



("Zacatecas" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

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, 2023. The MD&A takes into account information available up to and including November 28, 2023, and should be read together with the unaudited condensed consolidated interim financial statements for the three and nine-month period ended September 30, 2023, and with the audited consolidated financial statements for the year ended December 31, 2022.

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 are listed on the TSX Venture Exchange ("TSXV") under the trading 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 nine-month period ended September 30, 2023, and subsequent to the report date, the Company:

- On January 3, 2023, announced it filed on SEDAR+ a National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") technical report (the "Esperanza Technical Report") with respect to the Esperanza Gold Project, Mexico. The Technical Report titled "Independent Technical Report, Esperanza Gold Project, Morelos State, Mexico" dated December 30, 2022, supports the initial Mineral Resource Estimate at the Esperanza Gold Project.
- On February 14, 2023, reported that Esperanza Silver de Mexico, S.A. de C.V., a subsidiary of the Company, entered into a strategic alliance with the Tetlama community for the ongoing development of the Esperanza Gold Project, which is located within Tetlama. As part of the strategic alliance, the Tetlama community confirmed that the extraction of minerals is a strategic activity to further the development of the Tetlama community.
- On March 13, 2023, announced its exploration plans on key deep intrusion target near the Esperanza Gold Project as well as other near surface targets around the Esperanza Gold Project. Highlights:
 - Recently completed review of historical drilling suggests gold and silver enriched fluids were sourced from a deeper mineralized intrusion.
 - Geophysical studies to be carried out on deeper mineralized intrusion to determine potential target types.
 - Several near surface priority targets for near surface gold and silver mineralization.
 - Exploration planning follows recently announced strategic alliance with the Tetlama Community, home of the Esperanza Gold Project
- On April 21, 2023, announced that following the recent completion of a detailed modelling of its assay data, Zacatecas Silver Corp. commenced drill permitting at the silver- and base-metal-rich El Cristo vein system on the Zacatecas property.
- On May 11, 2023, announced it closed a fully subscribed \$3.5million dollar financing. The

Company issued 7,809,502 units at a price of \$0.45 per unit for total proceeds of \$3,514,276. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase a common share at an exercise price of \$0.55 for a period of three years from the date of issue. The Company paid finders' fees totaling \$61,968 and issued 137,706 non-transferable warrants, with each warrant exercisable at a price of \$0.45 per share for a period of two years from the date of issue.

- On May 31, 2023, announced an update on an increase to its inferred silver mineral resource estimate at the Panuco South and North deposits within the Zacatecas property. The updated mineral resource estimate was prepared by P&E Mining Consultants Inc. for Zacatecas Silver. P&E prepared the initial inferred mineral resource estimate that was disclosed in the technical report dated Jan. 28, 2022, titled "Independent NI 43-101 Technical Report, Zacatecas Properties, Zacatecas State, Mexico," filed on SEDAR+ on Jan. 28, 2022.

Highlights:

- Updated silver inferred mineral resource consisting of:
 - Panuco South deposit inferred mineral resource of 3.04 million tonnes at 179 grams per tonne silver equivalent for 17.5 million ounces silver equivalent;
 - Panuco North deposit inferred mineral resource of 370,000 tonnes at 255 grams per tonne silver equivalent for three million ounces silver equivalent;
- Silver inferred mineral resources have increased by 25 per cent compared with previous MRE completed in December, 2021;
- Zacatecas plans to restart drilling at El Cristo vein system with a goal of increasing silver resources at the Zacatecas properties.
- On August 9, 2023, the shareholders approved all motions put forth at the annual general meeting, including the re-election of Bryan Slusarchuk, John Lewins, Jonathan Richards, Christopher Wilson, Luis Chavez, Nancy La Couvee and Charles Hethey to the board of directors. The shareholders also approved the appointment of Davidson & Company LLP as the auditor of the company, the 10% rolling stock option plan and the securities-based compensation plan.

Please refer to the Company's news releases which are available at www.sedarplus.ca or on the Company's website at www.zacatecassilver.com for additional information on the above highlights.

Outlook

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. After the Company's technical team completes a review of all results from its programs, the Company has sufficient drill permits in place to recommence drilling on the Zacatecas Silver Project.

In mid November 2022, the Company completed a current resource estimation on the Esperanza Gold Project, which will be used as the foundation for the prefeasibility study ("PFS"). The Company appointed Palaris to lead the PFS, that 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 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%.

