



AZTEC MINERALS CORP.

First Quarter Report

Condensed Consolidated Interim Financial Statements

(stated in Canadian dollars)

Three Months ended March 31, 2021

(Unaudited – Prepared by Management)

**Notice of No Auditor Review of
Unaudited Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2021**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Aztec Minerals Corp. (the “Company”) for the three months ended March 31, 2021 (the “Financial Statements”) have been prepared by and are the responsibility of the Company’s management, and have not been reviewed by the Company’s auditors. The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Accounting Standards 34 (“IAS 34”) and International Financial Reporting Standards (“IFRS”).

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	March 31, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash		\$ 1,615,996	\$ 1,919,485
Receivables and prepaids		213,930	211,199
Total Current Assets		1,829,926	2,130,684
Non-Current Assets			
Mineral property interests	6, 9(b), 11	4,414,006	3,976,535
Equipment	7	4,522	3,610
Total Non-Current Assets		4,418,528	3,980,145
Total Assets		\$ 6,248,454	\$ 6,110,829
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 115,777	\$ 147,382
Shareholders' Equity			
Share capital	9(b)	9,679,972	9,388,293
Reserve for share-based payments		1,343,003	1,281,139
Deficit		(5,922,906)	(5,660,832)
Non-controlling interest	6(a)	1,032,608	954,847
Total Shareholders' Equity		6,132,677	5,963,447
Total Liabilities and Shareholders' Equity		\$ 6,248,454	\$ 6,110,829

Refer to the accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board:

/s/ *Bradford Cooke*

Director

/s/ *Patricio Varas*

Director

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended March 31,	
	Notes	2021	2020
Expenses:			
Accounting		\$ 2,813	\$ 4,256
Amortization		395	831
Employee and director remuneration	11	63,870	43,925
Legal		2,621	8,020
Office and sundry	10 and 11	26,501	14,581
Project evaluation	10 and 11	-	2,034
Regulatory		14,360	8,960
Shareholder relations		66,671	4,889
Share-based payments	9(c) and 11	79,094	8,460
Loss before the undernoted		(256,325)	(95,956)
Interest income		978	-
Foreign exchange gain		(8,448)	(19,012)
Loss before non-controlling interest		(263,795)	(114,968)
Non-controlling interest		1,721	-
Net loss and comprehensive loss for the period		\$ (262,074)	\$ (114,968)
Basic and diluted loss per share		\$ -	\$ -
Weighted average number of common shares outstanding		56,396,113	32,710,796

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Notes	Share Capital		Common Share Subscription	Reserve for Share-Based Payments	Non-Controlling		Total
		Number of Shares	Amount			Deficit	Interest	
Balance, December 31, 2019		32,691,016	\$ 5,239,750	\$ -	\$ 798,720	\$ (3,090,183)	\$ -	\$ 2,948,287
Private placement	9(b)(ii)	18,258,847	3,477,654	-	-	-	-	3,477,654
Share issue expenses		-	(160,432)	-	-	-	-	(160,432)
Property acquisition	9(b)(ii)	300,000	15,000	-	-	-	-	15,000
Exercise of stock options		150,000	25,237	-	(9,487)	-	-	15,750
Exercise of warrants		4,371,250	864,813	-	(27,000)	-	-	837,813
Fair value of finders fee warrants	9(d)	-	(73,729)	-	73,729	-	-	-
Expiration of stock options	9(c)	-	-	-	(658)	658	-	-
Share-based payments		-	-	-	445,835	-	-	445,835
Adjustment on disposition of controlled subsidiary	6(a)	-	-	-	-	(947,547)	954,847	7,300
Net loss for the year		-	-	-	-	(1,623,760)	-	(1,623,760)
Balance, December 31, 2020		55,771,113	9,388,293	-	1,281,139	(5,660,832)	954,847	\$ 5,963,447
Share issue expenses		-	(1,751)	-	-	-	-	(1,751)
Property acquisition	9(b)(i)	600,000	201,000	-	-	-	-	201,000
Exercise of stock options		160,000	29,530	-	(10,330)	-	-	19,200
Exercise of warrants		330,000	62,900	-	(6,900)	-	-	56,000
Share-based payments		-	-	-	79,094	-	-	79,094
Cash contribution by non controlling interest	6(a)	-	-	-	-	-	79,482	79,482
Net loss for the period		-	-	-	-	(262,074)	(1,721)	(263,795)
Balance, March 31, 2021		56,861,113	\$ 9,679,972	\$ -	\$ 1,343,003	\$ (5,922,906)	\$ 1,032,608	\$ 6,132,677
Balance, December 31, 2019		32,691,016	\$ 5,239,750	\$ -	\$ 798,720	\$ (3,090,183)	\$ -	\$ 2,948,287
Common share subscription		-	-	395,000	-	-	-	395,000
Share issue expenses		-	-	(7,894)	-	-	-	(7,894)
Property acquisition	9(b)(ii)	300,000	15,000	-	-	-	-	15,000
Share-based payments		-	-	-	8,460	-	-	8,460
Net loss for the period		-	-	-	-	(114,968)	-	(114,968)
Balance, March 31, 2020		32,991,016	\$ 5,254,750	\$ 387,106	\$ 807,180	\$ (3,205,151)	\$ -	\$ 3,243,885

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

	Three Months ended March 31,	
	2021	2020
Cash provided from (used by):		
Operations:		
Net loss for the period	\$ (262,074)	\$ (114,968)
Items not involving cash:		
Amortization	395	831
Foreign exchange loss (gain)	1,859	(2,174)
Share-based payments	79,094	8,460
Non controlling interest in joint venture	(1,721)	-
	(182,447)	(107,851)
Changes in non-cash working capital items:		
Receivables and prepaids	(2,731)	(8,622)
Accounts payable and accrued liabilities	(837)	45,909
Cash used by operating activities	(186,015)	(70,564)
Financing:		
Subscription for common shares	-	178,000
Share issuance expenses	(1,751)	(7,894)
Exercise of stock options	19,200	-
Exercise of warrants	56,000	-
Cash provided from financing activities	73,449	170,106
Investing:		
Mineral property interests, net of recoveries	(267,239)	(36,240)
Acquisition of equipment	(1,307)	-
Non controlling interest in joint venture	79,482	-
Cash used by investing activities	(189,064)	(36,240)
Foreign exchange (loss) gain on cash held in foreign currency	(1,859)	2,174
(Decrease) increase in cash	(303,489)	65,476
Cash, beginning of period	1,919,485	49,755
Cash, end of period	\$ 1,615,996	\$ 115,231

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

		Three Months ended March 31,	
	Notes	2021	2020
Non-cash financing and investing activities:			
Accrual for mineral property interest expenditures		\$ 16,654	\$ 136,775
Fair values of common shares issued for:			
Property acquisition	9(b)	201,000	15,000
Exercise of stock options		10,330	-
Exercise of warrants		6,900	-
Interest paid		-	-
Income taxes paid		-	-

Refer to the accompanying notes to the condensed consolidated interim financial statements.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

1. Nature of Operations and Going Concern

Aztec Minerals Corp. (the “Company”) was incorporated on July 6, 2007 under the laws of British Columbia, Canada. The address of the Company’s registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #1130 – 609 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

The Company is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the ability of the Company to arrange appropriate financing as needed, the discovery of reserves, the development of its properties, confirmation and maintenance of the Company’s interest in the underlying properties, the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has no operating revenues, has incurred a significant net loss of \$262,074 for three months ended March 31, 2021 (March 31, 2020 - \$114,968), and has a deficit of \$5.92 million as at March 31, 2021 (December 31, 2020 - \$5.66 million). These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives. There can be no assurance that management’s plans will be successful. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Basis of Presentation

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Standards Interpretations Committee. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required for full and complete annual financial statements, and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020. The Company has consistently applied the same accounting policies for all periods as presented. Certain of the prior periods’ comparative figures may have been reclassified to conform to the presentation adopted in the current period.

