



("Zacatecas" or "the Company")

**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") of Zacatecas Silver Corp. including its subsidiaries, Desarrollos Mineros Zacatecas Silver S.A de C.V (Mexico), Esperanza Silver de Mexico, S.A. de C.V. (Mexico), Servicios Mineros Tetlama S.A. de C.V. (Mexico) and 1260410 B.C Ltd (Canada) and is the responsibility of management and covers the nine-month period ended September 30, 2022. The MD&A takes into account information available up to and including November 25, 2022, and should be read together with the condensed consolidated interim financial statements for the period ended September 30, 2022, and with the audited consolidated financial statements for the year ended December 31, 2021.

The Company was incorporated under the Business Corporations Act (British Columbia) on July 22, 2020. The head office and principal address of the Company is 400-850 West Hastings Street, Vancouver, British Columbia, V6C 1E1.

The Company's shares commenced trading on the TSX Venture Exchange ("TSXV") on March 2, 2021, under the symbol ZAC.

Throughout this document the terms *we*, *us*, *our*, *the Company* and *Zacatecas* refer to Zacatecas Silver Corp. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise indicated.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

## Description of Business

The Company is a mineral resource company engaged in the business of acquiring and exploring mineral resource properties in Mexico. The Company's principal properties are the 100% owned Esperanza Gold Project, located in Morelos State, Mexico and the 100% owned Zacatecas Silver Project, located in Zacatecas State, Mexico.

The Esperanza Gold Project is an advanced stage, attractive low-cost, low-capital-intensity and low-technical-risk growth project located in Morelos state, Mexico. Alamos has progressed the project through advanced engineering, including metallurgical work, while also focusing on stakeholder engagement, including building community relations. The Company announced a Mineral Resource Estimate at Esperanza consisting of a Measured and Indicated Mineral Resource Estimate of 30.5 million tonnes at 0.97 g/t AuEq for 956 thousand ounces AuEq and an Inferred Mineral Resource estimate of 8.7 million tonnes at 0.98 g/t AuEq for 277 thousand ounces AuEq. (see news release dated November 16, 2022).

The Zacatecas Silver Project is located in Zacatecas state, Mexico, within the highly prospective Fresnillo silver belt, which has produced over 6.2 billion ounces of silver. The Company holds 7,826 hectares (19,338 acres) of ground that is highly prospective for low-sulphidation and intermediate-sulphidation silver base metal mineralization and potentially low-sulphidation gold-dominant mineralization. On December 15, 2021, Zacatecas announced a Mineral Resource Estimate at the Panuco Deposit consisting of 2.7 million tonnes at 187 grams per tonne (g/t) silver equivalent (AgEq) (171 g/t silver (Ag) and 0.17 g/t gold (Au)) for 16.4 million ounces AgEq (15 million ounces silver and 15,000 ounces gold) (See news release dated December 14, 2021).

Please refer to the "Exploration Projects" section below for the acquisition and project details.

## Performance Summary and Subsequent Events

During the period ended September 30, 2022 and subsequent to, the Company:

- On February 16, 2022, released multiple silver and gold assays from continuing diamond drilling at the Panuco North vein. The majority of holes tested the near-surface depth extension of the Panuco North vein in areas that had not previously been drilled. Highlights included:
  - 6.87 metres (m) at 160 grams per tonne (g/t) silver equivalent (AgEq) (145 g/t silver (Ag) and 0.2 g/t gold (Au)) from 18.9 m downhole (hole PAN 2021-023);
  - 4.13 m at 175 g/t AgEq (165 g/t Ag and 0.15 g/t Au) from 39.06 m downhole (hole Pan 2021-024);
  - 1.23 m at 750 g/t AgEq (723 g/t Ag and 0.36 g/t Au) from 39.39 m downhole (hole Pan 2021-025).
- On February 28, 2022, entered into a share purchase agreement with Minas De Oro Nacional SA De CV, a subsidiary of Alamos Gold Inc., to acquire the advanced-stage Esperanza Gold Project, located in Morelos State, Mexico.

Highlights of the Project include:

- Esperanza Gold Project is a high-grade oxide gold deposit with scalable upside;
- To date, significant core and reverse circulation drilling has occurred at the Esperanza Gold Project, resulting in a total of 389 drill holes for 69,716 metres of drilling;
- Alamos becomes significant cornerstone shareholder of Zacatecas Silver.

Please refer to the 'Esperanza Gold Project' section below for a description of the terms.

- On March 14, 2022, appointed Nancy La Couvee to the Company's board of directors. Ms. La Couvee is currently Corporate Secretary for K92 Mining Inc., and is a governance professional with comprehensive senior level experience in the public and private resource sectors. Ms. La Couvee is

strongly attuned to corporate governance and statutory compliance frameworks and has significant mining industry experience with a wide range of corporate and financial transactions. Ms. La Couvee is a Member of Governance Professionals of Canada (GPC) and the Chartered Governance Institute of Canada (CGI).

- On March 22, 2022, announced that it closed, on an oversubscribed basis, a financing for total gross proceeds of \$19,151,521 pursuant to the issuance of 17,410,474 subscription receipts at \$1.10 per subscription receipt. Each subscription receipt is convertible into one unit of the Company upon the completion of certain escrow release conditions. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of \$1.50 per common share for a period of 24 months from the date of issue.

The proceeds raised from the financing will be used to satisfy the US\$5,000,000 cash consideration in connection with the acquisition of the Esperanza gold project from Alamos Gold Inc., to begin advancing the Esperanza gold project toward production, to finance the continuing drill program at the company's existing silver project and for general working capital purposes.

- On April 7, 2022, released multiple silver and gold results from continuing diamond drilling at the Panuco North and Panuco Central veins. These high-grade assay results at Panuco North, including 1.25 metres at 1,440 grams per tonne (g/t) silver equivalent (AgEq) (1,423.2 g/t silver and 0.23 g/t gold), occur relatively close to surface while the vein remains open at depth and along strike.

Highlights of the Panuco North results included:

- 1.25 m at 1,440 g/t AgEq (1,423.2 g/t Ag and 0.23 g/t Au) from 27.48 m downhole (hole PAN2022-042);
  - 4.35 m at 375 g/t AgEq (353 g/t Ag and 0.29 g/t Au) from 56.38 m downhole (hole PAN2022-044);
  - 1.55 m at 379 g/t AgEq (358 g/t Ag and 0.28 g/t Au) from 70 m downhole (hole PAN2022-043);
  - 1.05 m at 222 g/t AgEq (201 g/t Ag and 0.28 g/t Au) from 97.3 m downhole (hole PAN2022-046); and
  - 5.96 m at 179 g/t AgEq (114.9 g/t Ag and 0.85 g/t Au) from 107.28 m downhole (hole PAN2022-045).
- On April 12, 2022, completed its acquisition of the advanced stage Esperanza Gold Project, located in Morelos State, Mexico pursuant to the terms of a share purchase agreement dated February 28, 2022 (the "Share Purchase Agreement") with Minas De Oro Nacional, S.A. De C.V. ("Minas De Oro"), a subsidiary of Alamos Gold Inc. ("Alamos"). Concurrent with closing of the transaction, the proceeds under the previously announced \$19.15 million brokered private placement of subscription receipts (the "Subscription Receipts") were released to the Company. Please refer to the Esperanza Gold Project section below for a description of the transaction.
  - On May 6, 2022, announced that the Secretariat of Environment and Natural Resources of Mexico (SEMARNAT) has approved 30 drill permits at El Cristo which will allow drill targeting throughout the extensive silver rich vein system. The Company has over 2,500m of diamond drilling planned in this initial phase of drilling at El Cristo.
  - On May 26, 2022, nominated Dr. Luis Chavez-Martinez to the Company's board of directors. Dr. Chavez has over 35 years of experience in the global mining industry and has served as the Senior Vice President of Alamos Gold since 2015 and has held a similar position with AuRico Gold since 2007. Previously Dr. Chavez served as Energy and Mines Director, Coahuila State from 2001 to 2006 and was the General Director of the Mexican Geological Survey from 1994 to 2000. Dr. Chavez is currently a member of the Board of Directors of the Chamber of Mines and former President of the Mexican Mining Association (1996). Dr. Chavez holds a PhD in Mineral Economics from the university of Arizona and a MSc in Geology (1978) from the Penn State University and a

Business Administration degree (1989) from the Pan-American Business Institute in Monterrey, Mexico.

