

ROCHESTER RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2021

This discussion and analysis of financial position and results of operation is prepared as at September 28, 2021 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended May 31, 2021 and 2020 of Rochester Resources Ltd. ("Rochester" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the securities markets for junior resource companies may render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

COVID-19

On March 11, 2020 the World Health Organization ("WHO") declared the outbreak of a novel coronavirus, identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented safety and physical distancing procedures while it continues operations at the Mina Real and San Francisco properties and exploration activities on the Santa Fe Property. The Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Company Overview and Going Concern

The Company is a junior natural resource company engaged in the exploration and development of the Mina Real Project located in Mexico. The Company holds 100% undivided interests in the Mina Real and San Francisco Properties. In addition the Company has an agreement to acquire a 70% interest in the Santa Fe Property.

As a result of improved operations, increased tonnages processed and higher prices received for gold and silver the Company recorded net income of \$2,448,281 during fiscal 2021. However, as at May 31, 2021, the Company had an accumulated deficit of \$75,146,410 and a working capital deficit of \$21,538,187. The Company has been unable to

make all concession payments when due and, as at May 31, 2021, has unpaid government concession payments and related carrying charges totalling \$2,364,762 (included in accounts payable and accrued liabilities). The Company's ongoing operations are dependent on extracting mineralized material from the Mina Real, San Francisco and Santa Fe properties and therefore, on the Company's ability to preserve its interest in the underlying mineral property interests. In the immediate term the Company's ability to continue as a going concern is dependent the market prices of gold and silver, its ability to continued improving its operations to maintain positive operating cash flow on a consistent basis, the continued financial support of its directors, shareholders and creditors and from the sale of additional common shares or other equity or debt instruments.

The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange ("TSXV") under the symbol "RCT", the Frankfurt Stock Exchange Open Market under the trading Symbol "R5IA" and on the Pink OTC Markets under the symbol "RCTFF". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Property Update

The Company holds a 100% interest in Mina Real which holds a 100% interest in the Mina Real Property, a gold and silver property located in the state of Nayarit, Mexico, east of the state capital city of Tepic. Mina Real also owns 70% of Compania Minera Santa Fe S.A. de C.V. ("Compania Minera") which holds a 100% interest in the Santa Fe gold and silver property located immediately east of the Mina Real Property. Through Mina Real the Company has an agreement to acquire a 70% interest in one concession (the "Santa Fe Property") located near the Mina Real Property. Under the terms of the agreement the Company agreed to implement a program of exploration to determine if the Santa Fe Property can be economically exploited. In addition, if the exploration work is successful, the Company agreed to provide the necessary capital to construct a processing plant capable of processing a minimum of 200 tonnes per day. The Company has conducted limited exploration on the Santa Fe Property and is unable to advance the development until it resolves its liquidity problems and secures additional financing. The Company is required to pay an ongoing monthly fee of US \$10,000 to the 30% concession owners of the Santa Fe Property. The agreement is in dispute and during fiscal 2018 the Company received a ruling in favour of the concession owners and the Company has filed an appeal. The outcome of the appeal is currently unknown.

On October 23, 2015 the Company filed, on SEDAR, a National Instrument 43-101 technical report on the Mina Real, Santa Fe and San Francisco Properties. The report is available for viewing at www.sedar.com. The following commentary on the properties is from this technical report.

The Mina Real Property consists of eight mining concessions and one mineral claim encompassing a total area of 21,367.42 hectares. The contiguous Santa Fe Property consists of one mining concession totaling 3,852.66 hectares. The San Francisco Property consists of twelve mining concessions encompassing 18,125.05 hectares.

The terrain on the properties is rugged and steep with deeply incised valleys. Elevations range from 800 to 1,600 meters above sea level. The climate is sub-tropical and characterized by a dry and a wet season.

At present there is no Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") or National Instrument ("NI") 43-101 compliant Resources or Reserves for the Mina Real Property, the Santa Fe Property or the San Francisco Property.