(b) Approval of condensed consolidated interim financial statements:

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on May 27, 2021.

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(c) Basis of presentation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional currency and presentation currency:

The functional and presentation currencies of the Company and its subsidiaries are the Canadian dollar. Amounts recorded in a foreign currency are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate at the condensed consolidated interim statement of financial position date;
- non-monetary assets and liabilities at historical exchange rates, unless such items are carried at fair value, in which case they are translated at the exchange rate in effect on the date which the fair value was determined; and
- revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses are recorded in profit or loss in the period in which they occur.

(e) Critical accounting estimates and judgments:

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues, if any, and expenses during the period. Actual results may differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair values of stock options granted and finders fee warrants issued; and the valuation of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(e) Critical accounting estimates and judgments: (continued)

The Company applies judgment in assessing whether material uncertainties exist that would cast significant doubt as to whether the Company could continue as a going concern.

The Company applies judgment in assessing the functional currency of each entity consolidated in these condensed consolidated interim financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

The Company applies judgement in determining whether the Company has control of its entities by assessing the following factors: whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns.

At the end of each reporting period, the Company assesses each of its mineral property interests to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted or planned; and results of exploration and evaluation activities.

(f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The impact is not expected to have a material impact on these condensed consolidated interim financial statements.

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Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(i) Reference to the Conceptual Framework (Amendments to IFRS 3):

IFRS 3 Business Combinations has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2020. The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for a business combination.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018, at the same time or earlier.

(ii) Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16):

IAS 16 Property, Plant and Equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(iii) Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37):

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(iv) Annual Improvements to IFRS Standards 2018-2020:

The following standards have been revised to incorporate amendments issued by the IASB in May 2020:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- IFRS 9 Financial Instruments – The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- IAS 41 Agriculture – The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(v) Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020.

The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

(vi) IFRS 17 Insurance Contracts:

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard applies to insurance contracts an entity issues and reinsurance contracts it holds.

The main features of the new standard are as follows:

- An entity divides insurance contracts into groups that it will recognize and measure.
- Groups of insurance contracts are recognized and measured at:
 - a risk-adjusted present value of estimated future cash flows (the fulfillment cash flows); and
 - an amount representing the unearned profit in the group of contracts (the contractual service margin).

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of Presentation (continued)

(f) New accounting standards and recent pronouncements: (continued)

(vi) IFRS 17 Insurance Contracts: (continued)

- An entity can choose to apply a simplified measurement approach (the premium allocation approach) when certain criteria are met.
- The profit from a group of insurance contracts is recognized over the period the entity provides insurance coverage and as it is released from risk. If a group of contracts is or becomes loss-making, the loss is recognized in profit or loss immediately.
- An entity presents separately insurance revenue and insurance service expenses, and insurance finance income or expenses.
- An entity discloses qualitative and quantitative information about the amounts recognized in its financial statements from insurance contracts, significant judgments and changes in judgments made in applying IFRS 17, and the nature and extent of the risks that arise from insurance contracts.

The new standard supersedes the requirements in IFRS 4 Insurance Contracts.

The new standard is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted for entities that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

(vii) IFRIC 23 Uncertainty over Income Tax Treatments:

This new Interpretation, issued by the International Accounting Standards Board (IASB) in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The new standard is effective for annual periods beginning on or after January 1, 2021.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

(a) Basis of consolidation:

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Aztec Minerals America Corp. During the year ended December 31, 2020, the Company transferred the wholly owned subsidiary, Minera Azteca Dorada S.A. de C.V to Aztec Minerals (Mexico) JV Corp. (“Aztec Mexico JV”) of which the Company owns 65% ownership (Note 6(a)). The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Non-controlling interests in the net assets are identified separately from the Company’s deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest’s share of changes in equity or deficiency since the date of acquisition.

(b) Financial instruments:

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(c) Mineral property interests:

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company’s mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Mineral property interests: (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable in the future are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received, respectively. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to profit or loss.

4. Management of Capital

The Company is an exploration stage company and its activities involve a high degree of risk. The Company has not yet determined whether its mineral property interests contain reserves and currently has not earned any revenues from its mineral property interests and does not generate cash flows from operations. The Company's primary sources of funds are from debt capital and the issuance of share capital.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses on all exploration projects and overhead to manage its costs, commitments and exploration activities.

The Company invests its excess capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Management reviews the capital availability and needs on a regular basis to ensure the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the three months ended March 31, 2021.

Although the Company has raised funds in the past from the issuance of share capital, it is uncertain whether it would be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

As at March 31, 2021, the Company was not subject to any externally imposed capital requirements.

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk

The Company classifies its financial instruments as follows:

Financial Assets	
Cash	Fair value through profit or loss (“FVTPL”)
Receivables	Loans and receivable at amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Other financial liabilities under amortized cost

The fair values of the Company’s receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are as follows.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Non-contractual taxes receivables from government agencies are not considered financial instruments.

Management has reviewed the items comprising the accounts receivable balance, and determined that the accounts are collectible.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise debt and equity financings. As at March 31, 2021, the Company had working capital of \$1.71 million (December 31, 2020 - \$1.98 million). The Company will require significant additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2021.

Accounts payable and accrued liabilities are due in less than 90 days.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk:

The significant market risk to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations are in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates with the United States dollar and Mexican peso.

At March 31, 2021, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Stated in Canadian Dollars		
	Held in		Total
	United States Dollars	Mexican Pesos	
Cash	\$ 77,022	\$ 5,734	\$ 82,756
Accounts payable and accrued liabilities	(39,263)	(3,182)	(42,445)
Net financial assets (liabilities), March 31, 2021	\$ 37,759	\$ 2,552	\$ 40,311
Cash	\$ 224,916	\$ 107	\$ 225,023
Accounts payable and accrued liabilities	(30,013)	(3,495)	(33,508)
Net financial assets (liabilities), December 31, 2020	\$ 194,903	\$ (3,388)	\$ 191,515

Based upon the above net exposure as at March 31, 2021 and assuming all other variables remain constant, a 5% (December 31, 2020 – 15%) depreciation or appreciation of the Canadian dollar relative to the United States dollar and Mexican pesos could result in a decrease/increase of approximately \$2,000 (December 31, 2020 - \$29,000) in the Company's net losses.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Financial Instruments and Management of Financial Risk (continued)

(c) Market risk: (continued)

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at year-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

6. Mineral Property Interests

	March 31, 2021		
	Mexico	USA	Total
	Cervantes	Tombstone	
Acquisition Costs:			
Balance, December 31, 2020	\$ 582,611	\$ 176,073	\$ 758,684
Acquisition	-	299,976	299,976
Balance, March 31, 2021	582,611	476,049	1,058,660
Deferred Exploration Expenditures:			
Balance, December 31, 2020	2,218,539	999,312	3,217,851
Equipment and systems	209	209	418
Field, camp, supplies	1,557	4,201	5,758
General, administrative, legal, sundry	24,354	14,358	38,712
Geology	35,290	3,695	38,985
Salaries and local labour	17,520	27,912	45,432
Surface taxes	3,737	-	3,737
Surveying	324	-	324
Transportation and travel	3,304	825	4,129
Balance, March 31, 2021	2,304,834	1,050,512	3,355,346
Mineral Property Interests:			
December 31, 2020	\$ 2,801,150	\$ 1,175,385	\$ 3,976,535
March 31, 2021	\$ 2,887,445	\$ 1,526,561	\$ 4,414,006

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(a) Cervantes property (Mexico):

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property (“Option Assignment Agreement”) for the Cervantes Property with Aztec Metals Corp., which share common directors with the Company, (“AzMet”) and Kootenay Silver Inc. (“Kootenay”), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the “Option Agreement”).

The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares,
- cash payments totalling US\$120,000, and
- exploration expenditures of US\$1.2 million over the next 3 years.

