common shares reserved for issuance upon exercise of options granted pursuant to the provisions of the Stock Option Plan at any time shall not exceed 10% of the issued and outstanding common shares of the Issuer at the relevant time less any common shares required to be reserved with respect to any other options granted prior to the adoption and implementation of the Stock Option Plan. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date the Board of Directors grants the options, and shall not be less than the discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange. Vesting terms are also determined by the Board of Directors.

During the year ended December 31, 2020, the Company granted 4,100,000 incentive stock options at a purchase price equal to the price of the Company's IPO exercisable for a period of five years. Since the stock options are contingent on the IPO closing, the share-based compensation expense has not been recognized as at December 31, 2020.

**7. RELATED PARTY TRANSACTIONS**

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the year ended	
	December 31, 2020	December 31, 2019
Management and director compensation:		
Management fees	\$ 196,900	\$ 106,000
Consulting fees	15,000	-
<b>Total management compensation</b>	<b>\$ 211,900</b>	<b>\$ 106,000</b>

Included in accounts payable and accrued liabilities is \$29,367 (2019 - \$205,060) owed to the Chairman and the CEO of the Company. These amounts are non-interest bearing with no specific terms of repayment.

During the year ended December 31, 2020, the Company:

- i) issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to a newly appointed officer. A balance of \$25,000 (2019 - \$Nil) was recorded as share-based payments expense;
- ii) issued 1,000,000 common shares to a director of the Company at a value of \$0.10 per share and received proceeds of \$100. A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded

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- the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense; and
- iii) issued 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 to key management personnel pursuant to the private placement.

During the year ended December 31, 2019, the Company:

- i) issued 12,500,000 common shares at a value of \$0.10 per share and received proceeds of \$1,250 to key management personnel. A balance of \$1,248,750 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.

## **8. MANAGEMENT OF CAPITAL**

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

## **9. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Receivables are due from a government agency.

### *Foreign Exchange Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and certain transactions are conducted in the US dollar.

### *Interest Rate Risk*

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Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

*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 this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

*Fair value measurement*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable and accounts payable and accrued liabilities at amortized cost. Cash is measured using level 1 inputs.

**10. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment being the exploration and evaluation of exploration and evaluation assets. As at December 31, 2020 and 2019, the full exploration and evaluation asset balance relates to expenditures incurred in Mexico.

**11. CONTINGENCY**

The Company and one of its directors have been named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia. The legal proceeding claims damages against the directors and the Company for a breach of an agreement. No trial date has been set. As of the date of these consolidated financial statements, uncertainty exists relating to the timing and amount of any possible cash settlements. A provision has not been recorded as of December 31, 2020.

## **12. COMMITMENTS**

On June 1, 2020 the Company entered into a management consulting agreement with the Executive Chairman of the Company whereby the Executive Chairman agreed to provide management services to the Company. The agreement provides for the payment of \$10,000 per month commencing June 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 1, 2020 the Company entered into a management consulting agreement with the CEO and President of the Company whereby the CEO and President agreed to provide management services to the Company. The agreement provides for the payment of \$8,000 per month commencing July 1, 2020 for services provided. In the event of termination of the agreement without cause or a change of control of the Company, the Company must pay severance equal to 12 months of management fees.

On July 27, 2020, the Company entered into an independent consultant agreement with the CFO of the Company for the provision of financial consulting services to the Company. The agreement provides for the payment of \$3,000 per month plus the goods and services tax for the months of August and September, 2020. Commencing October 1, 2020, the fees will be \$2,500 per month. Manning will be entitled to a severance payment of 4 months of consulting fees in the event of early termination of the agreement without cause. The CFO was granted 250,000 common shares as a signing bonus (Note 6).

## **13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the year ended December 31, 2020 include:

- \$7,379 was recorded in share capital and reserves for the brokers warrants.
- \$1,500 in exploration and evaluation assets was outstanding in accounts payable and accrued liabilities.
- \$150,000 was recorded in share capital for amounts owed for outstanding management fees.