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 km². It is part of the largest silver district in the world, the Mexican Silver Belt, which extends from Sonora to Oaxaca and defines 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 Zacatecas Technical Report 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 Zacatecas 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 traced over a strike length of 2,300 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, and 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 extend 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.
- *Monserrat 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 ⁽¹⁻⁸⁾

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
Total	2,733	171	0.17	15.035	15	187	16.4

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) $AgEq = Ag\ g/t + (Au\ g/t \times 90)$

The full details of the mineral resource estimate are set forth in the Zacatecas Technical Report and 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 technical report titled

“Independent Technical Report, Esperanza Gold Project, Morelos gold project, Mexico” (“Esperanza Technical Report”) filed on SEDAR+ on December 30, 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 7 mining concessions comprising 4,649 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 ⁽¹⁻⁹⁾

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
Total	30,538	0.93	8.7	913	8,510	0.97	956

Inferred Mineral Resource Estimate ⁽¹⁻⁸⁾

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
Total	8,737	0.91	14.5	256	4,087	0.98	276

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 Esperanza Technical Report filed on SEDAR+.

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 common shares of the Company (on a partially diluted basis).

The Company 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 was 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 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, 2023 the Company used a discount rate of 14.75%. The changes in the fair value of the Milestone Payments and Silver Stream ("Contingent Consideration") for the period ended September 30, 2023 are as follows:

Contingent Consideration	Milestone Payments	Silver Stream	Total
Balance, December 31, 2022	\$ 18,846,235	\$ 2,748,372	\$ 21,594,607
Change in fair value	(3,339,141)	(1,079,481)	(4,418,622)
Balance, September 30, 2023	\$ 15,507,094	\$ 1,668,891	\$ 17,175,985

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) 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.
- 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 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 nine-month period ended September 30, 2023, the Company incurred exploration costs on the Esperanza Gold and Zacatecas Silver projects as follows:

For the nine months ended September 30, 2023	Esperanza Gold Project	Zacatecas Project	Total
Administrative, permitting and land access	\$ 444,718	\$ -	\$ 444,718
Corporate social responsibility and community relations	663,568	-	663,568
Drilling and assay	-	6,665	6,665
General Exploration	468,759	672,371	1,141,130
Mining duties	488,144	119,489	607,633
Reporting and technical studies	73,395	21,568	94,963
Taxes paid (IVA)	<u>143,551</u>	<u>38,462</u>	<u>182,013</u>
	\$ 2,282,135	\$ 858,555	\$ 3,140,690

Dr. Chris Wilson, (FAusIMM (CP), FSEG.), the Company's Chief Geologist and director, and a Qualified Person under the meaning of Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects, is responsible for the technical content of this.

Results of Operations

The condensed consolidated interim financial statements reflect the financial condition of the Company's business for the period ended September 30, 2023. 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:

- Ongoing community and report preparation work at the Esperanza gold project
- Ongoing exploration on the Zacatecas project
- Raising awareness of the Company's projects and the financing
- The completion of the \$3.5 million financing

During the three-month period ended September 30, 2023, the Company incurred a loss and comprehensive loss of \$1,127,564 (2022 – \$5,419,868). Significant expenditures and movements included:

- Exploration expenditures of \$568,969 (2022 - \$2,827,833). Expenditures decreased compared to Q2 2022 as the Company focused on cost efficiencies and cash conservation as the Company advances the PFS on the Esperanza project.
- Management fees of \$86,153 (2022 - \$82,333) including fees paid to the CEO of the Company. The increase was due to the stronger USD versus the CAD.
- Marketing and shareholder communication expenses of \$21,000 (2022 - \$142,958). The expenses were incurred in North America and Europe to raise awareness of the Company's projects.
- Professional fees of \$70,927 (2022 - \$141,029). Fees decreased due to timing of the AGM and due to less corporate activities. Fees related to ongoing legal, accounting and audit related activities.
- A loss on change in fair value of contingent consideration of \$287,847 (2022 –\$1,756,921). The contingent consideration relates to the Esperanza Gold Project and the change relates to items such as foreign exchange fluctuations, changes in silver price, interest rate fluctuations and changes in other assumptions, such as the estimated timing of payments.
- Share based payments of \$nil (2022 - \$385,220) during the period ended September 30, 2023. During the three-month period ended September 30, 2023, the Company did not grant any stock options to a director and consultants of the Company. During the comparative period the Company granted 1,100,000 stock options.