- On June 1, 2022, reported the results of multiple silver assays from the ongoing diamond drilling at Panuco North. High-grade silver results from drill hole PAN 2022-057 included 1.83 m @ 235 g/t Ag Eq (224 g/t Ag and 0.15 g/t Au) from 53.7 m thereby confirming high-grade near surface mineralization in the previously untested central zone, extending the strike length of known mineralization.

Highlights of the Panuco North results included:

- 1.83 m at 235 g/t AgEq (224 g/t Ag and 0.15 g/t Au) from 53.7 m downhole (hole PAN2022-057);
  - 3.71 m at 163 g/t AgEq (151 g/t Ag and 0.16 g/t Au) from 54.49 m downhole (hole PAN2022-056); and
  - 1.28 m at 263 g/t AgEq (231 g/t Ag and 0.22 g/t Au) from 147.53 m downhole (hole PAN2022-061).
- On June 3, 2022, announced that it has commenced its work plans to prepare a current resource estimate at the Esperanza Gold Project, located in Morelos State, Mexico.
  - On July 5, 2022, announced that it has engaged Palaris Ltd. to lead a pre-feasibility study of the Esperanza Gold Project in Mexico. Palaris is an established mining consultancy that provides bespoke services to mineral exploration and mining companies worldwide, including prefeasibility, feasibility and optimization studies, life-of-mine engineering services, project management services, and mine finance advisory services. Palaris will work closely with the Company's technical staff, independent mineral resource modellers and metallurgists, and the in-country specialist consultancies responsible for the MIA.
  - On July 7, 2022, reported multiple silver and base metal assays from the ongoing maiden diamond drilling at El Cristo vein system. Despite only testing the near surface, often strongly oxidized parts of the El Cristo veins, assay results indicate significant silver mineralization over downhole intervals of up to 9.53 m. Highlights included:
    - 9.53 m at 175 g/t AgEq (167 g/t Ag, 0.12 per cent zinc and 0.04 per cent lead) from 40.03 m in hole CRI-2022-001;
    - 1.45 m at 121 g/t AgEq (11.3 g/t Ag, 1.6 per cent Zn and 0.48 per cent Pb and 0.18 g/t Au) from 109.05 m in hole CRI-2022-002;
    - 0.65 m at 829 g/t AgEq (565 g/t Ag, 1.2 g/t Au, 2.7 per cent Zn and 1.3 per cent Pb) from 55.15 m in hole CRI-2022-005;
    - 4.36 m at 242 g/t AgEq (48 g/t Ag, 0.19 g/t Au, 2.7 per cent Zn and 1.5 per cent Pb) from 54.34 m in hole CRI-2022-012; and
    - 0.5 m at 974 g/t AgEq (19.6 g/t Ag, 0.23 g/t Au, 17.5 per cent Zn and 1 per cent Pb) from 70.3 m in hole CRI 2022-013.
  - On July 18, 2022, appointed Mr. Jorge Ramiro Monroy as Advisor. Mr Ramiro is the Founder and Managing Director of Emerging Markets Capital, an investment firm based in Hong Kong and investing primarily in mining exploration equities listed on Toronto Stock Exchange. He was the founding member of the Mexican Chamber of Commerce in Hong Kong and a Founder of the Silver Council of Asia. He is the chief executive officer and founder of Reyna Silver, a Toronto Stock Exchange-listed company with silver exploration projects in Mexico and the United States. Mr. Monroy currently serves in the boards of Sierra Madre Gold and Silver and Arabian Shield Resources. He is a former director of Prime Mining and a director of Garra Esports, a private company looking to build an e-sports business in Latin America.
  - On August 30, 2022, released multiple silver and base metal assays from its recently completed phase I diamond drilling at El Cristo vein system. Together with the previously announced results

on July 7, 2022, Zacatecas encountered significant silver-base metal mineralization within 22 out of the 28 holes drilled. Highlights include:

- Drilling has outlined high-grade silver-base metal mineralization over 1.5 strike kilometres of previously undrilled vein systems across a 750-metre-wide corridor. Mineralization remains open to depth and along strike to the southeast.
- Recent El Cristo results include:
  - 9 m at 158 grams per tonne silver equivalent (149 g/t Ag, 0.05 g/t gold, 0.08 per cent zinc and 0.05 per cent lead) from 17.87 metres downhole (CRI-2022-018);
  - 0.82 m at 592 g/t AgEq (84 g/t Ag, 0.14 g/t Au, 3.7 per cent Zn and 11.8 per cent Pb) from 69.10 metres downhole (CRI-2022-020);
  - Three m at 262 g/t AgEq (250 g/t Ag, 0.07 g/t Au, 0.1 per cent Zn and 0.04 per cent Pb) from 21 metres downhole (CRI-2022-026);
  - 2.10 m at 204 g/t AgEq (200 g/t Ag, 0.03 g/t Au, 0.03 per cent Zn and 0.01 per cent Pb) from 47.14 metres downhole (CRI-2022-017); and
  - 1.60 m at 181 g/t AgEq (175 g/t Ag, 0.02 g/t Au, 0.06 per cent Zn and 0.05 per cent Pb) from 4.40 metres downhole (CRI-2022-027).
- On November 16, 2022, announced a high-grade oxide gold Mineral Resource Estimate at the Esperanza Gold Project. its initial Mineral Resource Estimate at the Esperanza Gold Project. The MRE was prepared by P&E Mining Consultants Inc. and consists of the:
  - Pit-Constrained Measured and Indicated Mineral Resource Estimate of 30.3 million tonnes at 0.97 g/t AuEq (0.92 g/t gold and 8.6 g/t silver) for 941 thousand ounces AuEq (899 thousand ounces gold and 8.4 million ounces silver) and Out-of-Pit Measured and Indicated Mineral Resource Estimate of 270 thousand tonnes at 1.73 g/t AuEq (1.58 g/t gold and 11.0 g/t silver) for 15 thousand ounces of AuEq (14 thousand ounces of gold and 96 thousand ounces of silver);
  - Pit-Constrained Inferred Mineral Resource Estimate of 8.3 million tonnes at 0.93 g/t AuEq (0.86 g/t gold and 14.7 g/t silver) for 248 thousand ounces AuEq (229 thousand ounces gold and 3.9 million ounces silver) and Out-of-Pit Inferred Mineral Resource Estimate of 479 thousand tonnes at 1.83 g/t AuEq (1.77 g/t gold and 11.8 g/t silver) for 28 thousand ounces of AuEq (27 thousand ounces of gold and 182 thousand ounces of silver);

Full details of the Mineral Resource Estimate are set forth in the Company's news release dated November 16, 2022.

Please refer to the Company's news releases which are available at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.zacatecassilver.com](http://www.zacatecassilver.com) for additional information on the above highlights.

## Outlook

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. The Company anticipates that travel bans and self-imposed quarantine periods will continue to inhibit some measure of operational efficiency for some time. It is not possible to reliably estimate the length and severity of these conditions and the impact on the condition of the Company in future periods.

During the period, the Company completed a \$19 million financing, enabling the Company to close the acquisition of the Esperanza gold project. The Company will use the funds from the financing to continue advancing both the Zacatecas silver project and the Esperanza Gold Project and to meet its ongoing obligations and general administrative expenses. As the Company has no source of revenue at this time, it will continue to require additional capital to fund future office and administrative expenditures and to advance the Company's projects.

In late 2021, the Company released its maiden resource on the Zacatecas Silver Project and, during the first half of 2022, continued drilling to advance the Zacatecas Silver Project. While the Company continues to receive assays, it has elected to halt drilling until all assays are received. After the Company receives the outstanding assays, the Company has sufficient drill permits in place to recommence drilling on the Zacatecas Silver Project with Major Drilling de Mexico CV.

In mid November 2022, the Company completed its current resource estimation on the Esperanza Gold Project, which will be used as the foundation for the prefeasibility study (PFS). The Company has appointed Palaris to lead the PFS, which will define the project's scope, a key component of an MIA submission (Manifestacion de Impacto Ambiental or EIA). Palaris will work with the Company's technical staff, independent mineral resource modellers and metallurgists, and the in-country specialist consultancies responsible for the MIA.