In July 2019, the Company earned its 65% interest in the Cervantes property whereby the Company issued 500,000 common shares to Kootenay; paid US\$50,000 in cash; and incurred exploration expenditures totalling US\$1.2 million for the Cervantes property.

In December 2020, the Company entered into a joint venture agreement with Kootenay whereby the Company holds 65% interest in the joint venture entity, Aztec Minerals (Mexico) JV Corp. (“Aztec Mexico JV”). Minera Azteca Dorada SA de CV is a wholly-owned subsidiary of Aztec Mexico JV and owns the Cervantes property. The Company determined that the 65% interest in Aztec Mexico JV does not constitute a loss of control. The issuance of the shares is accounted for as an equity transaction and resulted in a non-controlling interest of \$954,847.

(b) Tombstone property (USA):

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the “Tombstone Option Agreement”) with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, “Baroyeca”). The Company can earn a 75% interest by making cash payments of \$100,000, incurring exploration expenditures of \$1 million and issuing 1 million common shares over a three year period starting from March 2018.

In February 2021, the Company entered into an asset joint venture with Baroyeca’s two U.S. subsidiaries whereby the Company holds 75% interest in the asset joint venture.

(c) Title to mineral property interests:

The Company has investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

AZTEC MINERALS CORP.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

6. Mineral Property Interests (continued)

(d) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(e) Environmental matters:

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

7. Equipment

	Office Furnishings	Office Equipment	Total
Cost:			
Balance, December 31, 2019	\$ 4,121	\$ 9,552	\$ 13,673
Add: Acquisitions	-	-	-
Balance, December 31, 2020	4,121	9,552	13,673
Add: Acquisitions	-	1,307	1,307
Balance, March 31, 2021	4,121	10,859	14,980
Accumulated amortization:			
Balance, December 31, 2019	1,508	5,931	7,439
Add: Amortization	802	1,822	2,624
Balance, December 31, 2020	2,310	7,753	10,063
Add: Amortization	200	195	395
Balance, March 31, 2021	2,510	7,948	10,458
Net book value:			
Balance, December 31, 2020	\$ 1,811	\$ 1,799	\$ 3,610
Balance, March 31, 2021	\$ 1,611	\$ 2,911	\$ 4,522

8. Loan Payable

On May 22, 2020, the Company arranged an aggregate of \$60,000 in loans from individuals, two of whom are insiders. Each loan bears interest at a rate of 12% per annum, payable on maturity, and has a term of 6 months, provided that the Company may prepay without penalty. A loan bonus totaling 300,000 warrants were issued to the lenders, with each warrant having an exercise price of \$0.20 and expiry date of June 3, 2021. The Company repaid the principal and interest on the loans in July 2020.

Balance, December 31, 2019		\$ -
Add:		
Loan principal	\$ 60,000	
Interest charges	1,183	
		61,183
Less:		
Repayment of loan principal	\$ 60,000	
Interest paid	1,183	
		(61,183)
Balance, December 31, 2020 and March 31, 2021		\$ -

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital

(a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b) Issued:

- (i) On February 17, 2021, the Company issued 600,000 common shares at a fair value of \$0.335 per share to earn its 75% in the Tombstone property (Note 6(b)).

During the three months ended March 31, 2021, warrants for 330,000 common shares and stock options for 160,000 common shares were exercised for gross proceeds of \$75,200. In May 2021, loan bonus warrants for 200,000 common shares were exercised for gross proceeds of \$40,000.

- (ii) On March 25, 2020, the Company issued 300,000 common shares at a fair value of \$0.05 per share to Baroyeca (Note 6(b)).

On April 3, 2020, the Company closed a private placement for 8,000,000 units at \$0.05 per unit for total proceeds of \$400,000. Each unit was comprised of one common share and one-half of a full common share purchase warrant. Each full warrant is exercisable to acquire one common share at an exercise price of \$0.10 and has an expiry date of April 3, 2022.

In July 2020, the Company closed a private placement in two tranches totalling 10.3 million units at a price of \$0.30 per unit for gross proceeds of \$3.08 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of \$0.40 per share for a period of two years. On July 9, 2020, the Company closed the first tranche for 7.1 million units for gross proceeds of \$2.1 million. On July 23, 2020, the Company closed the second tranche for 3.2 million units for gross proceeds of \$955,000. Finders fees included \$94,883 in cash and 301,877 warrants with the same terms as the underlying warrants in the private placement.

In 2020, warrants for 4.37 million common shares and stock options for 150,000 common shares were exercised for gross proceeds of \$853,563.

(c) Stock option plan:

In January 20, 2017, the Company adopted a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX-V at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

The continuity of stock options for the three months ended March 31, 2021 is as follows:

	March 31, 2021	
	Number of shares	Weighted average exercise price
Outstanding balance, beginning of period	4,830,000	\$0.23
Exercised	(160,000)	\$0.12
Outstanding balance, end of period	4,670,000	\$0.23

The following table summarizes information about stock options outstanding and exercisable at March 31, 2021:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at March 31, 2021	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices	Number Exercisable at March 31, 2021	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices
\$0.12 ⁽¹⁾	100,000	0.87	\$0.12	100,000	0.87	\$0.12
\$0.105 ⁽²⁾	1,800,000	1.09	\$0.105	1,800,000	1.09	\$0.105
\$0.12	840,000	3.26	\$0.12	640,000	3.26	\$0.12
\$0.40	1,930,000	4.35	\$0.40	772,000	4.35	\$0.40
	4,670,000	2.82	\$0.23	3,312,000	2.26	\$0.18

(1) In February 2020, the Company re-priced the stock options from an exercise price of \$0.25 to \$0.12.

(2) In February 2020, the Company re-priced the stock options from an exercise price of \$0.35 to \$0.105. The re-pricing of the stock options which are held by insiders was approved by disinterested shareholders of the Company at its annual general meeting of shareholders in June 2020, in accordance with the policies of the TSX-V.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

In February 2020, the Company re-priced 200,000 stock options from an exercise price of \$0.25 to \$0.12 and 1,950,000 stock options from an exercise price of \$0.35 to \$0.105. The re-pricing of the 1,950,000 stock options which are held by insiders was approved by disinterested shareholders of the Company at its annual general meeting of shareholders in June 2020, in accordance with the policies of the TSX Venture Exchange.

On August 7, 2020, the Company granted stock options for 1,930,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.40 and expiry date of August 7, 2025. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

During the three months ended March 31, 2021, the Company recognized share-based payments of \$79,094 (March 31, 2020 - \$8,460), net of forfeitures, based on the fair value of options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

	March 31,	
	2021	2020
Directors and officers	\$ 70,761	\$ 6,816
Consultants	6,998	1,449
Employees	1,335	195
	<u>\$ 79,094</u>	<u>\$ 8,460</u>

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	March 31,	
	2021	2020
Number of stock options granted	Nil	Nil
Fair value of stock options granted	n/a	n/a
Market price of shares on grant date	n/a	n/a
Pre-vest forfeiture rate	n/a	n/a
Risk-free interest rate	n/a	n/a
Expected dividend yield	n/a	n/a
Expected stock price volatility	n/a	n/a
Expected option life in years	n/a	n/a

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(c) Stock option plan: (continued)

Expected stock price volatility is based on the historical price volatility of the Company and companies which are comparable to the profile of the Company.