The Company has been processing mineralized material since 2007 when it commissioned a 200 tonne per day cyanidation plant.

The Company has conducted mining operations without defined mineral resources and the production decision was not based on a feasibility study of mineral reserves that has demonstrated technical or economic viability.

Operations

A mining study to establish the technical feasibility and economic viability of the Mina Real Property has not been completed nor does the project host a mineral resource. As a result there is increased uncertainty and risk of economic and technical failure.

Mill operating statistics for each quarter of fiscal 2021 and accumulated for fiscal 2021 and 2020 are provided in the table below:

RESULTS	Q4 (Mar 1/21 - May 31/21)	Q3 (Dec 1/20 - Feb 28/21)	Q2 (Sep 1/20 - Nov 30/20)	Q1 (Jun 1/20 - Aug 31/20)	Accumulated Fiscal 2021	Accumulated Fiscal 2020
Tonnes Processed	11,573 tonnes	10,653 tonnes	10,098 tonnes	9,655 tonnes	41,979 tonnes	33,841 tonnes
Gold Grade	2.86 g/t	2.84 g/t	2.46 g/t	2.59 g/t	2.70 g/t	2.18 g/t
Silver Grade	177.97 g/t	195.25 g/t	189.23 g/t	233.20 g/t	197.77 g/t	246.18 g/t
Gold Recovery	96.04 %	95.82 %	95.28 %	95.77 %	95.78%	94.83 %
Silver Recovery	67.60 %	63.70 %	57.01 %	48.52 %	59.01%	55.49 %
Gold Produced	1,021 ounces	934 ounces	761 ounces	771 ounces	3,488 ounces	2,254 ounces
Gold Sold	1,005.846 ounces	920.300 ounces	749.349 ounces	759.778 ounces	3,435.273 ounces	2,220.00 ounces
Silver Produced	44,762 ounces	42,597 ounces	35,023 ounces	35,123 ounces	157,506 ounces	148,616 ounces
Silver Sold	43,419.471 ounces	41,319.292 ounces	33,972.635 ounces	34,069.313 ounces	152,780.71 ounces	144,157.66 ounces
Gold Equivalent Produced	1,682 ounces	1,537 ounces	1,218 ounces	1,183 ounces	5,620 ounces	3,876 ounces
Developed Meters	861 meters	814 meters	492 meters	544 meters	2,711 meters	2,159 meters
Samples Taken	7,407 samples	6,252 samples	6,033 samples	5,503 samples	25,195 samples	16,837 samples
Diamond Drilling Meters	0 meters	0 meters	0 meters	0 meters	0 Meters	0 meters
Access Road Kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers	0 kilometers

Q4 Compared to Q3

Production of gold during Q4 was 9.31% higher than production during Q3 (1,021 ounces compared to 934 ounces). Silver production during Q4 was 5.08% higher than Q3 (44,762 ounces compared to 42,597 ounces). Total tonnes processed in Q4 were 8.64% higher than the total tonnes processed in Q3 (11,573 tonnes as compared to 10,653 tonnes). In Q4 gold recoveries were slightly higher than Q3 (96.04% compared to 95.82%) and silver recoveries were 6.12% higher (67.60% compared to 63.70%).

The increases in gold production was primarily a result of the increase in tonnage processed and slightly higher grade and recoveries of gold from materials from the Cholita area. The increase in silver production was also due to the increase in tonnage processed coupled with continued higher recovery of silver due to the lower manganese content from the Agua Negra area.

The upgrading of equipment continues to increase tonnage transported.

Fiscal 2021 Compared to Fiscal 2020

During fiscal 2021 the Company produced 3,488 ounces of gold and 157,506 ounces of silver compared to 2,254 ounces of gold and 148,616 ounces of silver during fiscal 2020. Total tonnes processed in fiscal 2021 were 41,979 compared to 33,841 in fiscal 2020 reflecting the use of the new truck and scoop-tram purchased in fiscal 2021.