Significant non-cash transactions for the year ended December 31, 2019 include:

- \$25,000 in common shares capitalized to exploration and evaluation assets.
- \$6,250 was transferred between subscription liabilities and share capital.
- \$67,679 in exploration and evaluation assets was outstanding in accounts payable and accrued liabilities.

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**14. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows for the years ended December 31:

	<b>2020</b>	<b>2019</b>
Loss for the year	\$ (761,652)	\$ (1,766,425)
Expected income tax recovery	\$ (205,646)	\$ (476,935)
Change in statutory, foreign tax, foreign exchange rates and other	-	-
Permanent difference	(26,784)	416,428
Change in unrecognized deductible temporary	232,430	60,507
<b>Total taxable tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2020</b>	<b>2019</b>
Deferred Tax Assets (Liabilities)		
Property and equipment	\$ -	\$ -
Non-capital losses available for future period	350,000	178,000
	350,000	178,000
Unrecognized deferred tax assets	(350,000)	(178,000)
<b>Net deferred tax asset (liability)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2020</b>	<b>Expiry Date Range</b>	<b>2019</b>	<b>Expiry Date Range</b>
<b>Temporary Differences</b>	<b>\$</b>		<b>\$</b>	
Investment tax credit	-	2038	-	2038
Exploration and evaluation assets	-	No expiry date	-	No expiry date
Non-capital losses available for future period	1,296,285	2038	659,533	2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## 15. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company:

- Closed a private placement through the issuance of 800,000 common shares at \$0.10 per common share for total proceeds of \$80,000.
- Closed a private placement through the issuance of 1,500,000 units at \$0.10 per unit for total proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant in the first year, and \$0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.
- Closed a private placement through the issuance of 3,482,167 common shares at \$0.15 per common share for total proceeds of \$522,325.
- Agreed to grant a total of an additional 750,000 incentive stock options to its directors subject to the completion of the IPO.
- On January 18, 2021, the Company issued a promissory note to an arm's length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Company paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum from April 1, 2021. On October 14, 2021, the promissory note was amended such that the Company received an extension until January 31, 2022.

### Proposed transaction

- The Company intends to complete an initial public offering ("IPO") of up to 12,000,000 common shares at a price of \$0.25 per common share for gross proceeds of up to \$3,000,000. As part of the IPO, the Company has entered into an engagement letter with a national brokerage house (the "Agent"). On the closing of the IPO, the Company will:
  - issue Agent's Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent's Warrant will entitle the Agent to purchase one Agent's Warrant Share at an exercise price equal to \$0.25 per Agent's Warrant Share. The Agent's Warrants may be exercised during a term of 24 months commencing on the Closing Date;
  - pay a cash commission equal to 8% of the gross proceeds raised under the IPO payable in cash or common shares;
  - pay the Agent's Commission, payable in cash or common shares and the balance of the Corporate Finance Fee, being \$15,000 (plus GST);
  - pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid and \$15,000 (plus GST) of which is due on the closing date of the IPO; and
  - be responsible for all expenses and fees incurred in connection with the IPO, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the IPO; the fees and expenses of the Issuer's counsel; and all costs incurred in connection with the preparation of documents relating to the IPO.

**Schedule 5**

MD&A of the Issuer for the year ended December 31, 2020

**REGENCY SILVER CORP.**  
(the “Company”)

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2020**

The following Management’s Discussion and Analysis, prepared as of October 27, 2021 should be read together with the consolidated financial statements for the year ended December 31, 2020 and the related notes attached thereto. Accordingly, the consolidated financial statements and MD&A include the results of operations and cash flows for the year ended December 31, 2020 and the reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in Canadian dollars.

Unless otherwise stated, financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

Management’s Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between profit or loss and cash flows from operating activities can be found in the statement of cash flows.

Certain statements contained in this management discussion and analysis may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of the Company's prospects, political and economic conditions, commodity prices and other factors.

**Description of Business**

Regency Silver Corp. (the “Company”) was incorporated on March 23, 2017 pursuant to the provisions of the *Business Corporations Act* (British Columbia). The Company’s business objective is the identification, evaluation acquisition and exploration of mineral properties. The head office and the registered office of the Company is located at Suite 1100, 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1. The Company has two wholly owned subsidiaries, Regency Silver S.A. de C.V. which was incorporated pursuant to the laws of Mexico on October 26, 2017 and Regency Mining SAC which was incorporated pursuant to the laws of Peru on April 10, 2018.