## EXPLORATION PROJECTS

### Zacatecas Silver Project, Mexico

Below is a description of the project and the acquisition terms of the Zacatecas Silver Project, Zacatecas State, Mexico. For additional information about the project please refer to the Company's 43-101 technical report titled Independent Technical Report on the Zacatecas Properties, Zacatecas State, Mexico ("Zacatecas Technical Report") filed on SEDAR on January 28, 2022.

On August 18, 2020, the Company entered into an agreement with third parties to acquire a 100% interest in certain claims known as the Zacatecas project, in Zacatecas, Mexico. The Company acquired a 100% interest in the property by issuing 5,000,000 shares (issued with a fair value of \$750,000), agreeing to pay outstanding property taxes on the project of MxP3,977,515 (\$278,080 - paid), and by paying US\$1,500,000 (paid).

The fair value of the deferred payments was determined to be \$1,559,046 on the date of the acquisition using a discounted cash flow model with a discount rate of 20%. Total acquisition costs incurred by the Company are as follows:

	Zacatecas Project
Acquisition Costs	
Balance, December 31, 2020	\$ 2,587,126
Foreign currency translation	(94,865)
Balance, December 31, 2021	2,492,261
Foreign currency translation	138,424
Balance, September 30, 2022	\$ 2,630,685

### Property Location

The Zacatecas Property is located adjacent to the city of Zacatecas, in the municipalities of Panuco, Veta Grande, Morelos, Zacatecas and Guadalupe, Zacatecas State, Mexico. The Zacatecas Property consists of 149 mining concessions comprising 7,826.3 hectares, within the Zacatecas Mining District.

### District History

The Zacatecas Mining District has had a long history of mining dating back to pre-colonial times when local indigenous people (Huichol people) mined silver (and some gold) from the oxide zones of the vein deposits located around what is now known as the State of Zacatecas.

The Zacatecas mining district covers an area of over 700 km<sup>2</sup>. It is part of the largest silver district in the world, the Mexican Silver Belt, which extends from Sonora to Oaxaca and define a ca. 1500 km long NW-trending belt that includes the world-class mining districts of Zacatecas, Guanajuato and Fresnillo.

Mining by the Spaniards commenced in 1548 with production from three mines: the Albarrada Mine on the Veta Grande vein system, and the San Bernabe and Los Tajos Mines on the Mala Noche vein system. By the late 1800's silver from the Zacatecas Mining District accounted for 60% of the value of all Mexican exports. The Mexican Geological Survey estimate that almost 750 Moz of silver was produced from the Zacatecas Mining District between 1548 and 1987 (Ponce & Clark, 1988).

#### *Property History*

Due to the large number of veins within the Zacatecas Mining District, and the long history of mining, there are a significant number of relatively small mineral concessions. The more recent mining history is complex with multiple owners working different combinations of licenses. As a consequence, the mining history prior to 1990 is not well constrained or documented.

Between 1994 and 2010 Golden Minerals, via its local subsidiary Minera Largo S. de RL de CV, completed geological mapping, and trench and surface rock-chip sampling, within the Zacatecas district. This included the Panuco deposit and the Muleros, El Cristo, and San Manuel-San Gil exploration targets.

Between 2007 and 2011, Golden Minerals completed 36,178 meters of diamond drilling at Panuco, Muleros, El Cristo and San Manuel-San Gil – of which over 23,000 metres was at the Panuco deposit. Please refer to the 43-101 for a summary of the work completed.

Between November 2015 and October 2016 Santacruz conducted exploration within the Zacatecas region, including the Property.

Between July and August of 2016 Santacruz conducted surface chip sampling across the Panuco, Muleros, El Cristo and San Manuel-San Gil vein systems. A total of 49 samples were collected at Panuco, one sample was collected at Muleros, two samples at El Cristo and one sample from San Manuel-San Gil.

Chip samples were collected across the width of the vein structure and included altered and mineralized wall rock material on each shoulder of the vein structure. Sample lengths ranged between 0.25 m and 1.9 m and reported assays of between <0.01 g/t Ag and 305.46 g/t Ag. The results of this sampling were effective at confirming the presence of mineralization identified by Golden Minerals, but did not add to the understanding of any vein systems.

In October 2016, Santacruz completed a resource estimate of the Panuco Deposit using the results from trenching and drilling completed by Golden Minerals (Bui & Giroux, 2016). In 2019 Santacruz Silver completed an updated resource estimate in 2019 (Bui & O'Brien, 2019).

#### *Property Geology*

With the exception of the Orito vein system, located within the southern-most concessions of the Property, all other veins systems are hosted exclusively by basaltic and andesitic volcanic rocks, volcanoclastic rocks and interbedded marine sedimentary rocks of the Chilitos Formation. Within the Zacatecas Property the Chilitos Formation has been mapped as its component lithologies, yet stratigraphic relations have not been established between lithologies and they may represent facies changes.

#### *Panuco Deposit*

*Panuco Lithology:* The Panuco vein system is hosted by andesitic flows, mixed andesites and andesitic tuffs and volcanoclastic sediments of the Chilitos Formation. A small rhyolite body crops out along the western extension of the Panuco Central Vein and is likely related to the Eocene intrusion observed along the Mala Noche Fault system. Jasperoids, presumably related to silica deposition during the mineralizing event, crop out locally.

Quaternary regolith is extensive especially in the NW of the Panuco system and may obscure vein extensions.

*Panuco Structure:* The Panuco vein system is hosted by brittle transverse-normal faults that strike 140°-145°, dip 60°-75° SW, and can collectively be traced over a 4 km strike length. The system is defined by three prominent vein structures, Panuco NW, Panuco Central and Tres Cruces using the nomenclature of Bui and O'Brien (2019). Tristan-Gonzales et al. (2012) suggested that movement along these faults was initially right-lateral followed later by normal left-lateral. Veins pinch and swell from <10 cm to >6 m in outcrop and drill sections.

The Panuco Central vein can be traced over a strike length of 2300 m and dips between 52° and 76° to the southwest. In the southeast area of the Panuco Central vein drilling has traced the vein approximately 755 m down dip from surface, in the northwest area of the Panuco Central vein drilling has traced the vein approximately 410 m down dip from surface.

Panuco NW is effectively a splay extension of Panuco Central vein that has been traced over a strike length of 1500 m. It dips between 54° and 78° to the southwest and drilling by Golden Minerals has traced the down-dip extension approximately 480 m down dip from surface.

The Tres Cruces vein has been traced over a strike length of 870 m, dipping between 67° and 86° to the southwest. Drilling has traced the vein down dip to approximately 388 m below surface. . In addition to the three main vein sets, sub-parallel subordinate veins have been identified especially within the structural hanging wall of each vein.

*Panuco Mineralization:* Silver, gold, and base metal mineralization at the Panuco deposit is hosted in breccia veins, banded, crustiform and colloform quartz veins, and quartz vein stockwork within zones of strong argillic alteration. Mineralization is best developed within coherent andesite volcanic rocks and volcanosedimentary units.

The veins are composite in nature, multiple pulses of quartz-sulfide precipitation and a late infill of quartz and/or carbonate (generally calcite). Galena, sphalerite, chalcopyrite and argentite are the main economic minerals, gangue includes quartz, calcite, pyrite, arsenopyrite, hematite, goethite, illite and clay minerals.

*Panuco Alteration:* Clasts within veins are strongly quartz-illite+/-kaolinite-calcite altered. Argillic alteration is strong proximal to veins and extends with decreasing intensity up to 15 m into wall rocks. Propylitic alteration is widespread.

#### Muleros Target Area

*Muleros Lithology:* Veins at Muleros are hosted by the Chilitos Formation. This is a marine volcano-clastic and sedimentary sequence of andesitic to basaltic pillow-lavas, andesitic flows and tuffs, intercalated with lesser mudstones and basinal limestones. Dioritic dykes, sills and laccoliths were emplaced at the same time. Quaternary regolith and alluvium is extensive and may obscure vein extensions.