The increases in gold production for fiscal 2021 compared to fiscal 2020 were as a result of 8,138 tonnes processed in fiscal 2021 coupled with 23.85% higher gold grades (2.70 g/t compared to 2.18 g/t) and slightly higher gold recovery (95.78% compared to 94.83%). The 5.98% increase in silver production in fiscal 2021 was also primarily a result of the increase in materials processed coupled with a 6.34% increase in silver recovery due to the lower manganese content of the mineralized material.

Drifting

The allocation for drifting amongst areas during each quarter of fiscal 2021 and accumulated for fiscal 2021 and 2020 are as follows:

Area	Q4		Q3		Q2		Q1		Fiscal 2021		Fiscal 2020	
	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Tajos Cuates	0	0%	0	0%	0	0%	0	0%	0	0%	306	14%
Florida NW	0	0%	0	0%	0	0%	0	0%	0	0%	31	1%
Florida SE Project	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
San Francisco Project	861	100%	814	100%	492	100%	544	100%	2,711	100%	1,822	85%
TOTAL DRIFTING	861	100%	814	100%	492	100%	544	100%	2,711	100%	2,159	100%

Distribution of the development during each quarter of fiscal 2021 and accumulated for fiscal 2021 and 2020 are as follows:

Type of Drifting	Q4		Q3		Q2		Q1		Fiscal 2021		Fiscal 2020	
	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%	Meters	%
Exploration	331	38%	277	34%	162	33%	337	62%	1,107	41%	1,084	40%
Stope Preparation	530	62%	537	66%	330	67%	207	38%	1,604	59%	1,595	60%
TOTAL DRIFTING	861	100%	814	100%	492	100%	544	100%	2,711	100%	2,679	100%

Exploration and Development Activities

The Company has ongoing exploration and development programs at the Mina Real Project to identify additional mineralized material to provide mill feed for operations.

Operations

Total production volume during Q4 from the various working faces was 15,072 wet tonnes compared to 11,792 wet tonnes during Q3. Production during both quarters was obtained solely from the San Francisco Project area.

Mill Area

Work on the 10' x 10' mill is now underway however the Company is still waiting for the delivery of spare parts for clutch, lubrication system for crown and pinion, and for PSI protections and temperatures. As the wait for parts has been increased due to COVID-19, there is no timeline for completion of the updating of the 10' x 10' mill. Babbits have been placed on both bearings of the 6' x 12' mill and a new D-10 cyclone has been installed on the circuit.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Fiscal Years Ended May 31		
	2021 \$	2020 \$	2019 \$
Operations:			
Revenues	13,020,558	7,909,915	6,988,221
Cost of sales	(9,540,527)	(7,798,831)	(8,257,366)
Depletion and amortization	(325,287)	(145,657)	(144,853)
Provision for site restoration	(66,489)	(78,475)	(80,201)
Expenses, excluding impairment	(225,277)	(1,353,997)	(2,197,520)
Impairment of exploration and evaluation assets	(414,697)	(224,877)	(263,507)
Impairment of property, plant and equipment	Nil	Nil	Nil
Comprehensive income (loss)	2,448,281	(1,691,922)	(3,955,226)
Basic and diluted income (loss) per share	0.09	(0.08)	(0.19)
Dividends per share	Nil	Nil	Nil
Statement of Financial Position:			
Working capital (deficit)	(21,538,187)	(24,469,838)	(23,040,898)
Total assets	5,478,360	2,515,177	2,285,392
Provision for site restoration	(1,255,839)	(1,107,355)	(987,349)
Lease liabilities	(281,523)	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Month Period Ending	Fiscal 2021				Fiscal 2020			
	May 31/21 \$	Feb 28/21 \$	Nov 30/20 \$	Aug 31/20 \$	May 31/20 \$	Feb 29/20 \$	Nov 30/19 \$	Aug 31/19 \$
Operations:								
Revenues	3,223,202	3,520,570	3,028,611	3,248,175	2,415,814	1,606,452	1,999,775	1,887,874
Cost of sales	(2,491,575)	(2,789,185)	(2,103,983)	(2,155,784)	(2,598,880)	(1,612,883)	(1,589,391)	(1,997,677)
Depletion and amortization	(114,978)	(70,103)	(70,103)	(70,103)	(37,018)	(36,213)	(36,213)	(36,213)

