



SILVER X MINING CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2023

This Interim Management's Discussion and Analysis ("Interim MD&A") supplements but does not form part of the unaudited condensed consolidated interim financial statements of Silver X Mining Corp. (the "Company" or "Silver X") for the three months ended March 31, 2023. The following information, prepared as of May 23, 2023, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and the audited year ended December 31, 2022 and the related notes contained therein.

The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in US dollars unless otherwise indicated.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Use of Non-IFRS Financial Performance Metrics. In this MD&A, we use the following non-IFRS financial performance measures: "cash costs", "cash cost per silver equivalent ("AgEq") ounce", "all-in sustaining cost" or ("AISC"), and "AISC per AgEq ounce". For a detailed description of each non-IFRS financial performance measure used in this MD&A and a detailed reconciliation to the most directly comparable measures under IFRS, please refer to the "Non-IFRS Financial Performance Measures" section of this MD&A starting on page 12. The non-IFRS financial performance measures in this MD&A are intended to provide additional information to investors and do not have any standardized meaning under IFRS. These measures may therefore not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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CORPORATE OVERVIEW

The Company is a silver developer and producer. The Company owns the 20,000-hectare Nueva Recuperada Silver District in Central Peru and produces silver, gold, lead and zinc from the Tangana mining unit. The Company's mission is to be a premier silver company delivering outstanding value to all stakeholders by consolidating and developing undervalued assets, creating value by adding resources and increasing production while aspiring to social and environmental excellence. The Company is listed on the TSX Venture Exchange (the "TSXV") under the symbol AGX, and trades on the U.S. Over The Counter Market (the "OTCQB") under the symbol AGXPF and the Frankfurt Stock Exchange under the symbol AGX.

NUEVA RECUPERADA, PERU

Overview

The Nueva Recuperada Project lies in the heart of Peru's premier silver-gold-lead-zinc belt. The 20,472-hectare project was assembled through acquisitions from major silver producers such as Compañía de Minas Buenaventura SAA ("BVN"), Pan American Silver Corporation, and Peruvian Metals Corporation, among other companies. The project includes: (i) the Tangana mining unit ("Tangana"), a precious- and base-metal operation that is in the northern portion of the project comprised of 100-plus veins spanning an area of more than 6,500 hectares, and (ii) the Plata (formerly referred to as Esperanza) mining unit, a grouping of historic silver-polymetallic veins, with significant exploration upside in the southern portion of the project comprised of 200-plus veins often with intense anatomizing, spanning an area of more than 7,000 hectares. As at October 31, 2022 The Nueva Recuperada Project has an estimated 11,89 million tonnes of inferred resources at grades of 152.50 g/t Ag, 0.31 g/t Au, 1.72% Pb, 1.79% Zn and combined Measured and Indicated Mineral Resources of 3,61 million tonnes with grades of 70.82 g/t Ag, 1.47 g/t Au, 1.78% Pb and 1.27% Zn and includes a 720 tonnes per day ("tpd"), fully permitted, fully operational processing facility that started processing mineralization in 2019.

Tangana Mining Unit – Silver, Gold, Lead & Zinc

Silver X started the development of the Tangana 1 and 2 veins in late 2021 and is currently extracting over 600 tpd of high-grade mineralization from the Tangana 1 vein on multiple fronts, which is just one of dozens of veins in the Tangana mining unit.

Mine development has been advancing rapidly, including a principal cross-cut being driven to the Cauca vein, which will provide multiple development fronts. The Tangana 1 vein is part of the extensive Tangana vein system, which hosts an estimated inferred resource of 11,569,584 tonnes grading 86.15 g/t Ag, 2.33% Pb and 2.18% Zn and combined Measured and Indicated Mineral Resources of 847,230 tonnes grading 75.88 g/t Ag, 3.01% Pb, and 2.42% Zn. Production infrastructure development at Tangana 1 is being optimized by the recently completed 4,000-metre infill drill program and continued development to access the mineralization.

Polymetallic vein resources at the Tangana mining unit are hosted in both igneous-volcanic and sedimentary rocks. The Tangana mine and its veins are in a large zone of andesitic volcanics and domes that hosts the majority of the Tangana mining unit's identified resources (1+ metre average width veins). The Tangana vein mineralization is of epithermal character grading into mesothermal at depth, of low to intermediate sulphidation mineralizing events. Native gold mineralization occasionally is encountered with the Tangana 1 vein mineralization. Upgrades to the Nueva Recuperada plant to enhance gold recoveries have been completed. Silver X plans to develop in the near term a number of supporting mine development to access other nearby high-grade structures in the Tangana mine area including the Cauca, Morlupo and Tangana 2 veins.

A gold and silver-rich corridor within the Tangana system has been identified crossing the various Tangana veins, as published in various news releases, copies of which are available on SEDAR at www.sedar.com. Silver X intends to explore and develop that corridor over 2023 and 2024 to provide additional resources of higher-value mineralization.

The San Antonio vein in its southeastern half is primarily hosted in carbonate formations and is of moderate to thick widths (2 to 10 metres, at a 4-metre average width) of mineralized vein breccia with minor carbonate replacement. This mineralization has been mined since 2019. To the northwest, the San Antonio vein is hosted by andesitic volcanics and domes and has an average width on surface of 1.4 metres.

The Positivas vein system is an area of 2.5 kilometres long by 200 metres wide of several tensional veins in a dilutional wrench zone, comprising epithermal veins in volcanic and sedimentary rocks ranging from 0.3 to 3 metres wide and currently being developed by two small contactors, with the production being processed at the Company's mill.

The Tangana area encompasses several areas of well-known mineralization that the company intends to bring together as a high-growth mining unit. The company announced on February 14, 2023, a Preliminary Economic Assessment ("PEA") for the Tangana mining unit expansion showing the immediate growth potential for this project. The PEA proposes a first step in that growth as well as a recommendation to achieve such goal. Highlights from the PEA include:

- Upgraded Mineral Resources to 3.61 million tonnes of Measured and Indicated ("M&I") Resources from 0.98 million tonnes in the 2022 January 1, 2022 Mineral Resource Estimate and 11.89 million tonnes of Inferred Resources from 14.94 million tonnes with a new resource block model, representing 3X growth in M&I Resources when compared to the previous reported estimate.
- Life of Mine ("LOM") of 12 years at a capacity of 1,500 tonnes per day ("tpd") based on a resource inventory of 5.75Mt, of which 1.75Mt corresponds to Measured Resources, 0.49Mt corresponds to Indicated Resources and 3.51Mt corresponds to Inferred Resources.
- Average annual production of 4.2 million ounces ("Moz") of silver equivalent ("AgEq")¹ with circa 5Moz AgEq mined.
- Robust economics with an After-Tax NPV of \$175 million at 10% discount rate and After-Tax IRR of 39%.
- LOM Cash Costs of \$8.80/oz AgEq and LOM All-In Sustaining Costs ("AISC")² of \$16.2/0oz AgEq.
- Initial Capex of \$61 million, including 20% contingency, for the new processing facility, dry-stacked tailings and mine development.