*Muleros Structure:* The Panuco vein system is hosted by transverse-normal faults that strike approximately 110° and can collectively be traced over a 3 km strike length. The system is defined by three vein structures — the South Vein, the North Vein (Sabino Vein) and the El Rosario Vein. The South and North Veins dip between 55-80° to the SW and the Rosario Vein dips 70-80° to the NE. Veins vary from <1 to 5 m in true thickness.

The North and South veins splay to the northwest. Drilling has shown that veins may coalesce and splay at depth, and pinch and swell in width from <10 cm to >6 m.

*Muleros Mineralization:* Silver and base metal mineralization at the Muleros deposit is hosted in brecciated veins, banded, crustiform and colloform quartz-carbonate veins, and quartz vein stockworks, within zones of strong argillic alteration. Metallic minerals include galena, sphalerite, chalcopyrite, argentite and proustite, gangue includes quartz, calcite, pyrite, arsenopyrite, hematite, goethite, illite and clay minerals.

*Muleros Alteration:* Argillic alteration is generally strong to intense proximal to veins and may extend with increasing intensity for up to 10 m into wall rocks. Clasts within veins are intensely clay-silica altered.

### El Cristo Vein System

*El Cristo Lithology:* The El Cristo system is hosted by the Chilitos Formation, a sequence of andesitic to basaltic pillow-lavas, andesitic flows and tuffs, intercalated with mudstones and basinal limestones of marine affinity.

*El Cristo Structure:* The El Cristo vein system comprises several subparallel veins which form a sigmoidal complex that coalesces to the northwest and southeast. Veins extends for over 2.5 km along a strike of 120° to 130° over a width of up to 600 m. Dip varies from vertical to 60° to northeast to southwest.

*El Cristo Mineralization:* Silver and base metal mineralization at El Cristo is hosted in brecciated veins, banded, crustiform and colloform quartz-carbonate veins, that vary in thickness from 10 cm to 7 m.

MADSA completed a petrographic and fluid inclusion study of 12 surface samples taken along the strike length of the El Cristo vein system (Albinson, 2009). The study noted four paragenetic stages: 1) early brecciation of and cementation of wall rock fragments by fine grained silica-disseminated pyrite; 2) deposition of complex banded, coarse-crystalline quartz-calcite-sulfide; 3) late coarse-crystalline quartz and amethyst as centimeter-sized prismatic crystals in vughs; and late coarse crystalline calcite infilling vughs.

### San Manuel-San Gill Vein System

*San Manuel-San Gill Lithology:* The San Manuel-San Gil vein system is underlain by basaltic and andesitic volcanics, volcanoclastics, interbedded marine sedimentary rocks of the Chilitos Formation. To the south of the concessions, Tertiary rhyolite flows and domes are observed on Cerro San Gil and Cerro Seirpe, rhyolites are interpreted to have intruded a flexure in the in the Mala Noche structure and provide evidence of proximal heat source for hydrothermal system. Most of the San Manuel-San Gil area is covered by recent regolith and soil cover.

*San Manuel-San Gill Structure:* Two major structural trends are present at San Manuel-San Gill: a NS oriented hematitic breccia; and NW oriented quartz-carbonate-sulphide veins.

The hematitic breccia has a NS-trending strike of approximately 800 m, is up to 40 m wide, and is most likely vertical. The NS orientation of the breccia suggest the system may be gold-enriched — as evidenced by other gold-mineralized NS oriented veins in the Zacatecas region. This is consistent with the results of the five hole drill program of Golden Minerals which returned assays such as 4.16 m at 1.14 g/t Au, 128 g/t Ag, 2.23% Pb and 1.86% Zn (Hole MG 11-08).

Quartz-carbonate-sulphide veins of between 10 cm to >7 m wide, trend NW-SE over a strike length of at least 2 km. Individual veins are between 400 to 1400 m long. Veins splay to the SE where multiple sub-parallel veins intersect, but do not cross the hematite breccia.

*San Manuel-San Gill Mineralization:* Silver, gold, and base metal mineralization is hosted in breccia veins, banded, crustiform and colloform quartz veins, and quartz vein stockwork within zones of strong argillic alteration. Ore minerals include galena, sphalerite, chalcopyrite and argentite. Gangue minerals include pyrite, hematite, goethite, quartz, calcite, illite and clay minerals.

*San Manuel-San Gill Alteration:* Alteration envelopes around fault-veins is variable depending largely upon host lithology. Argillic alteration of andesitic flows sills and dykes is limited to narrow envelopes, alteration in volcanoclastics and sedimentary units is more pervasive and extends meters from the vein. Late stage calcite veins generally lack alteration selvages.

### Other Targets:

Outside the central block of concessions that forms the bulk of the Zacatecas Property are satellite concessions that have not been part of the recent exploration. These blocks include the El Oro, El Orito, La Cantera, Monserrat, El Peñón, San Judas and San Juan

- *Orito Concession:* The Orito concessions are located within and along the southern boundary of the city of Zacatecas. The concessions overlie the Orito vein system which is hosted volcanoclastics of the Chilitos Formation. Mineralization is present in three parallel north-northwest striking veins that dip 54°-85° to both the east and west. Mineralization is confined to veins and consists of banded sulfides and adularia. The El Compas vein system to the south of the Orito concessions is gold rich and silver-base metal poor (Zamora-Vega, 2018).
- *Cantera Concession:* The Cantera concessions are located along the northern limits of the city of Zacatecas and host veins of the Cantera-El Bote vein system. Veins strike southeast, dip 60° to 90° to the southwest, and juxtapose the volcanic rocks of the Chilitos Formation to the north against the Zacatecas Red Conglomerate to the south. The Cantera concessions surrounds the past producer Cantera Mine of Santacruz Silver.
- *Montserrat Concession:* The Monserrat concessions are located along the eastern margin of the Sierra Zacatecas — the southeastern projection of the Veta Grande vein system. The concessions overlie andesites, basalts, and volcanoclastics of the Chilitos Formation.
- *El Peñón Concession:* The El Peñón concession is located approximately 20 km north of the city of Zacatecas. The concession overlies the contact between the volcanoclastics of the Chilitos Formation and porphyritic rhyolitic intrusives. Mineralization comprises a manganese prospect that has not been described.
- *San Juan Concession:* The San Juan concession is located 6 km east of the city of Guadalupe on highway 45. The concession covers andesites of the Chilitos Formation. Mineralization is hosted by a 1.7 m wide oxidized vein that trends 290°, dips 70° northeast, and strikes 200 m.
- *San Judas Concession:* San Judas concessions are located to the east of El Orito. Work by previous owners was limited to mapping northwest-southeast striking veins hosted within phyllites and sandstones of the Zacatecas Formation.

### Resource Estimate

In December 2021, the Company announced an initial mineral resource estimate at the Panuco Deposit, which was prepared by P&E Mining Consultants Inc. (“P&E”). The Panuco Deposit mineral resource estimate consist of 2.7 million tonnes at 187 g/t AgEq (171 g/t Ag and 0.17 g/t Au) for 16.4 million ounces AgEq (15 million ounces silver and 15 thousand ounces gold) that is comprised of:

- The Panuco Central Vein that contains an Inferred Mineral Resource of 2.1 million tonnes at 171 g/t AgEq (156 g/t silver and 0.16 g/t gold) for 11.3 million ounces AgEq (10.3 million ounces silver and 11 thousand ounces gold), and
- Panuco North Vein which contains an Inferred Mineral Resource of 0.7 million tonnes at 235 g/t AgEq (216 g/t Ag and 0.21 g/t Au) for 5.1 million ounces AgEq (4.7 million ounces silver and 5 thousand ounces gold).

**Table 1: Panuco Deposit Inferred Mineral Resource Estimate Summary <sup>(1-8)</sup>**

Resource Area	Tonnes (k)	Ag g/t	Au g/t	Ag Moz	Au koz	AgEq g/t	AgEq Moz
Panuco Central Vein	2,056	156	0.16	10.326	11	171	11.3
Panuco North Vein	677	216	0.21	4.709	5	235	5.13
<b>Total</b>	<b>2,733</b>	<b>171</b>	<b>0.17</b>	<b>15.035</b>	<b>15</b>	<b>187</b>	<b>16.4</b>

**Notes:**

- (1) Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability.