**Exploration and Evaluation Assets**

A continuity of the Company’s exploration and evaluation assets is as follows:

	Dios Padre	El Tule	Total Expenditures
	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>650,743</b>	<b>96,895</b>	<b>747,638</b>
Acquisition cost	65,198	39,801	104,999
Assaying	7,062	-	7,062
Consulting and professional fees	-	4,738	4,738
Extension fees	25,000	-	25,000
Geologist fees	12,708	-	12,708
Property taxes and payments	3,305	10,934	14,239
Other payments	9,829	-	9,829
<b>Balance, December 31, 2019</b>	<b>773,845</b>	<b>152,368</b>	<b>926,213</b>
Acquisition cost	34,468	61,663	96,131
Assaying	5,483	-	5,483
Consulting and professional fees	52,573	9,952	62,525
Geologist fees	8,883	-	8,883
Property taxes and payments	33,687	18,217	51,904
Other payments	4,040	-	4,040
<b>Balance, December 31, 2020</b>	<b>912,979</b>	<b>242,200</b>	<b>1,155,179</b>

### ***Dios Padre Property, Mexico***

The Company's subsidiary, Regency Mexico, entered into an Option to Purchase and Promise to Assignment Agreement dated November 27, 2017 ("Option Agreement"), subsequently amended, with Minera Pena Blanca, S.A. de C.V. ("Minera Pena"), pursuant to which Regency Mexico was granted an option to purchase 100% title to the mineral concessions comprising the Dios Padre mineral property located in Yecora, Sonora, Mexico in consideration of:

1. the payment of US\$145,000 plus Value-Added Tax ("VAT") as follows:
  - US\$25,000 on the date of signing (paid);
  - US\$30,000 on or before November 27, 2018 (paid);
  - US\$30,000 on or before November 27, 2019 (paid);
  - US\$30,000 on or before November 27, 2020 (paid); and
  - US\$30,000 on or before November 27, 2021 (paid up to date).
2. incurring aggregate exploration expenditures of not less than US\$1,000,000 as follows:
  - US\$250,000 on or before November 27, 2018; (incurred)
  - US\$500,000 on or before June 30, 2021;
  - US\$250,000 on or before February 28, 2022.

Pursuant to the Option Agreement, Minera Pena will retain a 3% net smelter return royalty, 2% of which can be purchased by the Company for US\$1.5 million. Minera Pena may be obligated to pay an underlying 2.5% net smelter return royalty in favour of a third party. In the event the underlying royalty is valid, Regency may not be able to reduce the NSR to 1%. The Dios Padre Property is also subject to advance minimum royalty payments of US\$100,000 due January 1<sup>st</sup> of each year, payable by Minera Pena to third parties.

During the four-year option period, Regency Mexico is required to maintain all concessions in good standing including making tax payments and filing proper documents with the Dirección General de Minas (DGM). The Option Agreement also stipulates a two km Area of Influence requiring that any third-party

concession(s) acquired by Minera Pena by filing or contract be made a part of the Option Agreement. Within this Area of Influence, however, Regency Mexico is not obligated to make any concessions they acquire part of the Option Agreement.

The Option Agreement was amended by an extension agreement dated September 1, 2019 (the “**Extension Agreement**”) wherein Minera Pena granted Regency Mexico an extension until November 27, 2020 for the balance of the aggregate exploration expenditures originally due by November 27, 2019. As consideration for the extension, the Company issued 250,000 common shares.

The Option Agreement was further amended by extension agreements dated November 24, 2020, June 10, 2021 and October 12, 2021 (the “Amended Extension Agreement”) wherein Minera Pena granted Regency Mexico an extension until January 31, 2022 for the expenditure of the balance of US\$500,000 in aggregate exploration expenditures. In addition, the time for the expenditure of the balance of US\$250,000 in exploration expenditures was extended until June 30, 2022. The time to make payment of the sum of US\$10,000 to Minera Pena as consideration for the extensions was also extended to the earlier of the date which is 10 days from the listing of the Company’s shares on any recognized exchange in Canada or January 31, 2022.