On April 12, 2021, the Company granted stock options for 1,015,000 common shares to directors, officers and employees with an exercise price of \$0.30 and expiry date of April 12, 2026. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

(d) Warrants:

At March 31, 2021, the Company had outstanding warrants as follows:

Exercise Prices	Expiry Dates	Outstanding at December 31, 2020	Issued	Exercised	Expired	Outstanding at March 31, 2021
\$0.20	July 2, 2021 ⁽¹⁾	3,000,000	-	(230,000)	-	2,770,000
\$0.20	June 3, 2021	300,000	-	-	-	300,000
\$0.10	April 3, 2022	2,600,000	-	(100,000)	-	2,500,000
\$0.40	July 9, 2022	3,538,082	-	-	-	3,538,082
\$0.40	July 9, 2022 ⁽²⁾	212,040	-	-	-	212,040
\$0.40	July 22, 2022	1,591,342	-	-	-	1,591,342
\$0.40	July 22, 2022 ⁽³⁾	89,837	-	-	-	89,837
		11,331,301	-	(330,000)	-	11,001,301

(1) On July 2, 2019, the Company issued 3,900,000 warrants with an exercise price of \$0.20 and an expiry date of July 2, 2021, and have a total fair value of \$117,000 as determined by the excess private placement price over the market price of the common share on closing date.

(2) These finders fee warrants have a fair value of \$50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.

(3) These finders fee warrants have a fair value of \$22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

On April 3, 2020, the Company issued 4,000,000 warrants with an exercise price of \$0.10 and expiry date of April 3, 2022 pursuant to a private placement (Note 9(b)(ii)).

On June 2, 2020, the Company issued 300,000 loan bonus warrants pursuant to loans received from individuals, two of whom are insiders (Note 8).

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share Capital (continued)

(d) Warrants:

In July 2020, the Company issued the following warrants pursuant to a private placement which closed in two tranches (Note 9(b)(ii)):

- 3,538,082 warrants with exercise price of \$0.40 and expiry date of July 9, 2022;
- 1,591,342 warrants with exercise price of \$0.40 and expiry date of July 24, 2022;
- 212,040 finders fee warrants exercise price of \$0.40 and expiry date of July 9, 2022; and
- 89,837 finders fee warrants with exercise price of \$0.40 and expiry date of July 24, 2022.

10. Office and Sundry and Property Investigation

	Three months ended March 31,	
	2021	2020
Office and Sundry:		
Insurance	\$ 6,225	\$ 3,687
Office and sundry	3,326	1,237
Rent	5,019	2,269
Software and systems support	9,932	5,569
Telecommunications	1,999	1,819
	<u>\$ 26,501</u>	<u>\$ 14,581</u>
Project Evaluation:		
Transportation and travel	\$ -	\$ 2,034
	<u>\$ -</u>	<u>\$ 2,034</u>

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

11. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with related parties:

	Three months ended March 31,		Net balance receivable (payable)	
	2021	2020	March 31, 2021	December 31, 2020
Key management compensation:				
Executive salaries and remuneration ⁽¹⁾	\$ 71,153	\$ 32,898	\$ -	\$ -
Directors fees	1,375	1,375	(1,375)	-
Share-based payments	70,761	6,816	-	-
Executive salaries and remuneration ⁽¹⁾	<u>\$ 143,289</u>	<u>\$ 41,089</u>	<u>\$ (1,375)</u>	<u>\$ -</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) ⁽²⁾	<u>\$ (4,808)</u>	<u>\$ (2,462)</u>	<u>\$ (4,863)</u>	<u>\$ (3,272)</u>

⁽¹⁾ Includes key management compensation which is included in mineral property interests, employee remuneration and property investigation.

⁽²⁾ The companies are AzMet, Canagold Resources Ltd. and Endeavour Silver Corp. which share certain common director(s) with the Company.

Note 6(a) provides further details of the acquisition of the Cervantes property from AzMet. Note 8 provides further details regarding loan with certain related parties.

The above related party transactions are incurred in the normal course of business.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

12. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada, Mexico and U.S.A, as follows:

	March 31, 2021				December 31, 2020			
	Canada	Mexico	USA	Total	Canada	Mexico	USA	Total
Mineral property interests	\$ -	\$ 2,887,445	\$ 1,526,561	\$ 4,414,006	\$ -	\$ 2,801,150	\$ 1,175,385	\$ 3,976,535
Equipment	4,522	-	-	4,522	3,610	-	-	3,610

13. COVID-19

In 2020, the coronavirus global pandemic (“COVID-19”) affected the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy remains uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed consolidated interim financial statements.

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Mark Rebagliati
James Schilling
Stewart Lockwood

OFFICERS

Simon Dyakowski ~ Chief Executive Officer and President
Allen David Heyl ~ Vice President (Exploration)
Philip Yee ~ Chief Financial Officer
Stewart Lockwood ~ Secretary

**REGISTRAR AND
TRANSFER AGENT**

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AZTEC MINERALS CORP.

First Quarter Report

Management Discussion and Analysis

(expressed in Canadian dollars)

Three Months ended March 31, 2021

AZTEC MINERALS CORP.
(the “Company”)

First Quarter Report

Management’s Discussion and Analysis
For the Three Months ended March 31, 2021
(expressed in Canadian dollars)

CAUTION – FORWARD LOOKING STATEMENTS

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

1.0 Preliminary Information

The following Management’s Discussion and Analysis (“MD&A”) of Aztec Minerals Corp. (the “Company”) should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and audited consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the years ended December 31, 2020 and 2019, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at www.sedar.com.

Financial information in this MD&A is prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* based upon the principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All information contained in the MD&A is as of May 27, 2021 unless otherwise indicated.

Bradford Cooke, PGeo, a Director of the Company, is the Qualified Person who reviewed and approved any technical information in this MD&A.

1.1 Background

The Company was incorporated on July 6, 2007 under the laws of British Columbia, Canada, pursuant to the *Business Corporations Act* (British Columbia) and had been dormant until 2016. The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties.

The Company acquires properties by staking initial claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, entering into property option agreements to acquire interests in claims, or purchasing companies with claims or permits. On these properties, the Company explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes surface sampling, airborne and/or ground geophysical surveys and drilling. The Company is not limited to any particular metal or region, but the corporate focus is on precious and base metals in North America.

AZTEC MINERALS CORP.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months ended March 31, 2021

(expressed in Canadian dollars)

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests; the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its property interests; confirmation of the Company's interest in certain properties; and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company's control. As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company's mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company's financial position and results of operations.

1.2 Overall Performance

Option Amendment and Assignment Agreement with Aztec Metals Corp.

On September 30, 2016, the Company entered into the Option Amendment and Assignment Agreement for the Cervantes Property ("Option Assignment Agreement") for the Cervantes property with Aztec Metals Corp., which share common directors with the Company, ("AzMet") and Kootenay Silver Inc. ("Kootenay"), whereby AzMet assigned to the Company all of its rights and interests in the Property Option Agreement dated July 25, 2015 between AzMet and Kootenay (the "Cervantes Option Agreement").

The Company can earn a 65% interest in the Cervantes Property by:

- the issuance of 800,000 common shares,
- cash payments totalling US\$120,000, and
- exploration expenditures of US\$1.2 million over the next 3 years.

In July 2019, the Company earned its 65% interest in the Cervantes property whereby the Company issued 500,000 common shares to Kootenay; paid US\$50,000 in cash; and incurred exploration expenditures totalling US\$1.2 million. The Company entered into a joint venture agreement with Kootenay in December 2020.

In June 2020, the Company finalized interpretation of a 3-dimensional IP-resistivity survey completed in 2019, identifying multiple chargeability anomalies over a 5 kilometer (km) long corridor stretching from Purisima West through Purisima East and across the Estrella target, linking up with the Jasper target. Chargeability anomalies in general reflect more conductive areas within rock formations and these chargeability anomalies are interpreted to reflect buried sulfide (potentially gold and copper bearing) mineralization typical of porphyry-type mineralization. The 3-D IP survey ties in with the previous 2-D IP survey completed in 2016 over the main California zone and confirms that the previously mapped and sampled porphyry corridor extends at least 5 km long and up to 2 km wide from the California zone southwest to the Purisima West target. Each of the 6 porphyry prospects along the corridor exhibit strong high level porphyry alteration and gold (copper) mineralization within and adjacent to outcropping quartz-feldspar porphyry intrusions and diatreme breccias.