Three Month Period Ending	Fiscal 2021				Fiscal 2020			
	May 31/21 \$	Feb 28/21 \$	Nov 30/20 \$	Aug 31/20 \$	May 31/20 \$	Feb 29/20 \$	Nov 30/19 \$	Aug 31/19 \$
Provision for site restoration	(16,493)	(16,966)	(16,905)	(16,125)	2,670	(40,800)	(20,114)	(20,231)
Income (expenses), excluding impairment	293,297	103,108	(860,753)	239,071	(50,780)	(536,878)	(746,939)	(19,472)
Impairment of exploration and evaluation assets	(57,426)	(60,989)	(152,387)	(143,895)	(28,401)	(64,763)	(64,016)	(67,697)
Comprehensive income (loss)	836,027	686,435	(175,520)	1,101,339	(296,523)	(685,085)	(456,898)	(253,416)
Basic and diluted income (loss) per share	0.03	0.02	(0.01)	0.05	(0.02)	(0.03)	(0.02)	(0.01)
Statement of Financial Position:								
Working capital (deficit)	(21,538,187)	(22,401,586)	(23,881,675)	(23,745,969)	(24,469,838)	(23,338,683)	(22,857,550)	(22,406,268)
Total assets	5,478,360	4,484,553	3,418,042	3,807,812	2,515,177	2,181,111	2,379,854	2,254,988
Provision for site restoration	(1,255,839)	(1,186,879)	(1,114,430)	(1,226,009)	(1,107,355)	(1,123,884)	(956,146)	(985,985)
Lease liabilities	(281,523)	Nil						

Results of Operations

Three Months Ended May 31, 2021 ("Q4") Compared to Three Months Ended February 28, 2021 ("Q3")

During Q4 the Company reported comprehensive income of \$836,027 compared to comprehensive income of \$686,435 for Q3, an increase in income of \$149,592. The increase in income was primarily due to continued improved operations and sustained gold and silver prices.

Three Months Ended May 31, 2021 Compared to Three Months Ended May 31, 2020

During the three months ended May 31, 2021 ("Q4/2021") the Company reported comprehensive income of \$836,027 compared to a comprehensive loss of \$296,523 for the three months ended May 31, 2020 ("Q4/2020"), an increase in income of \$1,132,550, reflecting significantly improved operations and higher prices received.

Year Ended May 31, 2021 Compared to Year Ended May 31, 2020

During the year ended May 31, 2021 ("fiscal 2021") the Company recorded comprehensive income of \$2,448,281 compared to comprehensive loss of \$1,691,922 for the year ended May 31, 2020 ("fiscal 2020"), an increase in income of \$4,140,203. The fluctuation was primarily attributed to improved operations at Mina Real as a result of higher tonnages processed due to new equipment, impact of increased grades and recoveries of gold, and significantly higher prices received for gold and silver sales in the fiscal 2021. In addition during fiscal 2021 the Company recognized a foreign exchange gain of \$1,177,248 (2020 - \$384,823) and a gain of \$233,040 (2020 - \$nil) on settlement of payroll taxes.

Production

During fiscal 2021 the Company sold 5,504 gold equivalent ounces and realized revenues of \$2,366 per gold equivalent ounce as compared to the sale of 3,840 gold equivalent ounces and realized revenues of \$2,060 per gold equivalent ounce during fiscal 2020.