- (2) The estimate of Mineral Resources may be materially affected by environmental permitting, legal title, taxation, socio-political, marketing or other relevant issues.
- (3) Resources are classified according to Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards (2014) and CIM Best Practices (2019);
- (4) The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
- (5) Silver equivalent Mineral Resources for the Panuco Deposit were calculated using the following metal prices: Ag at US \$21/oz and Au at US\$1,625/oz.
- (6) Metallurgical recoveries have been estimated to be 82% silver and 95% gold.
- (7) The Inferred Mineral Resource Estimate uses a cut-off of 100 g/t AgEq based on US\$/tonne costs of \$35/mining, \$15 processing and \$5 G&A.
- (8)  $\text{AgEq} = \text{Ag g/t} + (\text{Au g/t} \times 90)$

The full details of the mineral resource estimate are set forth in the news release dated December 14, 2021.

### **Esperanza Gold Project**

The Esperanza gold project is an advanced-stage, low-technical-risk growth project located in Morelos state, Mexico. For additional information about the project please refer to the Company's 43-101 technical report titled Independent Technical Report on the Zacatecas Properties, Zacatecas State, Mexico ("Zacatecas Technical Report") filed on SEDAR on January 28, 2022.

#### *Property Location*

The Esperanza Property is located 80 km south of Mexico City and 12 km from Cuernavaca in the State of Morelos — it consists of 8 mining concessions comprising 14,338 hectares.

#### *Project Geology*

Esperanza is located in the Guerrero Gold Belt of southern Mexico, host to several multi-million-ounce gold skarn deposits associated with a 55 km long northwest trending belt of Tertiary felsic intrusive bodies hosted in a carbonate bearing, Mesozoic to Tertiary, sedimentary-volcanic sequence.

The Esperanza project geology comprises a host sequence of grey to dark grey, fine-grained, thin to medium bedded limestone with chert bands, belonging to the Xochicalco Formation. The limestone is intruded by a northeast oriented, ovoid, medium to coarse grained, feldspar phyric granodiorite stock with an areal extent of 900 m by 500 m.

The Esperanza gold-silver deposit is an oxidised skarn located in the south-central part of the concession area. In addition to the La Esperanza Deposit, there are at least nine other early-stage exploration target areas with mineralization observed at surface.

Gold and silver mineralization at Esperanza is spatially associated with exoskarn alteration at the contact between granodiorite and limestone. The skarns comprise a prograde and retrograde mineral assemblage. Gold mineralization is associated with retrograde alteration including sulphide mineral development and to a lesser extent formation of late jasperoid. Sulphide minerals comprise pyrite, pyrrhotite, sphalerite, chalcopyrite and arsenopyrite.

Skarn mineralization has been strongly oxidised to hematite and sulphide minerals are only rarely observed. The entire known deposit has been oxidised.

#### *Deposit Type*

Esperanza is an exoskarn deposit hosted by a carbonate-bearing sedimentary sequence, intruded by a granodiorite stock. Mineralization is hosted by the sedimentary strata and abuts the intrusive body, comprising of a typical skarn assemblage of prograde garnet, pyroxene, wollastonite and vesuvianite and a

retrograde, overprinting assemblage of tremolite-actinolite, clays, epidote, chlorite and silica. Gold mineralization is thought to have formed during retrograde alteration and appears to have some spatial association with silica alteration. The skarn has subsequently been oxidised which may have caused supergene enrichment of gold.

#### *Exploration targets*

To date, significant core and reverse circulation drilling has occurred at the Esperanza gold project, resulting in a total of 389 drill holes for 69,716 metres. Four targets adjacent to or close to the current resource were identified to expand the resource. The project also hosts seven regional targets that merit drill testing.

Three zones of skarn mineralization within 1 km of the La Esperanza deposit have been identified by previous operators. These are termed the Northern Contact, NE Intrusive Contact and Colotopec prospects. The Northern and NE Contact target areas are located at the northwestern end of the same causative intrusion at La Esperanza. Gold anomalous skarn mineralization has been sampled at surface at the NE Contact prospect with jasperoid float observed over a 100 m strike length.

The Northern Contact target is concealed beneath Cuernavaca Formation cover units, and is inferred to overly 700 metres strike length of prospective contact zone between the granodiorite and limestone. Two holes located between 100 m and 200 m southwest of the Northern Contact intercepted between 12 m and 15 m of skarn mineralization, averaging 150 g/t silver (Kirkham, 2014 ). There has been no drilling of the target area.

Colotopec is located on the southeastern margin of the granitoid intrusion and is characterised by a 500 m by 50 m zone of marble cross cut by quartz-iron oxide veinlets. Similar zones have been observed in drill core elsewhere at La Esperanza located above mineralised skarn.

#### *Resource Estimate*

In November 2022, the Company announced a high-grade oxide gold Mineral Resource Estimate at the Esperanza Deposit, which was prepared by P&E. The Esperanza Deposit mineral resource estimate consists of:

- Pit-Constrained Measured and Indicated Mineral Resource Estimate of 30.3 million tonnes at 0.97 g/t AuEq (0.92 g/t gold and 8.6 g/t silver) for 941 thousand ounces AuEq (899 thousand ounces gold and 8.4 million ounces silver) and Out-of-Pit Measured and Indicated Mineral Resource Estimate of 270 thousand tonnes at 1.73 g/t AuEq (1.58 g/t gold and 11.0 g/t silver) for 15 thousand ounces of AuEq (14 thousand ounces of gold and 96 thousand ounces of silver);
- Pit-Constrained Inferred Mineral Resource Estimate of 8.3 million tonnes at 0.93 g/t AuEq (0.86 g/t gold and 14.7 g/t silver) for 248 thousand ounces AuEq (229 thousand ounces gold and 3.9 million ounces silver) and Out-of-Pit Inferred Mineral Resource Estimate of 479 thousand tonnes at 1.83 g/t AuEq (1.77 g/t gold and 11.8 g/t silver) for 28 thousand ounces of AuEq (27 thousand ounces of gold and 182 thousand ounces of silver);

**Measured and Indicated Mineral Resource Estimate <sup>(1-9)</sup>**

Resource Area	Tonnes (k)	Au g/t	Ag g/t	Au koz	Ag koz	AuEq g/t	AuEq koz
Measured (Pit-Constrained)	4,194	1.01	6.1	137	827	1.04	141
Measured (Out-of-Pit)	10	1.89	14.5	1	5	1.96	1
Indicated (Pit-Constrained)	26,074	0.91	9.1	762	7,587	0.95	800
Indicated (Out-of-Pit)	260	1.57	10.9	13	91	1.62	14
<b>Total</b>	<b>30,538</b>	<b>0.93</b>	<b>8.7</b>	<b>913</b>	<b>8,510</b>	<b>0.97</b>	<b>956</b>

**Inferred Mineral Resource Estimate <sup>(1-8)</sup>**

Resource Area	Tonnes (k)	Au g/t	Ag g/t	Au koz	Ag koz	AuEq g/t	AuEq koz
Inferred (Pit-Constrained)	8,258	0.86	14.7	229	3,905	0.93	248
Inferred (Out-of-Pit)	479	1.77	11.8	27	182	1.83	28
<b>Total</b>	<b>8,737</b>	<b>0.91</b>	<b>14.5</b>	<b>256</b>	<b>4,087</b>	<b>0.98</b>	<b>276</b>

**Notes:**

- (1) Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability.
- (2) The estimate of Mineral Resources may be materially affected by environmental permitting, legal title, taxation, socio-political, marketing or other relevant issues.
- (3) Resources are classified according to Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards (2014) and CIM Best Practices (2019);
- (4) The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
- (5) Gold equivalent Mineral Resources for the Esperanza Gold Project were calculated using the following metal prices: Au at US \$1,700 and Ag at US \$22/oz.
- (6) Metallurgical recoveries have been estimated to be 70% gold and 25% silver.
- (7) The Mineral Resource Estimate uses a cut-off of 0.2 g/t AuEq for Pit-Constrained and 1.2 g/t AuEq for Out-of-Pit based on US\$/tonne costs of \$2.50/mining, \$6.50 processing and \$1.25 G&A.
- (8)  $AuEq = Au \text{ g/t} + (Ag \text{ g/t} \times 0.005)$
- (9) Out-of-pit MRE blocks were reviewed for grade and geometric continuity. Isolated/orphaned and single block width strings of blocks were removed in order to only report Mineral Resources with a reasonable prospect of economic extraction.