Plata (formerly Esperanza) – Silver, Lead & Zinc

Plata (formerly Esperanza) was the last historical operation to close when the project was under BVN management and hosts an estimated 448,812 tonne inferred resource grading 220.81 g/ Ag, 2.55% Pb and 4.58% Zn. There is an abundance of mineralized veins in this mining unit and geological evidence for both intermediate and high-sulphidation alteration and mineralization. Historical drilling and recent surface mapping provide strong evidence for significant exploration upside.

Red Silver (formerly "Maria Luz")

Red Silver hosts a reported 1,908,725 tonne inferred resource grading 496.10 g/T Ag, 0.21% Pb and 0.34% Zn. The Company conducted a bulk sampling programme in 2021 and plans to drill this silver-rich epithermal vein system in the second half of 2023.

Environmental and Social Impact Assessment Update

Silver X began updating the Environmental and Social Impact Assessment ("ESIA") for its Nueva Recuperada Project needed to expand operations. Nueva Recuperada currently operates within the medium size mining regime (350 tpd to 5,000 tpd) and is seeking to expand its permitted capacity to 2,500 tpd, including a processing facility at the Tangana premises for a capacity of 1,500 tpd and the current processing plant of Nueva Recuperada being expanded to 1,000 tpd. The ESIA is a key component of a comprehensive environmental and social permitting process covering both wholly-owned Tangana and Plata silver-polymetallic mining units. The assessment also covers the associated mining infrastructure and existing tailings facility for a total study area of 4,900 hectares. Key components of the updated ESIA include a further expansion of production capacity at the Company's mineral processing plant to 2,500 tpd from the current upgraded 720 tpd and a new 8,000,000 m³ capacity tailings storage facility with a goal to expand silver production at Nueva Recuperada to 5 Moz silver ("Ag") per year.

Expanded Processing Plant Capacity

On October 20, 2021, the Company secured the environmental permit required to increase production capacity at its Nueva Recuperada polymetallic processing plant to 720 tpd of feed. Installation of a new crushing circuit and

¹ AgEq ounces were calculated based on all metals produced and mined using the estimated sales prices of each metal for each period.

² Cash costs and AISC are non-IFRS financial ratios. These are based on non-IFRS financial measures that do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for further information.

flotation cells was commissioned in Q2 2022. This upgrade represented a 20% increase in processing capacity at Nueva Recuperada contributing to the additional concentrate sales enhancing cashflow for the Company.

Commercial Production

On January 19, 2023, the Company declared commercial production at the Company's Tangana mining unit. The declaration of commercial production comes after a successful commissioning period during 2022, which included the ramp up of mining and processing activities to sustainable metal throughput levels. All key mill upgrades and mine development works completed to date have demonstrated its ability to sustain ongoing production levels as the Tangana mining unit continues to develop and grow its production.

CORIORCCO GOLD PROJECT, PERU

Overview

On October 8, 2020, Silver X entered into an option agreement with Titan Minerals Ltd. ("Coriorcco Option Agreement") to acquire 100% of the legal and beneficial right, title and interest in a 2,000-hectare concession known as the Coriorcco Property ("Coriorcco").

The Coriorcco gold project, located 80 km east of Peru's prominent Pan American highway in Lucana Province, Ayacucho region of southern Peru, is accessible by paved road to within 5 kilometres of the project and has potential for stand-alone development.

Coriorcco is one of several zones within the San Juan de Lucanas mining district with outcropping quartz vein-hosted gold and silver mineralization hosted by the strongly silicified and argillized volcanic Coriorcco Dome Structure as exposed through quaternary cover. The dome measures approximately 700 x 800 metres and hosts 17 epithermal quartz, quartz-carbonate and quartz-carbonate-adularia veins along with lesser veins. The most common vein orientations are northwest and east-northeast, typical of the Andean Trend and antithetic transform structures. Veins pinch and swell along-strike and with depth. Vein Three and Vein Six are the two most significant structures and have been mapped at surface striking approximately east-northeast for 280 metres and 405 metres respectively and traced to depth in historical mine workings down to -60 metres below surface.

Coriorcco Option Agreement

Under the Coriorcco Option Agreement, the Company will have the right to acquire a 100% interest in Coriorcco by making a payment of \$3,000,000 plus general sales tax and granting a production royalty to the underlying concession holder (the "Coriorcco Royalty") (of 1% NSR) upon fulfilling the conditions precedent, some of which remain to be met, which include commencement of mining and production payments.

If the Company exercises its option to acquire the Coriorcco property, Silver X will grant to Titan Minerals a 1% net smelter royalty (the "NSR") over the Coriorcco property.

The Coriorcco Royalty can be repurchased for \$1,000,000 (the "Buy-Back Right") prior to the fifth anniversary of the Coriorcco Option Agreement. Every year following the fifth anniversary of the Coriorcco Option Agreement, the cost of the Buy-Back Right increases by 10%.

Additionally, as part of the amending agreement with the underlying owner of the project, dated October 6th 2020, the Company will pay \$190,000 (upon completion of registering the amended agreement with the Peruvian Public Registry, which had not occurred as at December 31, 2022) and will be required to pay up to \$850,000 (in cash or shares at the Company's option) based on the size of the mineral resource (in the measured and indicated category) as established on the property in a technical report prepared in accordance with National Instrument 43-101 on the following conditions:

- \$350,000 if measured and indicated resources of 500,000 to 999,999 ounces of gold are established;
- \$450,000 if measured and indicated resources of 1,000,000 to 1,499,999 ounces of gold are established; or
- \$850,000 if measured and indicated resources in excess of 1,500,000 ounces of gold are established

The Company was required to commence small-scale mining by April 2022, but exercised an option available to it under the Coriorcco Option Agreement to extend the commencement of small-scale mining by 12 months to April 2023 by incurring \$200,000 in exploration expenditures. The Company is currently reviewing its exploration plan aiming to extend the commencement of the small-scale mining to later in 2023.