The Company's cost of operations per gold equivalent ounce sold during fiscal 2021 was \$1,805 as compared to \$2,089 during fiscal 2020.

Direct operating cost of sales for fiscal 2021 and 2020 comprise the following:

	2021 \$	2020 \$
Mine costs	4,011,582	2,608,558
Mill costs	2,059,187	2,126,056
Service department costs	<u>3,469,758</u>	<u>3,064,217</u>
	<u>9,540,527</u>	<u>7,798,831</u>

General and administrative expenses of \$514,913 were reported for fiscal 2021 compared to \$621,533 during fiscal 2020, a decrease of \$106,620. A summary of expenses are as follows:

	2021 \$	2020 \$
Accounting and administrative	58,200	50,900
Audit	42,950	38,087
Director and officer compensation	59,416	60,643
Legal	23,333	36,062
Office	116,977	79,556
Professional fees	10,205	4,921
Regulatory fees	15,471	8,307
Salaries and benefits	169,915	326,520
Shareholder costs	88	1,621
Transfer agent fees	7,516	5,033
Travel	7,842	9,883
	<u>514,913</u>	<u>621,533</u>

Specific expense of note are as follows:

- (i) incurred director and officer compensation of \$59,416 (2020 - \$60,643). See “Related Party Disclosure”; and
- (ii) recorded salaries and benefits expense of \$169,915 (2020 - \$326,520). During fiscal 2020 the Company recognized additional payroll deductions as a result of the reassessment by the Mexican Institute of Social Security.

Exploration and Evaluation Assets

During fiscal 2021 the Company incurred \$414,697 (2020 - \$224,877) additions on exploration and evaluation assets for the Santa Fe property, mainly for payments of ongoing monthly fees of US \$10,000 to the 30% concession owners and annual mineral concession payments. The Company also recorded an offsetting impairment charge of \$414,697 (2020 - \$224,877) to reflect management’s determination to fully impair the Santa Fe property.

Property, Plant and Equipment

	Mineral Properties \$	Land \$	Buildings \$	Mill and Mine Equipment \$	Total \$
Cost:					
Balance, May 31, 2019	33,934,944	2,692,313	3,517,234	6,045,262	46,189,753
Additions	-	-	-	2,681	2,681
Balance, May 31, 2020	33,934,944	2,692,313	3,517,234	6,047,943	46,192,434
Additions	-	-	-	1,082,149	1,082,149
Balance, May 31, 2021	<u>33,934,944</u>	<u>2,692,313</u>	<u>3,517,234</u>	<u>7,130,092</u>	<u>47,274,583</u>
Accumulated depletion, amortization and impairment:					
Balance, May 31, 2019	(33,934,944)	(2,692,313)	(3,033,460)	(5,658,023)	(45,318,740)
Depletion and amortization	-	-	(48,377)	(97,280)	(145,657)
Balance, May 31, 2020	(33,934,944)	(2,692,313)	(3,081,837)	(5,755,303)	(45,464,397)
Depletion and amortization	-	-	(48,377)	(232,035)	(280,412)
Balance, May 31, 2021	<u>(33,934,944)</u>	<u>(2,692,313)</u>	<u>(3,130,214)</u>	<u>(5,987,338)</u>	<u>(45,744,809)</u>
Carrying value:					
Balance, May 31, 2020	-	-	435,397	292,640	728,037
Balance, May 31, 2021	-	-	387,020	1,142,754	1,529,774

Exploration, development and production activities conducted during fiscal 2021 are described in “Property Update” in this MD&A.

Financings

During fiscal 2021 the Company completed a non-brokered private placement for 2,500,000 common shares at \$0.05 per share for proceeds of \$125,000. The proceeds raised from the financing are being used for general working capital purposes.