The full details of the mineral resource estimate are set forth in the news release dated November 16, 2022.

*Pre-Feasibility Study*

The Company has engaged Palaris as lead for the preparation of a Pre-Feasibility Study at the Esperanza Gold Project. Palaris are presently scoping potential mining flow-paths and footprints for the Esperanza Gold Project.

*Terms of the transaction*

On April 12, 2022, the Company completed its acquisition of the advanced stage Esperanza Gold Project, located in Morelos State, Mexico, pursuant to the terms of a Share Purchase Agreement dated February 28, 2022 (the "Share Purchase Agreement") with Minas De Oro Nacional, S.A. De C.V. ("Minas De Oro"), a subsidiary of Alamos Gold Inc. ("Alamos").

Under the terms of the Share Purchase Agreement, the Company acquired all the issued and outstanding shares of Esperanza Silver de Mexico S.A de C.V ("Esperanza Mexico"), which holds title to the Esperanza Gold Project. In consideration of Esperanza Mexico, the Company

- i. paid Minas de Oro US\$5,000,000 in cash;
- ii. issued 12,140,000 common shares of the Company; and
- iii. Granted a Silver Stream under which Alamos is entitled to receive 20% of the silver produced from the Esperanza Gold Project at a cash price of 20% of the prevailing spot silver price, subject to a maximum of 500,000 ounces of silver delivered to Alamos.

The Share Purchase Agreement further provides that the Company will make certain additional payments contingent upon the completion of key milestones on the Esperanza Gold Project ("Milestone Payments"):

- iv. Pay US\$5,000,000 within 60 days after approval of an environmental impact assessment report by the applicable governmental authorities;
- v. Pay US\$14,000,000 within 60 days of the earlier of (i) completion of a feasibility study on the Esperanza Gold Project or (ii) the Company announcing its decision to commence construction of a mine on the Esperanza Gold Project; and
- vi. Pay US\$20,000,000 within 180 days after commencement of commercial production on the Esperanza Gold Project.

The Company may, at its sole election, satisfy up to 50% of the contingent payments by issuing shares at a price equal to the 10-day volume-weighted average price prior to the issuance of such shares provided that such share issuance does not cause Alamos to exceed 19.99% ownership of the issued and outstanding shares of the Company (on a partially diluted basis).

The Company has also agreed to incur US\$7,500,000 in expenditures to advance the Esperanza Gold Project over the three years following the acquisition. If the Company fails to meet the expenditure commitment, an amount equal to the shortfall will be added to the next contingent payment.

The transaction did not meet the definition of a business combination and therefore, was accounted for as an asset purchase of mineral property interests. The fair value of the consideration paid for the acquisition of Esperanza has been allocated to the assets acquired and liabilities assumed, based on management's best estimate and taking into account all available information at the time of acquisition.

The following table summarizes the fair value of the total consideration paid and the aggregate fair value of the identified assets acquired and liabilities assumed:

<b>Purchase price</b>	
Cash (US\$5,000,000)	\$ 6,305,000
12,140,000 common shares	13,354,000
Fair value of Milestone Payments	19,745,605
Fair value of Silver Stream	2,407,926
Transaction costs and finder's fee <sup>(1)</sup>	1,063,278
Fair value of consideration	\$ 42,875,809

**Net assets acquired**

Cash	\$	37,726
Equipment		43,704
Receivables		26,463
Exploration and evaluation assets		43,810,629
Accounts payable and accrued liabilities		(1,042,713)
	\$	42,875,809

(1) The Company paid a finder's fee of US\$500,000 to a third party.

The fair value of the contingent Milestone Payments of \$19,745,605 was estimated on the date of acquisition based on management assumptions on the probability and timing of such payments using a probability-weighted discounted cash flow model. The Company used a discount rate of 9.75%. The Milestone Payments and Silver Stream are revalued at each reporting period based on the prevailing facts and circumstances of the Esperanza Gold Project. The fair value is determined using discounted cash flows based on significant inputs and assumptions such as a discount rate, an estimate of timelines to advance the project and a success probability factor. The fair value at each reporting period is also impacted by prevailing foreign exchange rates. As at September 30, 2022 the Company used a discount rate of 11.75%. The changes in the fair value of the Milestone Payments and Silver Stream ("Contingent Consideration") for the period ended September 30, 2022 are as follows:

Contingent Consideration	Milestone Payments	Silver Stream	Total
Balance, December 31, 2022	\$ -	\$ -	\$ -
Asset acquisition	19,745,605	2,407,926	22,153,531
Change in fair value	1,539,790	283,039	1,822,829
Balance, September 30, 2022	\$ 21,285,395	\$ 2,690,965	\$ 23,976,360

**Future Exploration Plans: Zacatecas Properties**

To date the Company has drilled approximately 14,360 m at Zacatecas of which 7,240 m was drilled at Panuco North, 2,713 m at Panuco Central and 2,815 m was drilled at El Cristo. A total of 1,592 m was drilled at San Gill.

**Future Exploration Plans: Esperanza**

An exploration and development budget of US\$4,500,000 is proposed:

- A total of 5,000 m of drilling (US\$1,500,000) is allocated to step out drilling around the boundary of the resource estimate, with a view to potentially upgrading deposit size prior to completing a Pre-Feasibility Study of the Esperanza Deposit. The high-grade feeder zone at the western flank of the intrusion is an obvious target.
- US\$1,500,000 is allocated to a Pre-Feasibility study which is underway.
- 2,500 m of reconnaissance drilling (US\$750,000) of near-deposit and concession wide targets identified after completing of concession wide geological mapping.
- It is essential that the community engagement strategy that is already well designed and supported at community level, is expanded as surface exploration and drilling activities are re-commenced. These activities will generate employment which is important at community level.

**Exploration costs:**

During the period ended September 30, 2022, the Company incurred exploration costs on the Zacatecas project as follows:

<b>For the nine months ended September 30, 2022</b>	<b>Esperanza Gold Project</b>	<b>Zacatecas Project</b>	<b>Total</b>
Administrative, permitting and land access	\$ 275,408	\$ 14,561	\$ 289,969
Corporate social responsibility and community relations	1,061,385	-	1,061,385
Drilling and assay	-	2,113,454	2,113,454
General Exploration	634,653	923,181	1,557,834
Mining duties	424,874	189,890	614,764
Reporting	343,482	87,549	431,031
Salaries and wages	126,166	-	126,166
Taxes paid (IVA)	210,930	360,704	571,634
	<u>\$ 3,076,898</u>	<u>\$ 3,689,339</u>	<u>\$ 6,766,237</u>

*Dr. Chris Wilson, (FAusIMM (CP), FSEG.), a Qualified Person under the meaning of Canadian National Instrument 43-101 and an officer of Zacatecas, is responsible for the technical content of this Management's Discussion and Analysis.*

**Results of Operations**

The condensed consolidated interim financial statements reflect the financial condition of the Company's business for the nine-month period ended September 30, 2022. The significant events during the period which impact the financial results of the Company, some of which are discussed above in the performance summary, are:

- Closing the acquisition of the Esperanza Gold Project
- Completion of the \$19 million financing
- Project investigation and due diligence work on the Esperanza project
- Raising awareness of the Esperanza project and the Company's financing.

During the three-month period ended September 30, 2022, the Company incurred a net loss of \$5,479,508 (2021 - \$1,080,855). Significant expenditures and movements included:

- Exploration expenditures incurred were \$2,827,883 (2021 - \$508,496) for the period ended September 30, 2022. The Company ramped up exploration following the completion of the listing on the TSXV in Q1 2021. During Q2 2022 the Company also completed the acquisition of the Esperanza Gold Project resulting in increased activities and expenditures.
- Management fees of \$82,333 (2021 - \$77,700) were incurred during the period ended September 30, 2022, which included fees paid to officers of the Company.
- Marketing and shareholder communication expenses of \$142,958 (2021 - \$361,764) were incurred during the period ended September 30, 2022. The expenses were incurred in North America and Europe to raise awareness of the Company's acquisition of the Esperanza project and subscription receipt financing. During the comparative period the Company was raising awareness of the Company and its exploration project during the lead up to and following the listing of the Company on the TSXV.
- Consulting fees of \$105,555 (2021 - \$nil) were incurred during the period ended September 30, 2022. Consulting fees increased due to the increased activity during the period, including the financing and Esperanza Gold Project acquisition.