LAS ANTAS GOLD PROJECT, PERU

Overview

On October 8, 2020, Silver X entered into an option agreement to acquire up to 85% of the legal and beneficial right, title, and interest in a 1,400-hectare concession known as the Las Antas Property ("Las Antas"), adjacent to the Coriorcco project, upon fulfilling the precedent conditions of which the completion of the \$2,000,000 expenditure in exploration remains to be met.

The Las Antas Gold Project, which hosts significant exploration potential for stand alone, bulk tonnage, disseminated style gold mineralization, expands Silver X position in a broader district that contains multiple high-grade gold-silver veins. Located within the prolific epithermal gold belt of Southern Peru, Las Antas is an important step towards development of a substantial land position in the region, generating multiple options.

Las Antas is hosted by the Calipuy volcanic layered stratigraphy in Southern Peru with andesitic flows, ignimbrites, tuffs, volcanic breccias and agglomerate units. The volcanic stratigraphy has been intruded by several andesitic to dacitic stocks, which comprise favourable units for mineralization and at surface are associated with a pervasive hydrothermal alteration system in halos of intense silicification, showing vuggy silica, alunite and illite.

Las Antas is located within the Oligocene-Pliocene gold-silver Belt of Southern Peru, which contains various precious metal deposits including the Ares Mine (1.2M oz gold ("Au") & 15M oz Ag) and the Antapite Mine (600K oz Au).

Specific to the Las Antas Project area are two prioritized targets areas:

- Yuracmarca Target, 1.5 × 2.2 kilometres of area with propylitization, argilization and silicification.
- Cerro Amarillo Target, 3.5 × 2.3 kilometres of area with intense silicification, in parts vuggy silica, altered breccias, alunite and illite, argilization and propylitization.

JULIAN PROPERTY, ECUADOR

On January 27, 2020, the Company entered into an asset purchase agreement (the "Asset Purchase Agreement") with Green Oil S.A. ("Green Oil") with respect to the acquisition by the Company from Green Oil of certain mineral claims located in Ecuador known as the Julian Property.

On June 11, 2020, the Company acquired the Julian Property through the issuance of 6,000,000 common shares valued at \$1,042,436, to Green Oil and its nominees. The Company also paid direct transaction costs of \$72,173.

The Julian Property is located in the Province of Azuay in the canton of Oña, overlapping the Parishes Oña Yacuambi and Nabón, approximately 64 kilometres southwest of the city of Cuenca and 100 kilometres southeast of Machala in the Cordillera Real de los Andes Ecuador.

The Julian concession covers 2,312 hectares and surrounds the El Mozo high sulphidation epithermal gold project.

Julian Property Overview:

- The known El Mozo mineralized trend runs directly from El Mozo South-West onto Julian but it has not been drill tested.
- Julian is located on the same Miocene-Pliocene volcanic, Piyasambo Formation host rocks as the "El Mozo" project and it also is located to the south-west of the "Collay-Shincata" mineralized belt which contains epithermal mineralization.
- Access is via paved highway to within 30 mins of Julian.

During the year ended December 31, 2022, the Company did not undertake any work on the Julian Property. Further evaluation of the available mineral resources data has not led to commercially viable quantities of mineral resources. As at December 31, 2022, the Company had concluded that the Julian Property does not merit further work and has accordingly recorded an impairment loss of \$1,090,003.

LILY 19 CLAIMS, PERU

Silver X entered into an earn-in agreement with Barrick Gold Corp. (“Barrick”) dated November 29, 2021, to acquire the Lily 19 claims. Under the terms of the of the earn-in agreement, to acquire a 100% interest in the project Silver X must:

- Complete at least 3,000 metres of diamond drilling in the concession
- Map and sample the surface of the concession
- Maintain the claims in good standing
- Make a one-time payment of USD\$25,000 (paid)

The above must be achieved within four (4) years of the date of signing, or two (2) years from receiving a drilling permit for the property. Furthermore, Barrick will retain a 2% NSR, of which 1% can be bought back for USD\$2,000,000.

In the coming months the Company is planning a short exploratory drill program to expand known mineralization at depth and to test additional zones of mineralization, together with a surface sampling campaign that will step out from the west to test the precious metal potential on the advanced argillic altered subvolcanic rocks.

SELECTED FINANCIAL INFORMATION

The following table provides information for the three months ended March 31, 2023, and the comparative period of 2022.

	For the three months ended March 31, 2023		For the three months ended March 31, 2022	
OPERATING REVENUES	\$	4,575,940	\$	1,308,153
COST OF SALES				
Mining and processing	\$	(4,558,988)	\$	(3,783,893)
Amortization		(427,544)		(45,316)
		(4,986,532)		(3,829,209)
OPERATING LOSS	\$	(410,592)	\$	(2,521,056)
EXPLORATION EXPENDITURES	\$	(15,423)	\$	(39,162)
GENERAL AND ADMINISTRATIVE EXPENSES				
Compensation expense	\$	(182,812)	\$	(128,947)
Consulting fees		(47,936)		(112,526)
Directors fees		(35,027)		(11,017)
Investor relations		(132,448)		(64,274)
Office and administration		(189,413)		(157,003)
Professional fees		(43,684)		(59,036)
Share-based payments		(114,225)		(122,073)
Transfer agent and regulatory fees		(13,946)		(9,447)
		(759,491)		(664,323)
Loss before other items		(1,185,506)		(3,224,541)
OTHER ITEMS				
Finance income		-		3,158
Finance cost		(121,107)		(62,911)
Foreign exchange gain		229,484		91,686
Net loss before tax		(1,077,129)		(3,192,608)
Deferred income tax (expense) recovery		207,000		1,789,000
Net loss		(870,129)		(1,403,608)
(Loss) gain on translation of foreign operations		(83,201)		350,585
Total comprehensive loss	\$	(953,330)	\$	(1,053,023)
Loss per share, basic and diluted	\$	(0.01)	\$	(0.01)
Weighted average number of common shares outstanding		157,020,860		122,516,054

Reconciliation of Net (Loss) / Income to Adjusted EBITDA

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Net Loss	\$ (870,129)	\$ (1,403,608)
Deferred income tax recovery	(207,000)	(1,789,000)
Finance cost	121,107	62,911
Amortization	427,544	45,316
EBITDA	\$ (528,478)	\$ (3,084,381)
Foreign exchange gain	(229,484)	(91,686)
Share-based payments	114,225	122,073
Adjusted EBITDA	\$ (643,737)	\$ (3,053,994)
Adjusted EBITDA per share	\$ (0.00)	\$ (0.02)

EBITDA and Adjusted EBITDA are non-GAAP performance measures with no standard definition under IFRS. Please see the section "Non-IFRS Performance Measures" for details.