On January 8, 2021 the Company completed the settlement of \$1,053,243 of its indebtedness owing to directors and officers of the Company, as follows:

- (i) issued 9,259,903 units of the Company in settlement of \$694,493 principal of advances;
- (ii) issued 2,333,340 units of the Company in settlement of \$175,000 principal of debentures; and
- (iii) issued 2,450,000 common shares of the Company in settlement of \$183,750 of amounts payable to directors and officers

Each unit comprises one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share of the Company at \$0.075 per share on or before January 8, 2024. See also “Related Party Disclosures”.

Financial Condition / Capital Resources

During fiscal 2021 the Company recorded a net income of \$2,448,281. However, as at May 31, 2021, the Company had an accumulated deficit of \$75,146,410 and a working capital deficit of \$21,538,187. The Company’s ongoing operations are dependent on extracting mineralized material from the Mina Real and San Francisco properties and, therefore, on the Company’s ability to preserve its interest in the underlying mineral property interests. In the immediate term, the Company’s ability to continue as a going concern is dependent upon its ability to improve its operations to maintain positive operating cash flow from the Mina Real and Santa Fe properties on a consistent basis, to raise additional capital to fund its ongoing business operations and exploration projects and repay indebtedness as they come due. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company’s ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable operations. Whether the Company can generate positive cash flow on a consistent basis and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

In addition, the COVID-19 pandemic has resulted in implementation of safety and distancing procedures and it is not possible to determine the continued impact of the COVID-19 outbreak. See also “COVID-19”.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Changes in Accounting Policies

Definition of a Business (Amendments to IFRS 3)

Effective June 1, 2020 the Company adopted amendment *Definition of a Business* (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- (i) clarify the minimum attributes that the acquired assets and activities must have to be considered a business;

- (ii) remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- (iii) narrow the definition of a business and the definition of outputs; and
- (iv) add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

There was no impact on the Company's consolidated financial statements upon the adoption of this amendment.

Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company considers its key management to consist of the Company's Chairman (Mr. Eduardo Luna) the Chief Executive Officer ("CEO") (Mr. Nick DeMare) and the Chief Financial Officer ("CFO") (Mr. Jose Manuel Silva). During fiscal 2021 and 2020 the following amounts were incurred:

	2021 \$	2020 \$
Professional fees - Mr. DeMare	24,480	24,480
Professional fees - Mr. Silva	22,936	24,163
Share-based compensation - Mr. Silva	2,400	-
	<u>49,816</u>	<u>48,643</u>

No fees were incurred with respect of Mr. Luna, in either fiscal 2021 or 2020.

On January 8, 2021 the Company issued 650,000 common shares of the Company in settlement of \$48,750 of amounts payable to Mr. Silva.

As at May 31, 2021 \$1,104,455 (2020 - \$1,159,119) remained unpaid to key management personnel.

(b) *Transactions with Other Related Parties*

- (i) During fiscal 2021 and 2020 the following amounts were incurred with respect to the Company's non-executive directors (Messrs. Joseph Keane, Marc Cernovitch, Simon Tam and Michael Magrum) and the Company's Corporate Secretary (Mr. Harvey Lim):

	2021 \$	2020 \$
Professional fees - Mr. Lim	12,000	12,000
Share-based compensation - Mr. Keane	2,400	-
Share-based compensation - Mr. Cernovitch	2,400	-
Share-based compensation - Mr. Tam	2,400	-
Share-based compensation - Mr. Magrum	2,400	-
Share-based compensation - Mr. Lim	2,400	-
	<u>24,000</u>	<u>12,000</u>

On January 8, 2021 the Company issued 1,800,000 common shares of the Company in settlement of \$135,000 of amounts payable to certain directors and an officer of the Company as follows:

	Number of Shares	\$
Mr. Cernovitch	650,000	48,750
Mr. Tam	650,000	48,750
Mr. Lim	500,000	37,500
	<u>1,800,000</u>	<u>135,000</u>

As at May 31, 2021 \$257,250 (2020 - \$386,250) remained unpaid.