### ***Ejido La Trinidad agreement***

To acquire necessary surface access and use, the Company executed a four-year agreement with the Ejido “La Trinidad” on November 29, 2017. The agreement allows for the Company’s work operations to be conducted on 600 hectares of the total 2,191 Ha of the Ejido. To maintain the Ejido agreement, the Company is required to make annual payments of US\$6,000 and minor improvement costs.

### ***El Tule Property. Mexico***

The Company entered into a Promissory Assignment of Exploration and Exploitation Rights and Option Agreement (the “Armenta Agreement”) with Mr. Alberto Marcos Carrillo Armenta dated February 22, 2018 to acquire a 100% interest in the El Tule project located in Northern Nayarit, Mexico. As consideration, the Company will pay a total of US\$600,000 whereby US\$100,000 will be paid within the first four months, US\$400,000 will be paid over 4 years (in 6-month increments) and US\$100,000 will be paid upon execution and formalization of the El Tule Assignment Agreement.

During the year ended December 31, 2019, the agreement was amended whereby the Company paid an additional US\$25,000 to keep the Armenta Agreement in good standing.

On December 14, 2020, and April 5, 2021 the Armenta Agreement was further amended such that the US\$604,000 would be paid as follows:

- US\$20,000 paid to date;
- US\$6,000 per month for the months of December, 2020 to June, 2021;
- US\$42,000 by July 14, 2021; and
- US\$50,000 by October 14, 2021 and every 6 months thereafter until a total of US\$400,000 has been paid and a final payment of US\$100,000 upon execution and formalization of the El Tule Assignment Agreement.

Mr. Carrillo Armenta may at his option elect to take payment of up to USD\$200,000 of the purchase price by taking shares of the Company based on the prior closing day closing price. There is no royalty payable however a bonus of USD\$1 million is payable upon publication of a NI 43-101 report which estimates a resource of 1 million ounces of gold in the measured or indicated categories.

Due to a lack of access to the El Tule Property due to COVID, on August 18, 2021 the Company claimed force majeure under the Armenta Agreement.

## ***La Libertad Property, Peru***

The Company, through its Peruvian subsidiary, holds title to 5 claims located in the La Libertad Mining District in north-central Peru. The claims cover an area of 3,700 ha and are in proximity to the Lagunas Norte and La Arena mines.

### **Going Concern**

There are conditions and events that cast significant doubt on the validity of this assumption. The Company has a working capital deficiency at December 31, 2020 of \$204,684 (December 31, 2019 – deficiency of \$327,116) and a deficit of \$3,036,115 (December 31, 2019 - \$2,274,463). The Company has no source of revenue and does not have sufficient cash resources to meet its administrative overhead. The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities.

### **Selected Annual Information**

The following table provides a brief summary of the Company's financial operations for the three most recently completed financial years:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net loss for the year	(761,652)	(1,766,425)	(358,645)
Basic and diluted loss per share	(0.02)	(0.09)	(0.03)
Total assets	1,229,672	945,967	762,775
Total long-term liabilities	-	-	-

The Company's net loss decreased significantly from \$1,766,425 in 2019 to \$761,652 in 2020. The primary reason for the decrease is due to the recognition of \$1,542,325 in non-cash share-based payments in 2019. All other items have remained relatively consistent.

The Company's assets have increased since 2018 due to amounts spent on exploration and evaluation assets.

This information has been prepared in accordance with IFRS and is presented in Canadian dollars, which is the functional currency of the Company. For more detailed information please refer to the Company's financial statements.

## Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
For the three months ended:	\$	\$	\$	\$
Total assets:	1,229,672	1,195,589	1,352,552	1,034,217
Working capital (deficiency)	(204,684)	28,659	(32,681)	(322,136)
Loss for the period	(210,947)	(359,956)	(124,098)	(66,651)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
For the three months ended:	\$	\$	\$	\$
Total assets:	945,967	943,932	982,834	928,543
Working capital deficiency	(327,116)	(316,512)	(342,164)	(342,112)
Loss for the period	(1,601,597)	(77,060)	(51,356)	(36,412)
Loss per share	\$ (0.09)	\$ (0.00)	\$ (0.01)	\$ (0.01)

The quarterly trend in total assets and working capital is primarily driven by movements in cash balance related to the Company's financing activities and spending on corporate costs and exploration programs. The quarterly trend in loss for the period and loss per share is primarily driven by the Company's corporate costs. There was a significant increase in net loss during the three months ended December 31, 2019 as the Company recognized share-based payments expense of \$1,542,325 on shares that were issued below fair market value.

## Fourth Quarter Information

Loss in the fourth quarter ended December 31, 2020 remained relatively consistent with historical quarters. Expenses incurred consisted primarily of professional fees, management fees, and general office expenditures. All other balances remained relatively consistent.

## Liquidity, Capital Resources and Going Concern

The Company does not generate sufficient cash from operations. The Company finances its activities by raising equity capital from private placements. The Company may encounter difficulty sourcing future financing.

The Company had cash of \$12,798 at December 31, 2020 (2019 - \$2,535) and the Company had a working capital deficit of \$204,684 at December 31, 2020 (2019 - \$327,116).

The Company has no commitments for capital expenditures other than those already disclosed under "Exploration and Evaluation Assets".

The Company defines the capital that it manages as its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity

capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Please also refer to "*Going Concern*" for further discussion on the availability of capital resources.

## **Results of Operations**

### Net Loss

For the year ended December 31, 2020, the Company incurred a loss of \$761,652 compared to a loss of \$1,766,425 for the comparative year. The primary reason for the decrease is due to the recognition of \$1,542,325 in non-cash share-based payments in 2019 whereas the Company only recognized \$124,900 in non-cash share-based payments during the year ended December 31, 2020. Remaining items contributing to the loss for the year include professional fees of \$284,488 (2019 - \$19,205), management fees of \$202,247 (2019 - \$106,000), and office expenditures of \$128,977 (2019 - \$5,887).

### Exploration and Evaluation Assets

During the year ended December 31, 2020, the Company incurred \$139,134 on its Dios Padre project in Mexico. Notable items included in amounts spent during the year include the following:

- Consulting and professional fees of \$52,573 in 2020 (2019 - \$Nil); and
- Acquisition costs of \$34,468 in 2020 (2019 - \$65,198).

During the year ended December 31, 2020, the Company incurred \$89,832 on its El Tule project in Mexico, which consisted primarily of acquisition costs of \$61,663 (2019 - \$39,801).

Please refer to the table in "*Exploration and Evaluation Assets*" for further information on amounts spent and project status on the Company's mineral property interests.

## **Cash Flows**

As at December 31, 2020, the Company had cash outflows of \$622,921 from operating activities compared to \$107,547 as at December 31, 2019.

In addition to the Company's accumulated deficit and working capital position, the Company has not generated revenues and does not anticipate generating revenues in the near future to meet its operating and administrative expenses. These circumstances may cast significant doubt on the validity of the going concern assumption.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of investigating new potential properties and exploration work on those potential properties, the Company will require additional financing through debt or equity issuances or other available means.

Although the Company has previously been successful in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Factors that could affect the availability of financing include the progress and exploration results of the mineral properties, the state of international debt, equity and metals markets, and investor perceptions and expectations.

The Company's consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material. Cash used in operating activities is primarily driven by professional and consulting fees, which have increased over the prior year periods due the acquisition of the Dios Padre Property.

Cash from financing activities has been generated via issuances of common shares.

### **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as at the date of this MD&A.

### **Investor Relations**

The Company has no investor relations agreements in place as at the date of this MD&A.