Three months ended March 31, 2023 vs. three months ended March 31, 2022

For the three months ended March 31, 2023, the Company recorded:

- Net loss before tax of \$1.1M, compared to a net loss before tax of \$3.2M in the three months ended March 31, 2022.
- EBITDA loss of \$0.5M, compared to an EBITDA loss of \$3.1M in the three months ended March 31, 2022.
- Adjusted EBITDA loss of \$0.6M, compared to an Adjusted EBITDA loss of \$3.1M in the three months ended March 31, 2022

The reduction in loss in the current period was primarily due to increased operating revenues from the sale of mineral production of \$4.6M compared to \$1.3M in the prior year (increase of \$3.3M), partially offset by cost of sales of \$5.0M compared to \$3.8M in the prior year (increase of \$1.2M). The Company also had a decrease in consulting fees of \$0.1M, increase of \$0.1M in salaries and benefits and increase in foreign exchange gain of \$0.1M.

Loss or gain in translation of foreign operations fluctuates depending on the strength of the Peruvian sol and Canadian dollar against the US dollar. A relative appreciation of the sol or CAD against USD will result in gains in translation of foreign operations, and vice versa.

	Mar 31, 2023 (\$) (3 months)	Dec 31, 2022 (\$) (3 months)	Sept 30, 2022 (\$) (3 months)	June 30, 2022 (\$) (3 months)	Mar 31, 2022 (\$) (3 months)	Dec 31, 2021 (\$) (3 months)	Sept 30, 2021 (\$) (4 months) ¹	May 31, 2021 (\$) (3 months)
						Restated ³	Restated ³	
Operating revenues	4,575,940	3,882,866	5,497,311	3,184,470	1,308,153	1,229,977	2,884,034	
Cost of Sales	(4,986,532)	(4,187,447)	(3,499,658)	(2,836,420)	(3,829,209)	(4,774,645)	(4,805,000)	
Exploration (expense) recovery	(15,423)	(21,801)	(23,917)	(140,516)	(39,162)	(110,600)	(217,183)	(101,683)
General and administrative expenses ²	(645,266)	(868,702)	(820,511)	(1,077,236)	(542,250)	(177,039)	(2,020,379)	(471,091)
Share-based payments	(114,225)	163,093	(507,448)	(56,355)	(122,073)	38,563	(3,469,072)	(290,092)
Other income (expenses)	315,377	(5,872,305)	(460,236)	(199,533)	1,820,933	226,462	(1,177,777)	(1,517)
Net income (loss)	(870,129)	(6,904,296)	185,541	(1,125,590)	(1,403,608)	(3,567,282)	(8,805,377)	(864,383)
Basic and diluted income (loss) per share	(0.01)	(0.04)	0.00	(0.01)	(0.01)	(0.03)	(0.07)	(0.02)
Total assets	67,316,852	66,274,464	64,988,855	66,058,013	65,413,116	66,864,260	65,538,038	18,558,419
Total liabilities	29,769,397	27,907,153	24,891,932	26,026,159	28,692,478	27,799,670	27,053,111	724,944
Shareholders' equity	37,547,455	38,367,311	40,096,923	40,031,854	36,720,638	39,064,590	38,484,927	17,833,476

Quarterly Reconciliation of Net (Loss) / Income to Adjusted EBITDA

	Mar 31, 2023 (\$) (3 months)	Dec 31, 2022 (\$) (3 months)	Sept 30, 2022 (\$) (3 months)	June 30, 2022 (\$) (3 months)	Mar 31, 2022 (\$) (3 months)	Dec 31, 2021 (\$) (3 months)	Sept 30, 2021 (\$) (4 months) ¹	May 31, 2021 (\$) (3 months)
						<i>Restated</i> ³	<i>Restated</i> ³	
Net income (loss)	(870,129)	(6,904,296)	185,541	(1,125,590)	(1,403,608)	(3,567,282)	(8,805,377)	(864,383)
Deferred income tax (recovery) expense	(207,000)	2,237,000	359,000	(131,000)	(1,789,000)	(1,979,000)	-	-
Finance cost	121,107	434,318	152,407	292,434	62,911	292,291	1,214,142	969
Amortization	427,544	644,271	215,656	212,315	45,316	80,700	53,117	-
EBITDA⁴	(528,478)	(3,588,707)	912,604	(751,841)	(3,084,381)	(5,173,291)	(7,538,118)	(863,414)
Foreign exchange (gain) loss	(229,484)	245,042	(51,286)	39,059	(91,686)	1,464,017	5,513	549
Share-based payments	114,225	(163,093)	507,448	56,355	122,073	(38,563)	3,469,072	290,092
Impairment of exploration and evaluation assets	-	1,090,003	-	-	-	-	-	-
Adjusted EBITDA⁴	(643,737)	(2,416,755)	1,368,766	(656,427)	(3,053,994)	(3,747,837)	(4,063,533)	(572,773)
Adjusted EBITDA per share	(0.00)	(0.02)	0.01	(0.01)	(0.02)	(0.03)	(0.04)	(0.01)

1 The Company has changed its year end from February 28th to December 31st, resulting in a transition quarter of four months ended September 30, 2021.

2 The General and Administrative expenses include consulting fees, directors' fees, investor relations, office and administration, professional fees, salary and benefits, and transfer agent and regulatory fees.

3 In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment that clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and mine development to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of property, plant and mine development while the Company is preparing the asset for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in the consolidated statements of income. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The amendments apply retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company adopted the standard on the effective date and applying it retrospectively to the fiscal year beginning January 1, 2021, resulted in an increase to revenue from mining operations from the sale of pre-commercial mineral production of \$4.1 million, an increase in production costs (including amortization) of \$9.6 million during the year ended December 31, 2021, along with a corresponding change in the development property of \$5.5 million as at December 31, 2021.

4 EBITDA and Adjusted EBITDA are non-GAAP performance measures with no standard definition under IFRS. Please see the section "Non-IFRS Performance Measures" for details.

Change in total assets and liabilities

At March 31, 2023, the Company's total assets were \$67.3M compared to \$66.3M as at December 31, 2022. Significant changes in assets include decrease in cash of \$0.2M, increase in trade and receivables of \$0.3M, decrease in inventory of \$0.5M, increase in development property of \$1.2M and increase in property & equipment of \$0.3M. Significant changes in liabilities include increase in accounts payable and accrued liabilities of \$2.1M, and decrease in deferred income tax liability of \$0.2M.