In late February 2021, the Company mobilized a field crew to conduct a 500 soil sample program aimed at extending previous soil grids and covering targets with limited historic exploration. The soil sample grid will cover 518 hectares (5.18 square kilometers) with 100 by 100 meter spaced samples to extend coverage over the Estrella and California North targets to the western, northern, and eastern limits of the property.

Further details of the drilling program for the Cervantes project are provided in the Company's news releases:

- News Release dated June 10, 2020 and titled, "*Aztec Highlights Top Priority Targets on the Cervantes Porphyry Gold-Copper Project in Sonora, Mexico*".

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- News Release dated June 25, 2020 and titled, "*Aztec Minerals IP-Resistivity Geophysical Survey Identifies Multiple Anomalies Over a 5 Km Long Porphyry Corridor at Cervantes Project in Sonora, Mexico*".
- News Release dated February 23, 2021 and titled, "*Aztec Minerals – Kootenay Silver Joint Venture Commences 2021 Exploration Program on the Cervantes Porphyry Gold-Copper Property in Sonora, Mexico*".

Purchase Option Agreement with Baroyeca Gold & Silver Inc.

On November 30, 2017, as amended on February 28, 2018, the Company entered into a Purchase Option Agreement for the Tombstone property (the "Tombstone Option Agreement") with Baroyeca Gold & Silver Inc. and its two wholly owned U.S. subsidiaries (collectively, "Baroyeca"). The Company can earn a 75% interest by making cash payments of \$100,000, incurring exploration expenditures of \$1 million and issuing 1 million common shares over a three year period starting from March 23, 2018. In February 2021, the Company entered in a joint venture for the Tombstone property.

The Tombstone property includes the historic Contention Mine and surrounding patented claims totalling 404 acres (163.5 hectares) with an additional 24 acres (9.7 hectares) of unpatented claims. The Tombstone Mining District, located 65 miles southeast of Tucson, Arizona, and accessed by State Highway 80, is well known for its high grade, oxidized, carbonate replacement deposits of silver-gold-lead mineralization hosted in veins, mantos, pipes and disseminated orebodies.

In March 2020, an NSAMT (natural source audio-frequency magneto-tellurics) geophysical survey was completed over the property to map resistivity and conductivity contrasts in the subsurface sedimentary rocks. Data inversion and interpretation of NSAMT geophysical survey (natural-source audio-frequency magneto-telluric) has identified strong conductive bodies underlying the Company's Tombstone silver-gold-copper-lead-zinc property in southeastern Arizona. Such conductive bodies can be related to buried sulfide mineralization such as CRD polymetallic high-grade massive sulphide drilled by Santa Fe Mining in 1989. The 4-line, 7.1 km AMT geophysical survey data was put through an inversion model and interpreted into 4 horizontal depth slices (depth slices) at 1,200 m, 1,000 m, 800 m, and 600 m elevations above sea level (asl).

In August 2020, Phase 1 reverse circulation drilling commenced on the Tombstone property and completed by the end of November 2020. The drilling program consisted of 21 drill holes totalling 2,993 metres. The drilling program attempted to verify the historic results by twinning some of the drill holes as well as drilling new targets. The main target of the RC drill program was to test for shallow, bulk tonnage, heap leachable, epithermal gold-silver oxide mineralization adjacent and below the previously mined Contention pit. The Company also staked 15 unpatented claims and closed its 100% purchase of the Alps and Minnett patented contiguous claim group, bringing the overall total land package at Tombstone to 1,004.7 acres.

In March 2021, the Company acquired two patented claims amounting to 15.2 hectares (37.5 acres), increasing the overall Tombstone joint venture land package to 434.4 hectares (1,073.4 acres). In April 2021, the Company mobilized a 20 hole, 10,000 foot reverse circulation drill program at Tombstone. The RC program is designed to step out and down from the Phase 1 drill patterns drilled in 2020 to expand the shallow, broad, bulk tonnage gold-silver mineralization discovered around and below the Contention pit.

Subject to results from the current RC drill program, a 3 hole, 2,400 m diamond drill is planned in the latter part of 2021.

Further details of the exploration program for the Tombstone project are provided in the Company's news releases:

- News Release dated June 4, 2020 and titled, "*Aztec Focuses on Drilling the Tombstone Silver District in 2020*".
- News Release dated June 6, 2020 and titled, "*Aztec Minerals' NSAMT Geophysical Survey Identifies Strong Buried Conductive Bodies at Tombstone Project, Arizona*".
- News Release dated August 13, 2020 and titled, "*Aztec Commences Phase 1 Drill Program on the Tombstone Property, Tombstone Silver Mining District, Arizona*".
- News Release dated September 29, 2020 and titled, "*Aztec Receives Initial RC Drill Results from Tombstone Project, Arizona Including 0.94 gpt Gold and 42.1 gpt Silver (1.60 gpt AuEq) over 77.7m*".
- News Release dated October 21, 2020 and titled, "*Aztec Drilling Intersects 6.18 gpt Gold & 77.2 gpt Silver (7.15 gpt*

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AuEq over 15.14 m in Hole TR20-09 at Tombstone Project, Arizona".

- News Release dated November 30, 2020 and titled, "Aztec Reports Additional Six Drill Holes from Tombstone Project, Arizona Including 1.01 gpt Gold Equivalent over 48.8 m".
- News Release dated December 22, 2020 and titled, "Aztec Reports Final Phase 1 Drill Results for Tombstone Project in Southeastern Arizona, Intersects 6.36 gpt Gold Equivalent over 7.62 m and 0.62 gpt Gold Equivalent over 140.21m".
- News Release dated January 12, 2021 and titled, "Aztec Reviews Geological Highlights of Phase 1 RC Drill Program from Tombstone Project, Arizona".
- News Release dated March 4, 2021 and titled, "Aztec and Tombstone Partners Plan Two Phase, CAD\$1.5 Million Exploration Program in 2021 at Tombstone Project, Arizona".

Joey Wilkins, B.Sc., P.Geo., formerly Vice President (Exploration) and Chief Geologist of the Company, was the Qualified Person who supervised the field work and the exploration programs at Cervantes and Tombstone.

Other Matters

In March 2021, Mr. Joseph Wilkins resigned as Vice President (Exploration) and Chief Geologist, and became adviser. Mr. Allen David Heyl was appointed Vice-President (Exploration) in April 2021.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

	Years Ended December 31,		
	2020	2019	2018
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	\$ (1,623,760)	\$ (556,881)	\$ (1,019,383)
(ii) Basic per share	\$ (0.04)	\$ (0.02)	\$ (0.04)
(iii) Diluted per share	\$ (0.04)	\$ (0.02)	\$ (0.04)
Net loss:			
(i) Total	\$ (1,623,760)	\$ (556,881)	\$ (1,019,383)
(ii) Basic per share	\$ (0.04)	\$ (0.02)	\$ (0.04)
(iii) Diluted per share	\$ (0.04)	\$ (0.02)	\$ (0.04)
Total assets	\$ 6,110,829	\$ 3,045,797	\$ 3,018,409
Total long-term liabilities	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -

1.4 Results of Operations

First Quarter of Fiscal 2021 – Three months ended March 31, 2021 compared with March 31, 2020

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The Company incurred a net loss of \$262,100 for the three months ended March 31, 2021, which is higher than the net loss of \$115,000 for same period in fiscal 2020, with the former also having higher operating expenses. Net loss was impacted by different functional expense items.

The Company has no sources of operating revenues. Operating losses were incurred for activities of the Company to acquire, explore or maintain its mineral property interest in the Cervantes and Tombstone properties and pursuing mineral projects of merit.

The Company continues with its engagement of an external Mexican accounting firm to assist in financial reporting and tax compliance and representation in Mexico and to provide accounting support in which such fees were incurred, given the Cervantes project is located in Mexico and held by its Mexican subsidiary. Fees were incurred in resolving the collection of the refundability of VAT/IVA with the Mexican tax authorities and repeated tax filings to address ongoing comments and requests related to VAT/IVA filings. Higher accruals for audit and tax compliance fees were recorded in the fourth quarter of 2020 given the corporate structure used to support the joint venture with Kootenay. Accounting fees were lower in the first quarter of 2021 due to allocations to the Cervantes joint venture.