### **Proposed Transactions**

The Company intends to complete an initial public offering ("IPO") of up to 12,000,000 common shares at a price of \$0.25 per common share for gross proceeds of up to \$3,000,000. As part of the IPO, the Company has entered into an engagement letter with a national brokerage house (the "Agent"). On the closing of the IPO, the Company will:

- issue Agent's Warrants equal in number to 8% of the number of shares sold under the IPO, including any Shares sold upon exercise of the over-allotment option. Each Agent's Warrant will entitle the Agent to purchase one Agent's Warrant Share at an exercise price equal to \$0.25 per Agent's Warrant Share. The Agent's Warrants may be exercised during a term of 24 months commencing on the Closing Date;
- pay a cash commission equal to 8% of the gross proceeds raised under the IPO payable in cash or common shares;
- pay the Agent's Commission, payable in cash or common shares and the balance of the Corporate Finance Fee, being \$15,000 (plus GST);
- pay the Agent the Corporate Finance Fee of \$30,000 (plus GST) in cash, \$15,000 of which has been paid and \$15,000 (plus GST) of which is due on the closing date of the IPO; and be responsible for all expenses and fees incurred in connection with the IPO, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the IPO; the fees and expenses of the Issuer's counsel; and all costs incurred in connection with the preparation of documents relating to the IPO.

### **Related Party Transactions**

Key management personnel include the members of the Board of Directors and officers of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. Amount paid and accrued to directors, former directors and officers are as follows:

	For the years ended	
	December 31, 2020	December 31, 2019
<b>Management and director compensation:</b>		
Management fees		
Bruce Bragagnolo	\$ 105,000	\$ 60,000
Gijsbert Groenewegen	72,000	46,000
Mathew Lee	19,900	-
<b>Total management fees</b>	<b>196,900</b>	<b>106,000</b>
<b>Consulting fees - Michael Thomson</b>	<b>15,000</b>	<b>-</b>
<b>Total management and director compensation</b>	<b>\$ 211,900</b>	<b>\$ 106,000</b>

Included in accounts payable and accrued liabilities is \$29,367 (2019 - \$205,060) owed to the Chairman and the CEO of the Company. These amounts are non-interest bearing with no specific terms of repayment.

During the year ended December 31, 2020, the Company:

- i) issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to Mathew Lee, CFO. A balance of \$25,000 (2019 - \$Nil) was recorded as share-based payments expense;
- ii) issued 1,000,000 common shares to Michael Thomson, director, at a value of \$0.10 per share and received proceeds of \$100. A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense; and
- iii) issued 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 to Michael Thomson pursuant to the private placement.

During the year ended December 31, 2019, the Company:

- i) issued 12,500,000 common shares at a value of \$0.10 per share and received proceeds of \$1,250 to Bruce Bragagnolo and Gijsbert Groenewegen. A balance of \$1,248,750 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.

### Share Capital Highlights

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Since incorporation, the Company's capital resources have been limited. The Company has had to rely upon the sale of equity securities for the cash required for property acquisition payments, office and miscellaneous expenses and accounting, audit and legal fees, among other expenses.

During the year ended December 31, 2020, the Company issued a total of 12,095,000 common shares as follows:

- In January 2020, the Company closed a private placement through the issuance of 1,500,000 units at a price of \$0.10 per share for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 per warrant, expiring two

years from the date of the listing of the Company's shares on any recognized exchange in Canada.

- In May 2020, the Company issued 1,000,000 common shares to principals at a value of \$0.10 per share and received proceeds of \$100. A balance of \$99,900 was recorded as share-based payments expense. The Company received proceeds based on \$0.0001 per common share and recorded the difference between \$0.0001 per common share and the fair value of \$0.10 per common share as share-based payments expense.
- In May 2020, the Company closed private placements through the issuance of 1,000,000 common shares at a value of \$0.05 per share for gross proceeds of \$50,000 and 250,000 common shares at a value of \$0.10 per share for gross proceeds of \$25,000.
- In June 2020, the Company closed a private placement through the issuance of 3,795,000 common shares at a value of \$0.10 per share for gross proceeds of \$379,500. The Chairman and the CEO of the Company assigned \$150,000 in amounts owed for outstanding management fees. These amounts were satisfied by the issuance of 1,500,000 common shares to the assignees at a price of \$0.10 per share, which has been included in the June 2020 share issuance.
- In June 2020, the Company closed a private placement through the issuance of 2,000,000 common shares, pursuant to a brokered financing, at a value of \$0.10 per share for gross proceeds of \$200,000. In connection with the financing, the Company paid \$23,950 in cash finders fees and other share issuance costs and issued 140,000 brokers warrants with a fair value of \$7,379. Each broker warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 24 months from the date of issuance.
- In July 2020 the Company closed a private placement through the issuance of 1,000,000 common shares at a value of \$0.10 per share for gross proceeds of \$100,000.
- In July 2020, the Company issued 250,000 common shares with a value of \$0.10 per share as a signing bonus to a newly appointed officer. A balance of \$25,000 was recorded as share-based payments expense.
- In August 2020, the Company closed a private placement through the issuance of 500,000 common shares at a value of \$0.10 per share for gross proceeds of \$50,000.
- In November 2020, the Company closed a private placement through the issuance of 100,000 common shares at a value of \$0.10 per share for gross proceeds of \$10,000.
- In December 2020, the Company closed a private placement through the issuance of 700,000 common shares at a value of \$0.10 per share for gross proceeds of \$70,000.