OPERATING HIGHLIGHTS

The following are operating metrics for the three months ended March 31, 2023, and comparative three months ended March 31, 2022:

Operational	Unit	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Ore mined	tonnes	33,756	7,836
Ore processed	tonnes	40,271	11,403
<u>Average head grades</u>			
Silver	g/t	53.4	72.9
Gold	g/t	0.99	0.60
Zinc	%	1.78	1.47
Lead	%	1.52	1.37
Average AgEq head grades	g/t	277	236
Average AgEq head grades	oz/t	8.90	7.58
<u>Average recoveries</u>			
Silver	%	88%	87%
Gold	%	64%	55%
Zinc	%	83%	84%
Lead	%	87%	89%
<u>Metal processed</u>			
Silver	oz	69,218	30,410
Gold	oz	1,286	237
Zinc	lbs	1,577,974	379,486
Lead	lbs	1,351,560	351,372
AgEq processed ⁽¹⁾	oz	358,727	98,327
<u>Metal produced</u>			
Silver	oz	60,544	26,243
Gold	oz	862	-
Zinc	lbs	1,300,419	326,064
Lead	lbs	1,179,026	320,547
AgEq produced ⁽¹⁾	oz	282,687	63,499
<u>Metal sold</u>			
Silver	oz	57,096	20,811
Gold	oz	908	155
Zinc	lbs	1,172,715	339,804
Lead	lbs	1,106,537	334,713
AgEq sold ⁽¹⁾	oz	254,741	59,785
<u>Average realized price ^{(2) (3)}</u>			
Silver	\$/oz	22.6	24.5
Gold	\$/oz	1,889	1,934
Zinc	\$/lbs	1.42	1.83
Lead	\$/lbs	0.97	1.07
Production cost per tonne processed	\$/t	110	242
Cash cost per AgEq ounce processed	\$/oz	18.5	47.5
AISC per AgEq ounce processed	\$/oz	26.6	68.7

Foot notes

1 AgEq ounces were calculated based on all metals produced using the average sales prices of each metal for each month during the period. Revenues from concentrate sales does not consider metallurgical recoveries in the calculations as the metal recoveries are built into the sales amounts.

2 Average realized price is a non-IFRS financial measure, and production cost per tonne processed, cash cost per AgEq ounce produced and AISC per AgEq ounce produced are non-IFRS ratios with no standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For further information, including detailed reconciliations to the most directly comparable IFRS measures, see "Non-IFRS Performance Measures" in this MD&A.

3 Realized price corresponds to the average prices for each metal on the following month after delivery, used to calculate the final value of the concentrate delivered in a given month before any deductions.

NON-IFRS PERFORMANCE MEASURES

We have included certain non-IFRS financial measures and ratios in this Interim MD&A, as discussed below. We believe that these measures, in addition to measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures and ratios are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures and ratios do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

EBITDA and Adjusted EBITDA

“EBITDA” is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See “Reconciliation of Net (Loss) / Income to Adjusted EBITDA” for a quantitative reconciliation of EBITDA to the most directly comparable financial measure.

“Adjusted EBITDA” is comprised as income (loss) less interest, income tax, depreciation, amortization, share-based compensation, and foreign exchange gain (loss). Management believes that Adjusted EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See “Reconciliation of Net (Loss) / Income to Adjusted EBITDA” for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

Cash Costs and All-In Sustaining Cost (“AISC”)

The Company uses cash costs, cash costs per AgEq ounce produced, AISC, and AISC per AgEq ounce produced to manage and evaluate its operating performance in addition to IFRS measure because Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its operations to generate cash flows. The Company understands that certain investors use these measures to determine the Company’s ability to generate earnings and cash flows for use in investing and other activities. Management and certain investors also use this information to evaluate the Company’s performance relative to peers who present this measure on a similar basis.

Cash costs is calculated by starting with cost of sales, and then adding treatment and refining charges, and changes in depreciation and amortization. Total cash production costs include cost of sales, changes in ore and concentrate inventories, changes in depreciation and amortization, less transportation and other selling costs and royalties. Cash costs per AgEq ounce is calculated by dividing cash costs by the AgEq ounces produced.

AISC and AISC per AgEq ounce produced are calculated based on guidance published by the World Gold Council (and used as a standard of the Silver Institute). The Company presents AISC on the basis of AgEq ounces produced. AISC is calculated by taking the cash costs and adding sustaining costs. Sustaining costs are defined as capital expenditures and other expenditures that are necessary to maintain current production. Management has exercised judgment in making this determination.

The following table reconciles cash costs, cash costs per AgEq ounce produced, AISC, and AISC per AgEq ounce produced to cost of sales, the most directly comparable IFRS measure:

		For the three months ended March 31, 2023		For the three months ended March 31, 2022
Cost of sales	\$	4,986,532	\$	3,829,209
Changes in concentrate inventory		(132,927)		(29,279)
Royalties		(137,358)		(48,197)
Transportation and other selling costs		(79,610)		(31,888)
Amortization		(427,544)		(45,316)
Total cash production costs	\$	4,209,094	\$	3,674,530
Royalties		137,358		48,197
Transportation and other selling costs		79,610		31,888
Treatment and refining charges and penalties		809,521		253,762
Total cash costs (A)	\$	5,235,582	\$	4,008,377
General and administrative		759,491		664,323
Operating lease payments		-		77,871
Accretion and Amortization of Reclamation		20,601		14,102
<u>Sustaining Capital Expenditure:</u>				
<i>Development</i>		1,478,326		272,839
<i>Purchase of PP&E</i>		24,226		319,680
Sustaining costs (B)	\$	2,282,645	\$	1,348,815
All-In-Sustaining costs (A+B)	\$	7,518,227	\$	5,357,191

The following table shows the calculation of the cash costs and AISC per AgEq ounces produced:

		For the three months ended March 31, 2023		For the three months ended March 31, 2022
AgEq ounces produced		282,687		63,499
<u>Totals:</u>				
Cash costs		5,235,582		4,008,377
Sustaining costs		2,282,645		1,348,815
All-In-Sustaining costs	\$	7,518,227	\$	5,357,191
<u>Per AgEq ounces produced:</u>				
Cash costs		18.5		63.1
Sustaining costs		8.1		21.2
All-In-Sustaining costs	\$	26.6	\$	84.4