During the nine-month period ended September 30, 2023, the Company incurred a net income and comprehensive income of \$127,115 (2022 – loss of \$11,287,704). Significant expenditures and movements included:

- Exploration expenditures incurred of \$3,140,690 (2022 - \$6,766,237). Expenditures decreased compared to the comparative period during 2022 as the Company focused on cost efficiencies and cash conservation as the Company advances the PFS on the Esperanza project.
- Management fees of \$258,188 (2022 - \$244,678) including fees paid to the CEO of the Company. The increase was due to the stronger USD versus the CAD.
- Marketing and shareholder communication expenses of \$229,276 (2022 - \$925,603). The expenses were incurred in North America and Europe to raise awareness of the Company's projects.
- Consulting fees of \$51,000 (2022 - \$253,055). Consulting fees decreased due to the decreased activity. During the comparative period the Company completed the Esperanza Gold Project acquisition.
- Professional fees of \$360,602 (2022 - \$306,849). Fees increased due to increased audit costs and the timing of the AGM. Other fees related to ongoing legal, accounting and audit related activities.
- Project investigation of \$nil (2022 - \$51,360). During the comparative period the costs related to the Esperanza Gold Project incurred in advance of completing the acquisition.
- Share based payments of \$nil (2022 - \$714,021). During the period ended September 30, 2023, the Company granted nil (2022 – 1,500,000) stock options.
- A gain on change in fair value of contingent consideration of \$4,418,629 (2022 – loss of \$1,822,829). The contingent consideration relates to the Esperanza Gold Project and the change relates to items such as foreign exchange fluctuations, changes in silver price, interest rate fluctuations and changes in other assumptions, such as the estimated timing of payments.

Summary of Quarterly Results

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$
Working capital (deficit)	(773,002)	56,167	(1,761,241)	217,794
Exploration expenditures	568,969	984,898	1,586,823	1,956,250
Income (loss)	(1,073,115)	2,696,101	(1,879,330)	(133,774)
Net income (loss) per share - basic	(0.03)	0.03	(0.02)	(0.00)
	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	(5,479,508)	(3,220,173)	(2,660,173)	(2,152,291)
Net loss per share - basic	(0.07)	(0.04)	(0.05)	(0.03)

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, 2023, the Company had a working capital deficit of \$773,002. The working capital consisted of a cash balance of \$87,273 receivables of \$59,563, prepayments and advances of \$72,553, offset by accounts payable and accrued liabilities of \$992,391.

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, 2023 was \$4,664,061.

Investing Activities: During the period ended September 30, 2023, the Company did not incur any investing activities.

Financing Activities: During the period ended September 30, 2023, the Company received net cash inflows of \$3,452,208, which was comprised of proceeds from the completion of a financing of \$3,514,276 less share issuance costs of \$62,068.

The consolidated 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 consolidated 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 nine-month period ended September 30, 2023, the Company entered into the following transactions with related parties:

- a) Management fees of \$258,188 (2022 - \$244,678) were paid to a company controlled by Bryan Slusarchuk, an officer and director of the Company.
- b) Exploration Fees of \$191,394 (2022 - \$240,625) were paid to a company controlled by Chris Wilson, an officer and director of the Company.
- c) Professional fees of \$120,959 (2022 - \$104,536) were paid to Red Fern Consulting Ltd., a company controlled by Jonathan Richards, an officer and director of the Company.
- d) Professional fees of \$78,572 (2022 - \$102,818) were paid to O'Neill Law LLP., a firm of which Charles Hethery a director of the Company is a partner.
- e) Director fees of \$81,000 (2022 - \$45,000) were paid or accrued, to a company controlled by John Lewins, and to Nancy La Couvee and Luis Chavez, directors of the Company. Nancy La Couvee and Luis Chavez joined the board during 2022.
- f) Share-based payments of \$nil (2022 - \$469,061) were recognized during the period ended September 30, 2023 for stock options granted and vested to certain officers and directors of the Company.

As at September 30, 2023, \$119,533 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 90,410,991 common shares issued and outstanding.

Escrowed shares

As at the date of this report, the Company had 2,606,250 common shares subject to an escrow agreement.

Stock Options:

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

Expiry Date	Number	Exercise Price - \$
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 17,560,369 share purchase warrants outstanding, as detailed below:

Expiry Date	Number	Exercise Price - \$
March 22, 2024	907,924	1.10
April 12, 2024	8,705,237	1.50
May 11, 2025	137,706	0.45
May 11, 2026	7,809,502	0.55

Contractual Obligations

Except as described in the Esperanza Project section and herein or in the Company's condensed consolidated interim financial statements at September 30, 2023, the Company had no material contractual obligations.

Off-Balance Sheet Arrangements

As at September 30, 2023, 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. Barter.

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, 2023, the Company held cash of \$87,273. The Company had accounts payable and accrued liabilities of \$992,391. 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, the state or country mining acts, 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, 2023. 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, 2022.

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.

Forward-looking statements are based on a number of material factors and assumptions, including the determination of mineral reserves or resources, if any, the results of exploration and drilling activities, the availability and final receipt of required approvals, licenses and permits, that sufficient working capital is available to complete proposed exploration and drilling activities, that contracted parties provide goods and/or services on the agreed time frames, the equipment necessary for exploration is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred and that no unusual geological or technical problems occur. While the Company considers these assumptions may be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this MD&A.

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.