### **Outstanding Share Information**

As of the date of this MD&A, the Company had 49,653,368 shares, and 3,140,000 warrants outstanding.

### **Subsequent Events**

Subsequent to December 31, 2020, the Company:

- Closed a private placement through the issuance of 800,000 common shares at \$0.10 per common share for total proceeds of \$80,000.

- Closed a private placement through the issuance of 1,500,000 units at \$0.10 per unit for total proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant in the first year, and \$0.35 per warrant in the second year, expiring two years from the date of the listing of the Company's shares on any recognized exchange in Canada.
- Closed a private placement through the issuance of 3,482,167 common shares at \$0.15 per common share for total proceeds of \$522,325.
- Agreed to grant a total of an additional 750,000 incentive stock options to its directors subject to the completion of the IPO.
- On January 18, 2021, the Company issued a promissory note to an arm's length party for a \$50,000 loan with interest of \$5,000. The principal amount plus interest was originally due by March 31, 2021. The Company paid the interest of \$5,000 on April 8, 2021 and received an extension until July 30, 2021 for the repayment of the principal amount of \$50,000 plus interest at the rate of 10% per annum from April 1, 2021. On October 14, 2021, the promissory note was amended such that the Company received an extension until January 31, 2022.

### **Changes in Accounting Policies and Initial Adoption**

The Company did not adopt any new accounting polices during the period.

### **Critical Accounting Estimates**

The critical accounting estimates used by the Company are described in the audited consolidated financial statements for the year ended December 31, 2020.

### **Financial Instruments and Risks**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies.

#### *Foreign Exchange Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to exchange risk as its mineral property interests are located in Mexico and Peru and transactions are conducted in the US dollar.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates.

### *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 this risk by careful management of its working capital. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There is no assurance of continued access to significant equity funding. The Company requires additional funding to continue with its ongoing operations and exploration commitments and accordingly is exposed to liquidity risks.

### *Fair value measurement*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The Company records its cash at FVTPL and its amounts receivable and accounts payable and accrued liabilities at amortized cost. Cash is measured using level 1 inputs.

### *Capital Management*

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company and its Board of Directors will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged.

## **Risk Factors**

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the Company's Prospectus, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the Prospectus.

The possible sale of common shares released from escrow on each release date could negatively affect the market price of the Company's common shares and also result in an excess of sellers of common shares to buyers of common shares and seriously affect the liquidity of the common shares.

## **No Ongoing Operations and No Production History**

The Company is a mineral exploration company and has no operations or revenue.

## **Limited Operating History**

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Company's properties. There is no assurance that the Company will ever discover any economic quantities of mineral reserves.

## **Negative Operating Cash Flow**

Since inception, the Company has had negative operating cash flow. The Company has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration programs on the properties and administrative costs. The Company cannot predict when it will reach positive operating cash flow.

## **Requirement for Further Financing**

The Company has limited financial resources and may need to raise additional funds to carry out exploration of its properties. There is no assurance the Company will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Company. If the Company's exploration programs are successful and favourable exploration results are obtained, the properties may be developed into commercial production. The Company may require additional funds to place the properties into production. The only sources of future funds presently available to the Company are the sale of equity capital, debt, or offering of interests in its properties to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company's properties to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company and could cause the Company to forfeit its interest in its properties and reduce or terminate its operations. The proceeds from the Offering will be used to carry out the exploration programs recommended by the 43-101 Technical Reports. Additional funds will be required should the Company decide to carry out additional work programs. There is no assurance the Company will be able to raise additional funds.