- (ii) During fiscal 2021 the Company incurred a total of \$58,200 (2020 - \$50,900) to Chase Management Ltd. (“Chase”), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare’s services. As at May 31, 2021 \$48,607 (2020 - \$91,044) remained unpaid.
- (c) The Company has received ongoing advances which bear interest at a rate of 9% per annum and have no fixed terms of repayment. During fiscal 2021 the Company recognized \$102,231 (2020 - \$113,577) of interest expense. As at May 31, 2021 \$901,465 (2020 - \$843,865) of interest remained unpaid.

On January 8, 2021 the Company issued 1,667,200 units of the Company in settlement of \$125,040 of principal due to amounts payable to a private corporation controlled or affiliated with Mr. DeMare.

As at May 31, 2021, \$1,006,192 of the principal was outstanding of which \$825,802 is due to Mr. Luna and \$180,390 is due to a private corporation controlled or affiliated with Mr. DeMare.

- (d) The Company has also received ongoing advances which bear interest at a rate of 12% per annum and have no fixed terms of repayment. On January 8, 2021 the Company issued 7,592,702 units of the Company in settlement of \$569,453 of advances to certain directors and officers as follows:

	Number of Units	\$
Mr. Luna	5,000,000	375,000
Mr. Keane	346,730	26,005
Mr. Bottomer (former director)	163,173	12,238
Private corporations controlled or affiliated with Mr. DeMare	<u>2,082,799</u>	<u>156,210</u>
	<u>7,592,702</u>	<u>569,453</u>

As at May 31, 2021 a total of \$3,137,326 (2020 - \$4,165,323) of principal was outstanding of which \$2,951,441 is due to Mr. Luna and \$185,885 is due to private corporations controlled or affiliated with Mr. DeMare.

During fiscal 2021 the Company recognized \$426,240 (2020 - \$486,920) of interest expense. As at May 31, 2021 \$2,604,385 (2020 - \$2,509,605) of interest remained unpaid.

- (e) During fiscal 2013 the Company completed a secured debenture financing of \$950,000 of which a total of \$677,000 of the debentures were issued to Mr. Luna (\$577,000), Mr. Magrum (\$50,000) and Mr. Keane (\$50,000). On December 31, 2014 the debentures matured and are considered to be due and payable, with interest accruing until repayment. The debenture holders have not demanded repayment of principal or accrued interest. During fiscal 2021 the Company repaid \$nil (2020 - \$18,046) and recorded \$176,288 (2020 - \$190,000) of interest expense. As at May 31, 2021 \$1,505,508 (2020 - \$1,329,220) of interest remained unpaid.

On January 8, 2021 the Company issued 1,333,340 units of the Company in settlement of \$100,000 principal to certain directors as follows:

	Number of Units	\$
Mr. Keane	666,670	50,000
Mr. Magrum	666,670	50,000
	<u>1,333,340</u>	<u>100,000</u>

As at May 31, 2021 Mr. Luna holds \$577,000 of the debentures.

- (f) The \$3,631,000 (2020 - \$3,631,000) indebtedness is secured by the assets of the Company and interest is calculated at 9% per annum on the declining balance at the end of the month. During fiscal 2021 the Company recognized \$327,685 (2020 - \$326,790) of interest expense. As at May 31, 2021, \$2,808,103 (2020 - \$2,481,313) of interest remained unpaid and is included in interest payable.

As at May 31, 2021 \$1,296,812 (2020 - \$1,296,812) of principal and \$1,003,233 (2020 - \$886,520) of accrued interest was owed to a private corporation associated with Mr. DeMare.

Risks and Uncertainties

The Company advises that it did not base its production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, projects which proceed without a feasibility study have a much higher risk of economic and technical failure.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's activities are conducted in Mexico. Consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 28, 2021, there were 37,394,125 issued and outstanding common shares, share options to purchase 2,185,000 common shares at an exercise price of \$0.05 per share and warrants to purchase 11,593,243 common shares at an exercise price of \$0.075 per share.