- Professional fees of \$141,029 (2021 - \$39,620) were incurred during the period ended September 30, 2022, which included fees relating to the listing process and ongoing legal, accounting and audit related activities.
- Share based payments of \$385,220 (2021 - \$nil) during the period ended September 30, 2022. During the three-month period ended September 30, 2022, the Company granted 1,100,000 stock options to a director and consultants of the Company. During the comparative period the Company did not grant any stock options.

During the nine-month period ended September 30, 2022, the Company incurred a net loss of \$11,359,854 (2021 - \$4,755,164). Significant expenditures and movements included:

- Accretion expense of \$nil (2021 - \$29,569) for the period ended September 30, 2022. The expenditure during the period ended September 30, 2021 related to the accretion on the deferred acquisition payments totaling US\$1,500,000 for the Zacatecas Project, which were paid during 2021.
- Exploration expenditures incurred were \$6,766,237 (2021 - \$1,074,676) for the period ended September 30, 2022. The Company ramped up exploration following the completion of the listing on the TSXV in Q1 2021. During Q2 2022 the Company completed the acquisition of the Esperanza Gold Project resulting in increased activities and expenditures in Q2 and Q3.
- Management fees of \$244,678 (2021 - \$331,821) were incurred during the period ended September 30, 2022, which included fees paid to officers of the Company. The decrease is due to James Hutton, former Chairman, resigning from the Company.
- Marketing and shareholder communication expenses of \$925,603 (2021 - \$1,141,776) were incurred during the period ended September 30, 2022. The expenses were incurred in North America and Europe to raise awareness of the Company's acquisition of the Esperanza project and subscription receipt financing. During the comparative period the Company was raising awareness of the Company and its exploration project during the lead up to and following the listing of the Company on the TSXV.
- Consulting fees of \$253,055 (2021 - \$nil) were incurred during the period ended September 30, 2022. Consulting fees increased due to the increased activity during the period, including the financing and Esperanza Gold Project acquisition.
- Professional fees of \$306,849 (2021 - \$239,344) were incurred during the period ended September 30, 2022, which included fees relating to the listing process and ongoing legal, accounting and audit related activities.
- Project investigation of \$51,360 (2021 - \$nil) was incurred by the Company during the period ended September 30, 2022, which was costs related to the Esperanza Gold Project incurred in advance of completing the acquisition.
- Share-based payments of \$714,201 (2021 - \$1,825,910) during the period ended September 30, 2022. During the nine-month period ended September 30, 2022, the Company granted 1,500,000 stock options to a director and consultants of the Company. The comparative period included share-based payment expense for the 5,100,000 stock options granted in December 2020 that vested on TSXV listing (March 2, 2021.)
- Travel of \$139,286 (2021 - \$43,664) during the period ended September 30, 2022. Project and marketing related travel has increased as COVID related travel restrictions are being lifted.

## Summary of Quarterly Results

	September 30, 2022 \$	June 30, 2022 \$	March 31, 2022 \$	December 31, 2021 \$
Working capital	3,165,971	6,562,511	17,293	2,545,845
Exploration expenditures	2,827,883	2,372,468	1,565,886	1,640,730
Net loss	(5,419,868)	(3,219,418)	(2,648,418)	(2,124,936)
Net loss per share - basic	(0.07)	(0.04)	(0.05)	(0.04)
	September 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$	December 31, 2020 \$
Working capital	4,735,671	5,813,384	6,581,117	1,025,748
Exploration expenditures	508,496	343,543	222,637	255,006
Net loss	(1,080,855)	(823,508)	(2,850,801)	(1,001,725)
Net loss per share - basic	(0.02)	(0.02)	(0.08)	(0.01)

## Discussion of Quarterly Results

The significant items impacting Zacatecas's net loss are primarily from the changing levels of financing available, exploration activities, and office and administrative expenses. Changing levels in exploration program and general and administrative costs fluctuate independently according to field activities at our properties or general corporate activities.

Since incorporation the Company has completed various financings, acquired the Zacatecas project and has been focused on commencing exploration and completing the listing process, including completing the Zacatecas Technical Report, necessary audits, and the prospectus.

## Liquidity

Zacatecas's mineral exploration and development activities do not provide a source of income and we therefore have a history of losses and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide a complete interpretation of our valuation.

As at September 30, 2022, the Company had a working capital of \$3,165,971. The working capital consisted of a cash balance of \$3,536,074, receivables of \$181,174, prepayments and advances of \$240,220, offset by accounts payable and accrued liabilities of \$791,497.

To maintain liquidity in the future, the Company continues to investigate financing opportunities and would consider raising capital via share issuances, debt facilities, joint venture arrangements, or a combination of these options. The Company has financed its operations to date primarily through the issuance of common shares. As the Company has no source of revenue at this time, it will continue to require additional capital to carry exploration expenses and ongoing operating costs.

**Operating Activities:** The Company does not generate cash from operating activities. Net cash used in the Company for operating activities, which includes exploration activities, for the period ended September 30, 2022 was \$9,465,136.

**Investing Activities:** During the period ended September 30, 2022, the Company paid \$7,368,278 towards acquisition costs of the Esperanza project, acquired cash in Esperanza of \$37,726, and paid \$65,057 to acquire equipment.

Financing Activities: During the period ended September 30, 2022, the Company received \$19,151,521 from the subscription receipt financing which is included in restricted cash and paid finders' fees and other share issuance costs of \$1,265,367 relating to the subscription receipt financing.

The condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuing operations rely on the ability of the Company to continue to raise capital.

### Related Party Transactions

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries Desarrollos Mineros Zacatecas Silver S.A De C.V (Mexico), Esperanza Silver de Mexico, S.A. de C.V. (Mexico), Servicios Mineros Tetlama S.A. de C.V. (Mexico) and 1260410 B.C Ltd (Canada).

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the period ended September 30, 2022, the Company entered into the following transactions with related parties:

- a) Management fees of \$244,678 (2021 - \$229,571) were paid during the nine-month period ended September 30, 2022 to a company controlled by Bryan Slusarchuk, an officer and director of the Company.
- b) Management fees of \$nil (2021 - \$102,250) were paid during the nine-month period ended September 30, 2022 to a company controlled by James Hutton, the former Chairman of the Company.
- c) Exploration Fees of \$240,625 (2021 - \$114,518) were paid during the nine-month period ended September 30, 2022 to a company controlled by Chris Wilson, an officer and director of the Company.
- d) Professional fees of \$104,536(2021 - \$85,642) were paid during nine-month period ended September 30, 2022 to Red Fern Consulting Ltd., a company controlled by Jonathan Richards, an officer and director of the Company.
- e) Professional fees of \$102,818 (2021 - \$112,046) were paid during the nine-month period ended September 30, 2022 to O'Neill Law LLP., a firm which Charles Hethey a director of the Company is a partner of.
- f) Director fees of \$45,000 (2021 - \$21,000) were paid or accrued during the nine-month period ended September 30, 2022, to a company controlled by John Lewins and to Nancy La Couvee, directors of the Company.
- g) Share-based payments of \$469,061 (2021 - \$1,825,910) were recognized during the nine-month period ended September 30, 2022 for stock options granted and vested to certain officers and directors of the Company.

As at September 30, 2022, \$54,803 (December 31, 2021 - \$44,675) was included in accounts payable and accrued liabilities owing to officers and directors of the Company.

## Outstanding Share Data

### Common Shares:

The Company is authorized to issue an unlimited number of common shares without par value. As at the date of this report the Company had 82,601,489 common shares issued and outstanding.

### Escrowed shares

As at the date of this report 2,925,000 common shares are subject to an escrow agreement and will be released on April 14, 2023.