## **Exploration**

At present, there are no bodies of ore, known or inferred, on the properties and there are no known bodies of commercially recoverable ore on the properties. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore on the properties.

## **Development**

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Company's properties are at the early exploration stage.

## **Title to Properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated its title to the properties, for which it holds exploration licenses or exploration license applications, and the Company is satisfied with its review of the title to the properties, the Company cannot give an assurance that title to the properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance on the properties. A successful claim that the Company does not have title could cause the Company to lose its rights to the properties, perhaps without compensation for its prior expenditures relating to the properties.

## **Surface Rights**

The Company does not own the surface rights to the properties. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the properties becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

## **Management**

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

## **Requirement for Permits and Licenses**

The Company has obtained certain licenses and permits from applicable authorities and is pending receipt of approval of certain licenses and permits. Further, the Company will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the properties, and the Company believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and

licenses will be required should the Company proceed beyond exploration. There can be no guarantee that the Company will be able to obtain such licenses and permits.

### **Environmental Risks and other Regulatory Requirements**

The current or future operations of the Company, including the exploration activities and commencement of production on the properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Company may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

### **Uninsurable Risks**

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against environmental risks.

### **Competition**

Significant and increasing competition exists for mineral opportunities in Mexico. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Company.

The Company may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration programs will yield any reserves or result in any commercial mineral operations.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

## **Conflicts of Interest**

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

The Company and one of its directors are named as defendants in a legal proceeding commenced in the Supreme Court of British Columbia under Civil Claim number S1913530. The legal proceeding claims damages. The Company and the director have filed a Response to the claim. No trial date has been set.

Apart from the above there are no legal proceedings outstanding, threatened or pending as of the date of this MD&A by or against the Company or to which it is party or its business or any of its assets are the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

## **No Cash Dividends**

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

## **Ore Reserves and Reserve Estimates**

The Company's business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

## **Fluctuating Mineral Prices**

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the Company's control may affect the marketability of any minerals discovered. The prices of base and precious metals have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the Company's control. The market price of metals and minerals is volatile and cannot be controlled by the Company. Metal prices have fluctuated widely, particularly in recent years. Factors beyond the control of the Company may affect the marketability of minerals or concentrates produced, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

## **Share Price Volatility**

The Company has applied to list its common shares on the Exchange. In the event of such listing, external factors outside of the Company's control, such as announcements of quarterly variations in operating

results, revenues and costs, and sentiments toward mining sector stocks, may have a significant impact on the market price of the common shares. Global stock markets, including the Exchange, have experienced extreme price and volume fluctuations from time to time. The same applies to companies in the mining sector. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

### **Increased Costs of Being Publicly Traded**

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

### **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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

### **Approval**

The board of directors of the Company approved the disclosure contained in this MD&A on October 27, 2021. A copy of this MD&A will be provided to anyone who requests it.

**CERTIFICATE OF THE ISSUER**

Date: October 27, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

*“Gijsbert Groenewegen”*  
Gijsbert Groenewegen  
Chief Executive Officer, President  
and Director

*“Mathew Lee”*  
Mathew Lee  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF THE ISSUER**

*“Bruce Bragagnolo”*  
Bruce Bragagnolo  
Executive Chairman and Director

*“Michael G. Thomson”*  
Michael G. Thomson  
Director

**CERTIFICATE OF THE PROMOTERS**

Date: October 27, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

*“Bruce Bragagnolo”*

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Bruce Bragagnolo  
Promoter

*“Gijsbert Groenewegen”*

\_\_\_\_\_  
Gijsbert Groenewegen  
Promoter

**CERTIFICATE OF THE AGENT**

Date: October 27, 2021

To the best of our knowledge, information and belief, the prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

**RESEARCH CAPITAL CORPORATION**

*“Jovan Stupar”*

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Jovan Stupar  
Managing Director