Amortization is attributable to office furniture and equipment for its shared office facilities. Amortization was lower in the current quarter as certain office equipment have been fully amortized in 2020 although there were acquisitions in the current quarter.

Employee remuneration directly related to mineral exploration projects and corporate development were allocated to those specific activities rather than to operations. During the first half of 2020, there were minimal billings by the senior technical employee who was fully reinstated to full time status in August 2020 as exploration programs were implemented, but then resigned in March 2021. In August 2020, a new non technical senior officer was hired with capital markets experience which increased remuneration in the remaining quarters of 2020 and in the first quarter of 2021. Support employee turnover in the latter part of the second quarter of 2020 resulted in full time staffing being replaced by part time interim personnel, and such effects continued into the remaining quarters of 2020 and into 2021 which allowed for nominal reductions to offset increases during the comparative periods.

In the first quarter of 2020, modifications to exercise prices of stock options necessitated regulatory filings and approvals which increased legal fees. Corporate affairs incurred for US subsidiaries were rendered in appreciated US dollar values in the first quarter of 2020. Nominal legal fees were incurred in the second quarter of 2020 for general corporate matters. For the third quarter, such expenses were incurred for its corporate compliance for stock option grants and engagement of investor relation consultants. Nominal fees were incurred in the fourth quarter of 2020. Legal services rendered for the Company's ongoing efforts to secure a joint venture with Kootenay were allotted to the Cervantes project. Legal fees were incurred in the first quarter of 2021 relate to annual corporate filings and updates in domestic and foreign jurisdictions.

Office and sundry include ancillary office support facilities for the Company's activities, and include insurance, office rent, telecommunications and software and systems support and licensing. Insurance increased due to high insurance payouts in the insurance industry resulting in higher premium renewal rates for directors and officers and commercial liability insurance coverages. Office and sundry and rent are generally more fixed than other functional expense categories. Rent slightly increased in the third and fourth quarters of 2020 and continued into the first quarter of 2021, due to office facility for a new senior officer who was hired in August 2020. The use of shared office facilities has allowed rent and commitments to be nominal. In the first quarter of 2020, systems support was needed to ensure access to servers due to office shut down from the current pandemic to ensure employees can work remotely in a secure manner which continued into the second quarter resulting in higher costs for software and systems support. For the remaining quarters in 2020, the Company proceeded with the setup and migration of a new cloud server to support a more comprehensive and secure IT infrastructure including the associated software licensing costs. In the first quarter of 2021, additional security and backup features and user access controls were implemented as well as additional users, resulting in higher costs relative to prior quarters.

Project evaluation efforts involve due diligence on identifying mineral properties of merit for acquisition purposes. These costs are attributable to geological technical management review and due diligence, site visits to mineral properties in North America, reviewing technical information, addressing any legal issues associated with due diligence, and engaging consultants to provide

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greater capital markets exposures. Only nominal travel expenses were incurred in the first quarter of 2020 given limited cash and the economic downturn from the pandemic in the latter part of the quarter. This cost is comprised mostly of technical management review and travel. In the second quarter of 2020, the Company engaged a consultant to provide corporate development activities and to develop strategies and guidance to management to advance current projects and identify new opportunities, which continued into the third quarter. This provided the catalyst for the \$3.08 million private placement which was overallocated and closed in two tranches in the third quarter in 2020. No project review was done in the first quarter of 2021 as the primary focus was the exploration programs for its two mineral properties.

Regulatory expenses include ongoing regulatory compliance obligations and transfer agent services and were similar for comparable periods. The increases in the second quarters of each fiscal period were attributable to its annual and special general meetings held in June. Such costs were generally higher in 2020 given the heightened level of activities during the period including financings and exploration activities, necessitating increased regulatory fees for continuous disclosures. The expenses for the first quarter of 2021 were higher than the same quarter of 2020 due to the higher market capitalization which resulted in higher sustaining fees and annual filing fees.

Shareholder relations were for advertising and marketing activities, engagement of consultant, and participation in conferences to create awareness of the Company and its Cervantes and Tombstone projects. These activities included the participation in various conferences and shareholder events in North America and Europe related to mineral exploration and mining as well as capital markets, and engaging market participants to assist with expanding the public profile of the Company and its projects. Such expenses were incurred in the first quarter of 2020 for attendance at conferences to continue with its capital market exposure as the Company proceeded with an equity financing in March 2020. These activities increased in the second quarter of 2020 with more significant increases in the remaining quarters of 2020 as the Company sought greater exposure of its exploration projects as commodity prices achieved new highs. Such efforts contributed to an overallocation of its \$3.08 million financing which was closed in two tranches in July 2020. Given two active joint ventures and active exploration programs for its mineral properties for 2021, the Company continued its advertising and marketing efforts in the first quarter which lead to higher costs than the prior comparable quarter in 2020.

Share-based payments were recognized for the vesting provisions for stock options. No stock options were granted in the first and second quarters of 2020. In August 2020, the Company granted stock options for 1,930,000 common shares to directors, officers, employees and a consultant with an exercise price of \$0.40 and expiry date of August 7, 2025. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter. The combination of the stock volatility and number of stock options subject to vesting provisions along with the effects from the re-pricing of the exercise prices contributed to the increase in 2020. The higher number of stock options subject to vesting in the first quarter of 2021 would result in higher expenses than the first quarter of 2020.

Interest income is realized from the Company's excess cash which is held in interest bearing investment savings account. As cash is expended on working capital needs and exploration programs, quarterly interest will commensurately decrease. The Company did not have any cash in interest bearing account in the first two quarters of 2020 whereas proceeds from the \$3.08 million financing in July 2020 were invested to earn passive income from its premium savings account.

Finance and interest charges in the second and third quarters of 2020 are interest on such loans which bore interest at 12% per annum. The loan was repaid in July 2020.

The foreign exchange gain (loss) was from the net effects of transactional foreign currency and jurisdictional translation and revaluation effects from its Mexican and US subsidiaries which operate in Mexican pesos and US dollars, respectively, and from certain U.S. dollar stated accounts during the period. The Company's functional currency is the CAD dollars. The US dollars appreciated relative to the Canadian dollar and Mexican peso during the first quarter of 2020 resulting in higher foreign exchange losses, from US dollar transactions and its US subsidiaries. The US dollar and Mexican peso depreciated relative to the Canadian dollar during the remaining periods of 2020 in which the Canadian dollar continued to strengthen in the first quarter of 2021.

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In the fourth quarter of 2020, the Company wrote down a portion of its value added tax receivable in Mexico as there are uncertainties related to its collectability and / or refundability. Also such write-downs are indicative of the added costs of engaging dedicated Mexican tax specialists to assist with their collectability.

Non controlling interest represents the allocation of operating expenses of the joint venture to the joint venture partner.