Average Realized Price

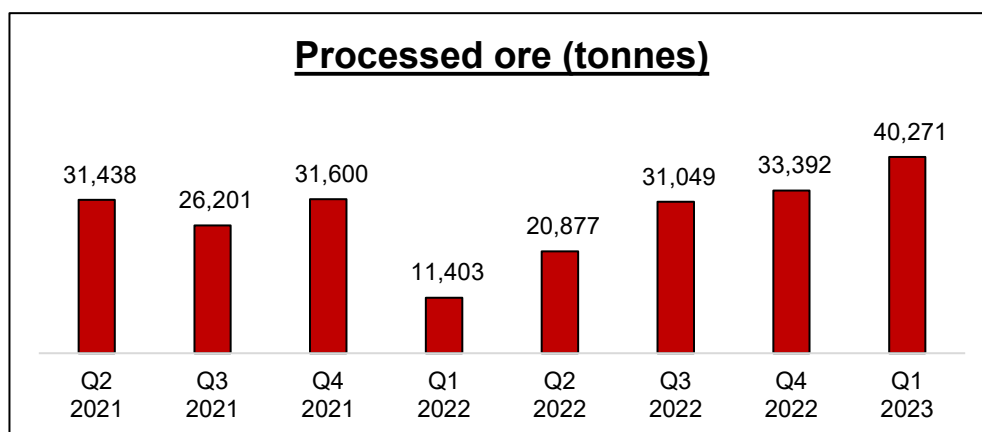
Average realized price is a non-IFRS financial measure. The Company uses "average realized price per ounce of silver", "average realized price per ounce of gold", "average realized price per ounce of zinc" and "average realized price per ounce of lead" because it understands that in addition to conventional measures prepared in accordance with IFRS, certain investors and analysts use this information to evaluate the Company's performance as compared with average market prices of metals for the period.

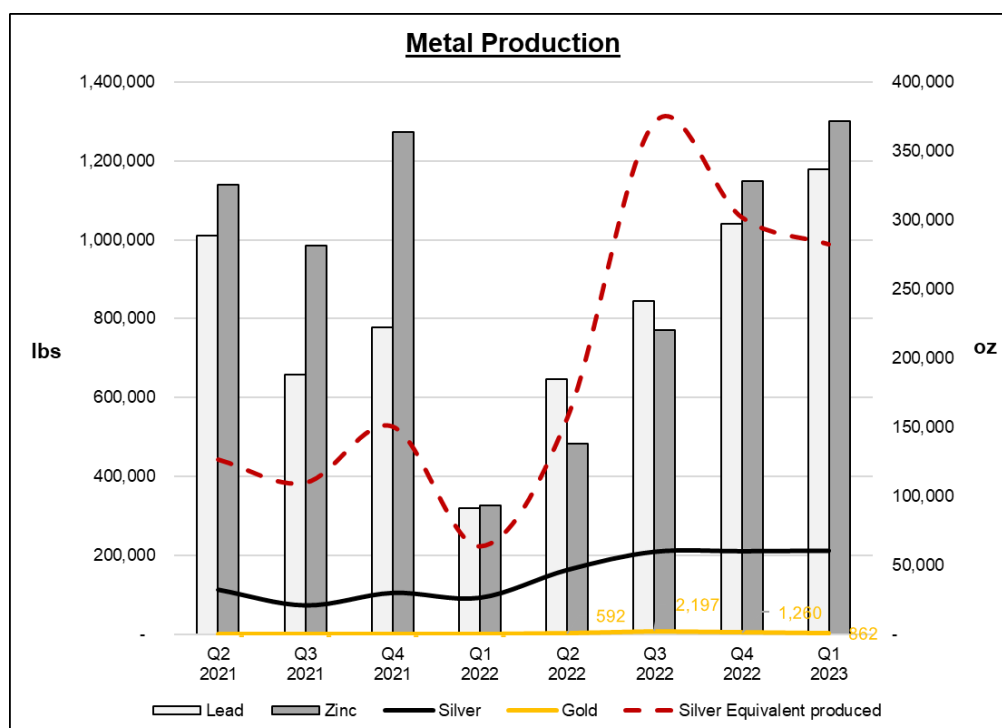
Average realized metal prices represent the sale price of the metal. Average realized price corresponds to the average prices for each metal on the following month after delivery, used to calculate the final value of the concentrate delivered in a given month before any deductions.

		For the three months ended March 31, 2023	For the three months ended March 31, 2022
Silver			
Gross revenue	\$	1,290,028	509,111
Metal sold	oz	57,096	20,811
Average realized price	\$/oz	22.59	24.46
Gold			
Gross revenue	\$	1,714,420	300,602
Metal sold	oz	908	155
Average realized price	\$/oz	1,888.72	1,934.47
Zinc			
Gross revenue	\$	1,660,752	620,606
Metal sold	lbs	1,172,715	339,804
Average realized price	\$/lbs	1.42	1.83
Lead			
Gross revenue	\$	1,075,698	357,707
Metal sold	lbs	1,106,537	334,713
Average realized price	\$/lbs	0.97	1.07

Production Cost Per Tonne Processed

Production cost per tonne processed is a non-IFRS measure and is calculated as the total production costs divided by the tonnes processed. A reconciliation between production cost per tonne (excluding amortization and changes in inventories) and the cost of sales is provided below. Changes in inventories are excluded from the calculation of Production Cost per Tonne Processed. Changes in inventories reflect the net cost of concentrate inventory (i) sold during the current period but produced in a previous period or (ii) produced but not sold in the current period. The Company uses Production Cost Per Tonne Processed to evaluate its operating performance in addition to IFRS measure because Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its operations to generate cash flows. Management and certain investors also use this information to evaluate the Company's performance relative to peers who present this measure on a similar basis.





		For the three months ended March 31, 2023		For the three months ended March 31, 2022
Cost of Sales	\$	4,986,532	\$	3,829,209
<u>Adjustments - increase/(decrease):</u>				
Amortization		(427,544)		(45,316)
Changes in inventories		(132,927)		(29,279)
Production cash costs (excluding inventory adjustments)	\$	4,426,061	\$	3,754,614
Tonnes processed		40,271		11,403
Production cash cost per tonne processed	\$/t	110	\$/t	329

LIQUIDITY AND CAPITAL RESOURCES

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Net cash provided by (used in) operating activities	1,743,202	(1,751,102)
Net cash provided by (used in) financing activities	(19,481)	142,251
Net cash used in investing activities	(1,763,187)	(627,950)
Net change	(233,583)	(2,063,784)
Cash, end of period	\$ 790,396	\$ 2,442,104

Cash provided by operating activities for three months ended March 31, 2023, was \$1.7M compared to \$1.8M cash used in operating activities for the three months ended March 31, 2022. The cash inflow in the current period was due to increased production at the Company's mining operations.