### Stock Options:

As at the date of this report the Company has 5,817,500 stock options outstanding, as detailed below:

<b>Expiry Date</b>	<b>Number</b>	<b>Exercise Price - \$</b>
March 2, 2026	4,317,500	0.50
March 15, 2027	400,000	1.20
July 18, 2027	1,100,000	0.70

### Warrants:

As at the date of this report the Company has 9,613,161 share purchase warrants outstanding, as detailed below:

<b>Expiry Date</b>	<b>Number</b>	<b>Exercise Price - \$</b>
March 22, 2024	907,924	1.10
April 12, 2024	8,705,237	1.50

At the date of this report, the Company had no warrants outstanding.

## Contractual Obligations

Except as described in the Esperanza Gold Project section and herein or in the Company's condensed consolidated interim financial statements at September 30, 2022, the Company had no material contractual obligations.

## Off-Balance Sheet Arrangements

As at September 30, 2022, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Proposed Transactions

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

## Capital Resources

The Company has no commitments for capital expenditures at the date of this report.

The Company will continue to seek capital. In the past the Company has raised capital through the issuance of common shares pursuant to private placement. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## Risk Factors

Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices, changes in laws and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions. Risks and uncertainties the Company considers material in assessing its financial statements are described below.

*Zacatecas will require additional funding.*

As at September 30, 2022, the Company held cash of \$3,536,074. The Company had accounts payable and accrued liabilities of \$791,497. While the Company is financed for the next phases of exploration and project advancement, the Company does not have any source of revenue and will require additional funding. The Company has relied upon equity subscriptions to satisfy its capital requirements and will likely continue to depend upon these sources to finance its activities. There can be no assurances that the Company will be successful in raising the desired level of financing on acceptable terms.

*Zacatecas is subject to government regulation.*

The Company's mineral exploration is, and any development activities will be, subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

*Exploration, development and mining activities can be hazardous and involve a high degree of risk.*

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

*Zacatecas may be adversely affected by fluctuations in metal prices.*

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in the price of metals. Mineral prices fluctuate widely and are affected by numerous factors beyond

the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

#### *Infrastructure*

Exploration, development and ultimately mining and processing activities depend, to one degree or another, on the availability of adequate infrastructure. Reliable air service, roads, bridges, power sources and water supply are significant contributors in the determination of capital and operating costs. Inadequate infrastructure could significantly delay or prevent the Company exploring and developing its projects and could result in higher costs.

#### *Zacatecas does not and likely will not insure against all risks.*

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to environmental liability or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Zacatecas to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

#### *Zacatecas may be subject to disputes.*

The Company may be involved in disputes with other parties in the future, which may result in litigation or arbitration. The results of litigation or arbitration cannot be predicted with certainty. If the Company is unable to resolve these disputes favorably, it may have a material adverse impact on the Company.

All industries, including the mining industry, are subject to legal claims that are with and without merit. Due to the inherent uncertainty of the litigation process and dealings with regulatory bodies, there is no assurance that any legal or regulatory proceeding will be resolved in a manner that will not have a material and adverse effect on the Company.

#### *Zacatecas is dependent on key personnel.*

The Company's success depends in part on its ability to recruit and retain qualified personnel. Due to its relatively small size, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. In addition, despite its efforts to recruit and retain qualified personnel, even when those efforts are successful, people are fallible and human error could result in a significant uninsured loss to the Company.

#### *Zacatecas's officers and directors may have potential conflicts of interest.*

Zacatecas's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. However, applicable law requires the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders and in the case of directors, to refrain from participating in the relevant decision in certain circumstances.

#### *Permits, licenses and approvals*

In countries where we carry out exploration activities, the mineral rights or certain portions of them are owned by the relevant governments. These governments have entered into contracts with us, or granted permits or concessions that allow us to carry out operations or development and exploration activities there, but

government policy could change. Any change that affects our rights to conduct these activities could have a material and adverse effect on the Company.

In addition, mineral exploration and mining activities can only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. The duration and success of each permitting effort are contingent upon many factors we do not control. In the case of foreign operations, governmental approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. There may be delays in the review process. There is no guarantee that we will be granted the necessary permits and licenses, that they will be renewed, or that we will be in a position to comply with all conditions that are imposed.

All mining projects require a wide range of permits, licenses and government approvals and consents. It is not certain that we will be granted these at all, or in a timely manner. If we do not receive them for our mineral projects or are unable to maintain them, it could have a material and adverse effect on the Company.

#### *Political Risk*

The Company's mineral properties are located in Mexico. Economic, legal, and political conditions in Mexico could adversely affect the business activities of the Company. These conditions are beyond the Company's control, and there can be no assurances that any mitigating actions by the Company will be effective. Changing laws, regulations, and restrictions relating to the mining industry or shifts in political conditions may increase the costs related to the Company's activities including the cost of maintaining its properties. Operations may also be affected to varying degrees by changes in government regulations with respect to restrictions on production, price controls, export controls, income taxes, royalties, expropriation of property, environmental, labour laws and mine safety. The effect of these factors cannot be accurately predicted.

#### *Social Risk*

The Company's relationships with stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. Mineral resource companies face increasing public scrutiny of their activities and are under pressure to demonstrate that their operations have potential to generate satisfactory returns not only to their shareholders, but also to benefit local governments and the communities surrounding the properties where it operates. The potential consequences of these pressures include reputational damages, lawsuits, increasing social investment obligations and pressure to increase taxes and future royalties payable to local governments and surrounding communities. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in the regions in which it operates, NGOs or local community organizations could direct adverse publicity against and/or disrupt the operations of the Company in respect of one or more of its properties, regardless of its successful compliance with social and environmental best practices, due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, obtain permits and licenses and/or continue its operations. As a result of these considerations, the Company may incur increased costs and delays in permitting and other operational matters with respect to its property interests in Mexico.

#### *Title to our mineral properties*

We have investigated title to all of our mineral properties and, to the best of our knowledge we have or are entitled to title to all of our properties subject to the items described in the MD&A and in our financial statements dated September 30, 2022. Challenges may be made to the title to any of our properties and, if successful, they could impair development and/or operations at our mines or projects. There is no assurance that title to any of our properties will not be challenged.

New laws and regulations, or amendments to laws and regulations relating to mineral tenure and land title and usage, including expropriations and deprivations of contractual rights, if proposed and enacted, may

affect our rights to our mineral properties. There is no assurance that we will be able to operate our properties as currently permitted or that we will be able to enforce our rights with respect to our properties.

#### *Corruption and bribery*

Our operations are governed by, and involve interactions with, many levels of government in foreign countries. We may not be able to complete some business transactions if we are subject to corruption or demands for bribes. Like most companies, we are required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act, as well as similar laws in the countries in which we conduct our business. In recent years, there has been a general increase in both the severity of penalties and frequency of enforcement under such laws, resulting in greater punishment and scrutiny to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also any third-party agents. If we find ourselves subject to an enforcement action or are found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions being imposed on us resulting in a material adverse effect on the Company.

#### *Reputational risk*

Damage to our reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Although we believe that we operate in a manner that is respectful to all stakeholders and take care in protecting our image and reputation, we do not have control over how we are perceived by others. Any reputation loss could result in decreased investor confidence and increased challenges in developing and maintaining community relations which may have adverse effects on the Company and the price of the Company's securities.

### **Critical Accounting Policies and Estimates**

Zacatecas's accounting policies are described in Notes 2 and 3 of its audited consolidated financial statements for the year ended December 31, 2021.

### **Note Regarding Forward-Looking Statements**

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following: Zacatecas has no assurance that the licenses will be issued nor if issued, that they will be issued in a timely manner, general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

This MD&A contains certain forward-looking statements. Although forward-looking statements and information contained in this MD&A are based on the beliefs of Zacatecas management, which we consider to be reasonable, as well as assumptions made by and information currently available to Zacatecas management, there is no assurance that the forward-looking statement or information will prove to be accurate. The forward-looking statements and information contained in this MD&A are subject to current

risks, uncertainties and assumptions related to certain factors including, without limitations, obtaining all necessary approvals, feasibility of mine and plant development, exploration and development risks, expenditure and financing requirements, title matters, operating hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with vendors and strategic partners, governmental regulation and supervision, seasonality, technological change, industry practices, and one-time events as well as risks, uncertainties and other factors discussed in our quarterly and annual and interim management's discussion and analysis. Should any one or more of these risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements and information may vary materially from those described herein. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. We undertake no obligation to update forward-looking statements or information except as required by law.