As at March 31, 2021, the Company's mineral property interests are comprised of the following:

	March 31, 2021		
	Mexico	USA	Total
	Cervantes	Tombstone	
Acquisition Costs:			
Balance, December 31, 2020	\$ 582,611	\$ 176,073	\$ 758,684
Acquisition	-	299,976	299,976
Balance, March 31, 2021	582,611	476,049	1,058,660
Deferred Exploration Expenditures:			
Balance, December 31, 2020	2,218,539	999,312	3,217,851
Equipment and systems	209	209	418
Field, camp, supplies	1,557	4,201	5,758
General, administrative, legal, sundry	24,354	14,358	38,712
Geology	35,290	3,695	38,985
Salaries and local labour	17,520	27,912	45,432
Surface taxes	3,737	-	3,737
Surveying	324	-	324
Transportation and travel	3,304	825	4,129
Balance, March 31, 2021	2,304,834	1,050,512	3,355,346
Mineral Property Interests:			
December 31, 2020	\$ 2,801,150	\$ 1,175,385	\$ 3,976,535
March 31, 2021	\$ 2,887,445	\$ 1,526,561	\$ 4,414,006

1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, March 31, 2021. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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	2021		2020			2019		
	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	\$ (262,074)	\$ (591,764)	\$ (647,885)	\$ (269,143)	\$ (114,968)	\$ (149,166)	\$ (103,284)	\$ (115,835)
(ii) Basic earnings (loss) per share	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -
(iii) Diluted earnings (loss) per share	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -
Net income (loss):								
(i) Total	\$ (262,074)	\$ (591,764)	\$ (647,885)	\$ (269,143)	\$ (114,968)	\$ (149,166)	\$ (103,284)	\$ (115,835)
(ii) Basic earnings (loss) per share	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -
(iii) Diluted earnings (loss) per share	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -
Total assets	\$ 6,248,454	\$ 6,110,829	\$ 6,293,503	\$ 3,835,012	\$ 3,512,611	\$ 3,045,797	\$ 3,125,235	\$ 3,226,657
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future except as disclosed in this MD&A and in its regulatory filings. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration and development programs and overall market conditions for smaller mineral exploration companies. The Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

	March 31, 2021	December 31, 2020
Cash	\$ 1,615,996	\$ 1,919,485
Working capital	1,714,149	1,983,302

In January and February 2021, warrants for 330,000 common shares and stock options for 160,000 common shares were exercised for proceeds of \$75,200. In May 2021, loan bonus warrants for 200,000 common shares were exercised for gross proceeds of \$40,000.

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Ongoing operating expenses and exploration activities continue to reduce the Company's cash resources and working capital, as the Company has no sources of operating revenues.

The Company may enter into option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at March 31, 2021. The Company will continue to rely upon equity financing as its principal source of financing its projects.

1.7 Capital Resources

At March 31, 2021, the Company has earned in various interests in its minerals properties which are subject to joint venture agreements.

1.8 Off-Balance Sheet Arrangements

There are no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company, except for those disclosed in this MD&A or in the Company's public filings.

1.9 Transactions with Related Parties

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following general and administrative costs with related parties during the three months ended March 31, 2021:

	Three months ended March 31, 2021	Net balance receivable (payable) March 31, 2021
Key management compensation:		
Executive salaries and remuneration ⁽¹⁾	\$ 71,153	\$ -
Directors fees	1,375	(1,375)
Share-based payments	70,761	-
Executive salaries and remuneration ⁽¹⁾	<u>\$ 143,289</u>	<u>\$ (1,375)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) ⁽²⁾		
	<u>\$ (4,808)</u>	<u>\$ (4,863)</u>

⁽¹⁾ Includes key management compensation which is included in mineral property interests, employee remuneration, and project evaluation.

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- (2) The companies are AzMet and Canagold Resources Ltd. and Endeavour Silver Corp., both of which shares one common director with the Company.

Amounts which are incurred to related parties are in the normal course of business. The Company shares common office facilities, employee and administrative support, and office sundry amongst companies with a common director, and such allocations to the Company are on a full cost recovery basis. Any balances due to related parties are payable on demand.

Item 1.2 provides further details of the acquisition of the Cervantes property from AzMet,

1.10 Proposed Transactions

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course of business and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

1.11 Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests; the determination of accrued liabilities; accrued site remediation; the variables used in the determination of the fair value of stock options granted and loan bonus warrants or compensation warrants or finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future financial performance and cash flows.

1.12 Changes in Accounting Policies including Initial Adoption

The Company did not early adopt any recent pronouncements as disclosed in Note 2(f), "*New accounting standards and recent pronouncements*", of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.

1.13 Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

Financial Assets	
Cash	Fair value through profit or loss ("FVTPL")
Receivables	Loans and receivable at amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Other financial liabilities under amortized cost

Management of Financial Risk

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The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables and accounts payable and accrued liabilities and loans payable approximate their carrying values due to the short terms to maturity. Cash is measured at fair values using Level 1 inputs.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions. Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at March 31, 2021, the Company had working capital of \$1.71 million. The Company will require additional funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2021.

Accounts payable and accrued liabilities are due in less than 90 days.

(c) Market risk:

The significant market risk to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Company has certain cash and accounts payable stated in United States dollars and Mexican pesos, mineral property interests which are in the USA and Mexico, and a portion of its operations is in Mexico, resulting in expenditures subject to foreign currency fluctuations. Fluctuations in the United States dollar and Mexican peso would impact the losses of the Company and the values of its assets and liabilities as the Company's functional and presentation currencies are the Canadian dollar. The Canadian dollar fluctuates and floats with the United States dollar and Mexican peso.

At March 31, 2021, the Company was exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

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	Stated in Canadian Dollars		
	Held in		Total
	United States		
	Dollars	Mexican Pesos	
Cash	\$ 77,022	\$ 5,734	\$ 82,756
Accounts payable and accrued liabilities	(39,263)	(3,182)	(42,445)
Net financial assets (liabilities), March 31, 2021	\$ 37,759	\$ 2,552	\$ 40,311

Based upon the above net exposure as at March 31, 2021 and assuming all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar relative to the United States dollar and Mexican pesos could result in a decrease/increase of approximately \$2,000 in the Company's net losses. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company currently does not have any financial instruments which fluctuate with market prices.

1.14 Other MD&A Requirements

1.14.1 Other MD&A Requirements

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at www.sedar.com;
- (b) is also provided in the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and audited consolidated financial statements for the years ended December 31, 2020 and 2019.

1.14.2 Outstanding Share Data

The Company's authorized share capital consists of unlimited number of common shares without par value.

Changes in the Company's share capital for the three months ended March 31, 2021 are as follows:

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Management's Discussion and Analysis

For the Three Months ended March 31, 2021

(expressed in Canadian dollars)

	Number of Shares	Amount
Balance at December 31, 2020	55,771,113	\$ 9,388,293
Issued:		
Share issue expenses	-	(1,751)
Property acquisition	600,000	201,000
Exercise of warrants	330,000	62,900
Exercise of stock options	160,000	29,530
Balance at March 31, 2021	56,861,113	\$ 9,679,972

On February 17, 2021, the Company issued 600,000 common shares at a fair value of \$0.335 per share to earn its 75% in the Tombstone property. In January and February 2021, warrants for 330,000 common shares and stock options for 160,000 common shares were exercised. In May 2021, loan bonus warrants for 200,000 common shares were exercised for gross proceeds of \$40,000.

At May 27, 2021, there were 57,061,113 common shares issued and outstanding.

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees and consultants, provided that the aggregate number of stock options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company. The exercise price of each stock option shall be based on the market price of the Company's shares as traded on the TSX Venture Exchange at the time of grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the Board at the time the stock options are granted.

The continuity of stock options for the three months ended March 31, 2021 is as follows:

	March 31, 2021	
	Number of shares	Weighted average exercise price
Outstanding balance, beginning of period	4,830,000	\$0.23
Exercised	(160,000)	\$0.12
Outstanding balance, end of period	4,670,000	\$0.23

On April 12, 2021, the Company granted stock options for 1,015,000 common shares to directors, officers and employees with an exercise price of \$0.30 and expiry date of April 12, 2026. The stock options are subject to vesting provisions in which 20% vest on grant date and 20% vest every 6 months thereafter.

At May 27, 2021, stock options for 5,685,000 common shares remain outstanding of which 3,515,000 stock options are exercisable.