Cash used in investing activities during the three months ended March 31, 2023, was higher at \$1.8M compared to \$0.6M during the three months ended March 31, 2022, as the Company continued to invest in the development of the Tangana mining unit.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to advance its mineral property and pursue growth opportunities. The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties.

The property in which the Company currently has an interest is in the exploration, development and production stage; as such, the Company is dependent on external financing to fund its activities. In order to pay for limited property care and maintenance and general administrative costs, the Company will spend its existing capital resources. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, investments, common shares, and stock options as capital. There have been no changes to the Company's approach to capital management during the period ended March 31, 2023. The Company's investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

The Company does not expect its current capital resources to be sufficient to cover its capital expenditure and corporate general and administrative expenditure through the next 12 months and as such, will need to obtain additional capital resources. Actual funding requirements may vary from those previously planned due to a number of factors, including the progress of the Company's business activities and economic condition.

RELATED-PARTY TRANSACTIONS

The Company's related-party transactions during the three months ended March 31, 2023, consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Mysterybelle Ltd (Director)	Director fees
Altitude Exploraciones (Director, Officer)	Exploration and evaluation expenses
Vihren Management LTD. (Officer)	Compensation expense
Serebro Corp. (Director, Officer)	Compensation expense

As at March 31, 2023, the Company had \$4,346 outstanding in accounts payables and accrued liabilities (December 31, 2021 - \$219,833) and \$73,898 outstanding in supplier advances associated with related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include certain directors and officers. Key management compensation, including amounts discussed above, is comprised of:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Compensation expense	\$ 183,914	\$ 161,347
Directors' fees	35,027	11,017
Share based payment	60,845	63,400
	\$ 279,786	\$ 235,763

SHAREHOLDERS' EQUITY

The authorized capital stock consists of an unlimited number of common shares without par value. As at March 31, 2023, and the date of this report, the company had the following:

	Stock options	Share purchase warrants	RSUs	Common shares
As at March 31, 2023	8,450,000	8,594,327	250,000	157,096,027
Warrant exercise	-	(446,500)	-	446,500
Option exercise	(187,500)	-	-	187,500
As at date of report	8,262,500	8,147,827	250,000	157,730,027

Current period ended March 31, 2023

- On February 3, 2023, 22,500 common shares were issued in relation to the exercise of warrants with an exercise price of C\$0.33 for total proceeds of \$5,534.
- On March 23, 2023, 75,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.25 for total proceeds of \$13,715.

Twelve month period ended December 31, 2022

- On January 27, 2022, the Company issued 780,250 common shares at a price of C\$0.31 for the settlement of \$200,000 of accrued interest (up to December 31, 2021) on the \$4,000,000 Baker Steel convertible debenture resulting in a gain on settlement in the amount of \$14,412. In connection with the settlement of the accrued interest, the Company paid share issue costs of \$13,041 in cash.
- On June 8, 2022, the Company issued 459,872 common shares at a price of C\$0.23 for the settlement of \$109,589 of accrued interest (from January 1, 2022 to the settlement date) on the \$4,000,000 Baker Steel convertible debenture resulting in a gain on settlement in the amount of \$28,433.

The Company issued 8,641,183 common shares valued at \$4,117,279 to Baker Steel convertible debenture holders upon conversion. In connection with the early conversion of the debenture, the Company issued additional 8,144,150 common shares at a price of C\$0.33 resulting in a loss on conversion in the amount of \$2,062,122. In addition, the Company agreed to pay a prepayment fee of \$88,767, which was settled by issuing 372,496 common shares at a price of C\$0.23 resulting in a gain on settlement in the amount of \$23,031.

- On August 22, 2022, the Company issued 1,801,256 common shares at a price of C\$0.21 for the debt

settlement agreement with Maverix Metals Inc. in the amount of \$494,706 less 15% withholding tax payable to Peruvian government resulting in a gain on settlement in the amount of \$130,265.

- d) On October 14, 2022, the Company closed the first tranche of its private placement with the placement of 8,648,254 units of the Company at a price of C\$0.22 per unit for a gross proceed of \$1,459,841.

On October 28, 2022, the Company closed the second and final tranche of the private placement with the placement of an additional 4,906,187 units of the Company at a price of C\$0.22 per unit for additional gross proceeds of \$828,174.

For both tranches, each unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole such warrant, a "Warrant"). Each warrant entitles the holder to purchase one common share in the capital of the Company at a price of C\$0.33 for a period expiring two years following the applicable closing dates of the private placement.

In connection with the private placement, the Company paid finders fees of \$124,275 and issued 372,700 brokers warrants as with the same terms of the unit. The brokers warrants were valued at \$28,658 using the Black-Scholes valuation model with the following weighted average assumptions: expected life of 2 years, expected stock price volatility of 85.07%, dividend yield of 0%, risk free interest rate of 3% and the fair value of common shares at the date of grant of C\$0.25.

- e) On November 2, 2022, 250,000 RSU's were cancelled and 575,000 common shares were issued in relation to the vesting of RSUs.
- f) On November 8, 2022, 250,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$51,791.
- g) On November 16, 2022, 50,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$10,358.
- h) On November 28, 2022, 300,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$62,150.
- i) On December 20, 2022, 100,000 common shares were issued in relation to the exercise of options with an exercise price of C\$0.27 for total proceeds of \$20,717.

As at March 31, 2023 options entitling the holders to acquire common shares are as follows:

Expiry date	Number of options	Number of vested options	Weighted average remaining life in years	Weighted average exercise price
June 24, 2025	150,000	150,000	2.24	C\$ 0.27
November 2, 2025	250,000	250,000	2.59	C\$ 0.70
June 21, 2026	4,400,000	4,400,000	3.23	C\$ 0.60
August 23, 2026	1,425,000	1,425,000	3.40	C\$ 0.60
August 9, 2027	1,875,000	1,406,250	4.36	C\$ 0.25
November 4, 2027	350,000	175,000	4.60	C\$ 0.23
	8,450,000	7,806,250	3.53	C\$ 0.50

As at March 31, 2023 warrants entitling the holders to acquire common shares are as follows:

Expiry date	Number of warrants	Weighted average remaining life in years	Weighted average exercise price
June 23, 2023	1,466,908	0.23	C\$0.60
October 20, 2024	4,573,156	1.54	C\$0.33
October 28, 2024	2,554,263	1.56	C\$0.33
	8,594,327	1.33	C\$0.38

As at March 31, 2023 the Company had 250,000 RSU's outstanding.

SUBSEQUENT EVENTS

On April 3, 2023, 21,500 common shares were issued in relation to the exercise of warrants with an exercise price of C\$0.33 for total proceeds of \$5,243.