At March 31, 2021, the Company had outstanding warrants as follows:

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Exercise Prices	Expiry Dates	Outstanding at December 31, 2020	Issued	Exercised	Expired	Outstanding at March 31, 2021
\$0.20	July 2, 2021 ⁽¹⁾	3,000,000	-	(230,000)	-	2,770,000
\$0.20	June 3, 2021	300,000	-	-	-	300,000
\$0.10	April 3, 2022	2,600,000	-	(100,000)	-	2,500,000
\$0.40	July 9, 2022	3,538,082	-	-	-	3,538,082
\$0.40	July 9, 2022 ⁽²⁾	212,040	-	-	-	212,040
\$0.40	July 22, 2022	1,591,342	-	-	-	1,591,342
\$0.40	July 22, 2022 ⁽³⁾	89,837	-	-	-	89,837
		11,331,301	-	(330,000)	-	11,001,301

- (1) On July 2, 2019, the Company issued 3,900,000 warrants with an exercise price of \$0.20 and an expiry date of July 2, 2021, and have a total fair value of \$117,000 as determined by the excess private placement price over the market price of the common share on closing date.
- (2) These finders fee warrants have a fair value of \$50,767 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.28%, expected life 2 years, and expected dividend yield 0%.
- (3) These finders fee warrants have a fair value of \$22,962 and was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 129%, risk-free rate 0.27%, expected life 2 years, and expected dividend yield 0%.

At May 27, 2021, warrants for 10,801,301 common shares remain outstanding.

1.15 Outlook

The Company will continue to depend upon equity financings to continue exploration work on and to advance its mineral property interests, and to meet its administrative overhead costs for the 2021 fiscal year. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its mineral property interests in the foreseeable future.

1.16 Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

Exploration and Development Risks

There is no assurance given by the Company that its exploration and development, if any, programs and properties will result in the discovery, development or production of a commercially viable deposit or ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result

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in any discoveries of bodies of commercial ore. The economics of developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating metal prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish resources or reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for exploration and / or development can be obtained on a timely basis. The marketability of any metals or minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of required processing facilities, mineral markets and required processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.

Financing Risks

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral properties.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's properties may therefore depend on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing on terms acceptable to the Company, or at all, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity capital financings, exploration success, the attainment of profitable operations and the completion of further share issuances to satisfy working capital and operating needs. The Company may need to raise further funds to complete further exploration programs at the Cervantes and Tombstone properties, if such programs are warranted.

Estimates of Mineral Deposits

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

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

Commodity Prices

There is no assurance given by the Company that commodity prices will not change.

The mining industry is competitive and commodity prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous

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factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for precious and base metals are affected by various factors, including political events, economic conditions and production costs in major producing regions, and governmental policies with respect to precious metal holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Competition and Agreements with Other Parties

The Company competes with larger, better capitalized competitors in the mining industry and there is no assurance given by the Company that it can compete for mineral properties, future financings or technical expertise.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Company may, in the future, be unable to meet its share of costs incurred under joint venture or similar agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

Title Matters

There is no assurance given by the Company that it owns legal title to its mineral properties.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property partners, legal opinions, and government agencies. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. Native land claims or claims of aboriginal title may be asserted over areas in which the Company's properties are located, but unlikely given all surrounding surface rights are privately held. Further, the Company does not own certain claims in the Cervantes and Tombstone properties and only has a right to earn an interest therein pursuant to the property option agreements, as amended. In the event that the Company does not fulfill its obligations contemplated by the property option agreements, as amended, it will lose its interest in the relevant mineral property.

Surface Rights

The Company has acquired rights to certain parts of the property covered by its mineral tenures, and is in continuing negotiations over other parts. In areas where the Company operates there are local populations or landowners who, in the case of the Cervantes Property, do not live on the property but raise cattle throughout the region. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the Cervantes Property becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that

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the Company will be successful in acquiring any such rights.

Community Groups

There is an ongoing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in Sonora State (Mexico) and Arizona (USA), NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Conflicts of Interest

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public mineral exploration and resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and management of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

Negative Operating Cash Flow

The Company had negative operating cash flow during its most recently completed year ended December 31, 2020. In the event that the Company's operating cash flow is not positive in future financial periods it may need to raise additional capital in order to fund operations. There is no guarantee that additional funds will be available on terms acceptable to the Company or at all. In the event that the Company's operating cash flow is negative this may have a material adverse effect on the Company and its stock price.

Uninsured Risks

There is no assurance given by the Company that it is adequately insured against all risks. The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration, development and mining activities.

Environmental and Other Regulatory Requirements

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There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence exploration, development or production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence exploration, construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration, development and mining operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of exploration and mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Foreign Countries and Regulatory Requirements

The Company's mineral property interests are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability, changes in foreign policy, and government regulations relating to the mining industry. Any changes in regulations, foreign policy, or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business and its ability to operate in foreign jurisdictions. Such changes have, in the past, included nationalization of foreign owned businesses and properties. The Company's ability to operate its business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, income and other taxes and duties, tariffs, trade, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company to obtain any required production financing for its mineral properties.

Reclamation

Land reclamation requirements for the Company's properties may be burdensome.

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of any potential waste rock and/or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the Company's properties to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Unknown Environmental Risks for Past Activities

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or

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operate or at which environmental contamination occurred while or before they owned or operated the properties. However, no assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Currency Fluctuation and Foreign Exchange Controls

The Company maintains a portion of its funds in U.S. dollar and Mexican pesos denominated accounts. Certain of the Company's property and related contracts may be denominated in U.S. dollars and Mexican pesos. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

The Company does not maintain key-person insurance on the life of any of its personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Volatility of Common Shares

Volatility in the price of the Company's common shares could cause investor loss.

The common shares are listed on the TSX Venture Exchange and OTCQB. The market price of a publicly traded stock, especially a junior resource company like the Company, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX Venture Exchange and OTCQB suggests that the price of the Company's common shares will continue to be volatile. Therefore, investors could suffer significant losses if the Company's common shares are depressed or illiquid when an investor seeks liquidity and needs to sell the common shares of the Company. There is no guarantee on the future price at which the common shares may trade, and no guarantee that the warrants will ever be in a position of value and may ultimately expire prior to being in-the-money.

Substantial Number of Authorized but Unissued Shares

The Company has an unlimited number of common shares which may be issued by the Board without further action or approval of the Company's shareholders. While the Board is required to fulfil its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

COVID-19 Pandemic

The COVID-19 (the novel coronavirus) pandemic is having a material adverse effect on the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the Company and the global economy is

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uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's planned operations and financing capabilities; If a significant portion of our workforce becomes unable to work or travel to our operations due to illness or state or federal government restrictions (including travel restrictions and "shelter-in-place" and similar orders), we may be forced to delay, reduce or suspend planned exploration programs. Illnesses or government restrictions, including the closure of national borders, related to COVID-19 also may disrupt the supply of raw goods, equipment, supplies and services upon which our operations rely. An economic recession resulting from the COVID-19 pandemic could negatively impact the Company's ability to operate or obtain necessary financing. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. These conditions may require working capital not previously anticipated, which may adversely affect our liquidity and ability to source additional working capital on reasonable terms. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements, the Company's stock price did fall to a low of CAD\$0.03 during this period. Should the stock prices remain at or below currently prevailing levels for an extended period, this could have a further significant adverse impact on the Company's financial position and results of operations for future periods. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Cybersecurity Threats

The Company relies on secure and adequate operations of information technology systems in the conduct of its operations. Access to and security of the information technology systems are critical to the Company's operations. To the Company's knowledge, it has not experienced any material losses relating to disruptions to its information technology systems. The Company has implemented ongoing policies, controls and practices to manage and safeguard the Company and its stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, the Company cannot assure that its information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Potential disruptions to the Company's information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and noncompliance by third party service providers and inadequate levels of cybersecurity expertise and safeguards of third party information technology service providers, may adversely affect the operations of the Company as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, material adverse effect on its financial performance, compliance with its contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

Possible Dilution to Current Shareholders based on Outstanding Options and Warrants

At March 31, 2021, the Company has 56,861,113 common shares, 4,670,000 stock options and 11,001,301 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At March 31, 2021, dilutive securities represented approximately 27.6% of the Company's issued shares.