On April 5, 2023, 280,000 common shares were issued in relation to the exercise of warrants with an exercise price of C\$0.33 for total proceeds of \$68,663.

On April 10, 2023, 187,500 common shares were issued in relation to the exercise of options with an exercise price of C\$0.25 for total proceeds of \$34,779.

On April 11, 2023, 120,000 common shares were issued in relation to the exercise of warrants with an exercise price of C\$0.33 for total proceeds of \$29,275.

On April 21, 2023, 25,000 common shares were issued in relation to the exercise of warrants with an exercise price of C\$0.33 for total proceeds of \$6,094.

On May 17, 2013 the Company announced a non-brokered private placement of up to 10,000,000 units at a price of C\$0.30 per unit for gross proceeds of up to C\$3,000,000. Each unit comprising one common Share and one share purchase Warrant with each Warrant entitling the holder to purchase one Share of the Company at a price of C\$0.45 per Share for a period of 24 months from the date of closing of the private placement.

In the event that at any time following the date that is 4 months and one day following the Closing Date, the closing price of the Shares of the Company is at or above \$0.60 per Share for a period of 10 consecutive trading days during the Warrant exercise period (with the 10th such trading day hereafter referred to as the "Eligible Acceleration Date"), the Warrant expiry date shall accelerate to the date that is 60 days after the Eligible Acceleration Date. Finder's fees of 6% cash and 6% finder's warrants may be payable to eligible parties.

RISKS AND UNCERTAINTIES

Foreign Currency Risk

The Company operates mainly in Canada and Peru and is therefore exposed to financial risk related to the fluctuation of foreign exchange rates. The Company funds cash calls to its subsidiary companies outside of Canada in Canadian or US dollars, and a portion of its expenditures are incurred in local currencies. The risk is that a significant change in the exchange rate of the Canadian dollar relative to the US dollar and the Peruvian sol could have an adverse effect on the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations. The Company is exposed to currency risk through assets and liabilities denominated in these foreign currencies. A 10% change in the exchange rate of these foreign currencies to the Canadian dollar would increase or decrease approximately \$0.3 million to the net loss or income from operations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest Rate Risk

Interest rate risk consists of two components:

- To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

- To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at March 31, 2023, an 1% change in market interest rates would result in no material change in value of the assets or liabilities of the Company.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's properties does not have a known commercial ore deposit in the form of reserves. The main operating risks include: securing adequate funding to maintain and advance exploration properties; defining mineral resources and mineral reserves, ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Title to Mineral Property Risks

The Company does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of silver and gold, base metals and other minerals may adversely affect cashflow from The Company's operation and The Company's ability to raise capital in order to fund its ongoing exploration and development or the value it may obtain on disposal of an asset. Commodity price declines could also reduce the amount the Company would receive on the disposal of its mineral properties to a third party. Refinery and treatment terms may also adversely impact the company.

Financing and Share Price Fluctuation Risks

The Company is dependent on outlining mineral reserves and developing access to them so that they can be processed on a sustainable, profitable basis. Further exploration and development of the Company's project may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its project which could result in the loss of its property.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly affecting those parts of a company considered to be at exploration stage, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's investments and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

The Company operates in Peru. Changing political aspects may affect the regulatory environment in which the Company operates. A significant portion of the Company's expenditures are incurred in US dollars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the US dollar could have an adverse impact on the amount of development and exploration conducted.

South America which has specific risks that may adversely affect the Company's business and results of operations which are different from and, in many cases, greater than comparable risks associated with similar operations within North America. The political and economic environment in Peru has been unstable in the past, and the country has been subject to strikes and general civil unrest. There can be no assurance that the political or economic environment in Peru will be stable in the future. Risks associated with political or economic instability include, but are

not limited to, terrorism, hostage taking, military repression, high rates of inflation, currency fluctuations and controls, crime, corruption uncertainty of the rule of law and legal systems, misuse of legal systems, labour unrest, risks of war or civil unrest, illegal mining and possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Changing social expectations could add new layers of risk to the viability of exploitation, exploration and development properties as recently experienced.

Competition

The Company competes with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

Conflict of Interest

Certain directors and officers of the Company are or may become associated with other mining and/or mineral exploration and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner or to allocate opportunities that they become aware of to the Company could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

FORWARD LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "will", "may", "should", "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements which, by their very nature, are not guarantees of the Company's future operational or financial performance.

Forward-looking statements are not historical facts and include, but are not limited to:

- a) Estimates and their underlying assumptions;
- b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model, future operations, the impact of regulatory initiatives on the Company's operations and market opportunities;
- c) General industry and macroeconomic growth rates;
- d) Uncertainty on success of corporate development initiatives;
- e) Expectations related to possible joint or strategic ventures; and
- f) Statements regarding future performance.

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

Forward-looking statements used in this MD&A are subject to various known and unknown risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, failure to obtain licenses that are expected to be issued (or issued in a timely manner), impact resulting from lack of community support, impact resulting from lack of governmental and regulatory support and other factors. This list is not exhaustive and these and other factors should be considered carefully.

Readers are cautioned not to place undue reliance on these forward-looking statements which pertain only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as required by securities law.

QUALIFIED PERSON

Geological and mining technical information presented in this MD&A above has been reviewed and approved by Mr. John Bolaños or Mr. A. David Heyl, both of whom are qualified persons as defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

Mr. Heyl, B.Sc., C.P.G., QP is a Certified Professional Geologist and Qualified Person under NI 43-101. With over 35 years of field and upper management experience, Mr. Heyl has a solid geological background in generating and conducting exploration and mining programs for gold, rare earth metals and base metals, resulting in several discoveries. Mr. Heyl has 20 years of experience in Peru. He worked for Barrick Gold, was the exploration manager for Southern Peru Copper and spent over twelve years working in and supervising underground and open pit mining operations in the Americas. Mr. Heyl is a consultant for the Company.

Mr. John E. Bolaños qualified with an M.Sc. in Mining Geology from Camborne School of Mines (U.K.) and a Professional Geologist Eng. from The Central University of Ecuador (honours degree). He is a registered member of the Society for Mining, Metallurgy & Exploration (SME) of the United States; Director of the Ecuadorian College of Engineers in Geology, Mines, Oil and Environment and a member of the Mining Chamber of Ecuador. He has 28 years of experience in the exploration and mining industry throughout the Americas. Mr. Bolaños is a consultant for the Company.

Information on data verification performed on the mineral properties mentioned in this MD&A that are considered to be material mineral properties to the Company are contained in the current technical reports for those properties, all available under the Company's profile at www.sedar.com.